



**BINDURA UNIVERSITY OF SCIENCE EDUCATION**

**FACULTY OF COMMERCE**

**DEPARTMENT OF ACCOUNTING**

**INTERNATIONAL FINANCIAL STANDARDS (IFRS) ON THE QUALITY OF  
FINANCIAL STATEMENTS IN THE FINANCIAL SECTOR. ZB BANK CASE STUDY.**

**B1953388**

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**THE APPROVED FORM**  
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The undersigned certify that they have read recommended to the Bindura University of Science Education for examination: a dissertation entitled International Financial Standards on the quality of financial statements in the financial sector; submitted by B1953388 in partial fulfillment of the requirements for the Bachelor of Accountancy (Honours) Degree

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## **DEDICATION**

This research is dedicated to my father and mother.

## **ABSTRACT**

The primary purpose of the adoption of IFRS as a single set of high-quality international accounting standards is to increase the transparency and enhance the comparability of financial statements globally, which assumes to strengthen the equity and debt markets in the adopting countries (Chen et al., 2014).

Application of IFRS have enabled the world to have one set of accounting standards and adoption of these standards brought about many opportunities and benefits to the economy and public and private business organizations such as financial institutions which this study serves to explore. Adekoya (2014) commended that adoption of a uniform standard reduces costs of doing business across the national boundaries, thereby lowering pressure of supplementary information. Information become more comparable, therefore it enhances evaluation and analysis by users of financial statements. Businesses operate in a global village therefore they interact themselves as well as with investors and other stakeholders, as a result it will be at their exposure to access huge investment among other opportunities, the main issue will be a common language which implies that if a firm adopts IFRS in its reporting, it will be easy for interested parties to understand the accounts and be able to make investment decisions. This clearly supports that IFRS are becoming an instrument for effective communication between companies and investors. Therefore this study serves to explore the impact of international financial standards (IFRS) on the quality of financial statements in the financial sector, using a case study of ZB bank.

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# CHAPTER 1

## INTRODUCTION

### 1.0 Introduction

The adoption of IFRS as a universal set of high-quality accounting standards aims to enhance the transparency and comparability of financial statements globally, thereby boosting the equity and debt markets of adopting countries. Utilizing these standards has numerous benefits for the economy, public and private organizations, and financial institutions, thereby warranting investigation. A uniform set of standards lowers the costs of doing business across national borders, supportsability, improves evaluations and analysis, and enhances communication between businesses, investors, and stakeholders. This study examines the impact of IFRS on financial statement quality in the financial sector, using ZB bank as a case study.

### 1.1 Background of the study

Since 2001, the International Accounting Standards Board (IASB) an independent, non-profit organization has played an important role by developing high-quality International Financial Reporting Standards (IFRS) for use internationally for financial reporting purposes. Its main objective is to achieve international convergence. The European Union's publicly listed firms are required to prepare their financial reports in accordance with IFRS. Taiwan adopted IFRS in 2012 and many other developing and developed countries have either adopted IFRS or are in the process of the adoption. Approximately 140 countries around the world have now permitted IFRS adoption (Dayanandan et al. 2016).

Globally, the demand for transparent, comparable, reliable financial information in the markets caused by the high-profile corporate scandal in the U.S. and that acclaimed to have contributed to the economic meltdown triggered of the quest for International Financial Reporting Standard (Tahoun, and Wang, 2017). Hence the need for harmonization of accounting reporting standards and other measures to mitigate such occurrence. The inevitability of globalization occasioned the unavoidable increased integration and adoption of IFRS, its drive to economic growth and call for formal harmonisation and integration of African stock markets to aid informational efficiency

point to the fact that accounting information is vital to capital market growth around the globe, (Gu and Semba, 2016).

Most countries in Africa have tended to accept the adoption of IFRS guidelines in a way to harmonize accounting reporting standards. Zimbabwe decided to adopt IFRS in 1993 (then called IAS Standards) and were legally operationalised in 1996 with the publication of Statutory Instrument 62 of 1996. The adoption of IFRS is an acknowledgment of the importance of the accounting profession and its role in providing useful financial information to aid proper allocation of limited resources and comparable accounting information for investment decision by investors and other stakeholders, (Ofoegbu and Odoemelum, 2018). The banks in Zimbabwe have embraced the IFRS 9 in order to gain the mutual benefits arising from recognising and respecting International Accounting Standards (IAS).

Despite ZB's implementation of IFRS, for both the financial year ending on December 31, 2018, and the financial year ending on December 31, 2019, the bank received an unfavorable opinion in the auditor's report. The auditor found that ZB was not presenting its consolidated and separate financial statements in compliance with the relevant laws and regulations, which include the Companies Act, the Banking Act, the Building Societies Act and the Insurance Act, as well as statutory instruments SI 33/99 and SI 62/96. (Herald 2021).

Financial statements serve various users, including management, owners, creditors, government agencies, regulatory authorities, investors, and analysts, with each group having distinct interests in the information presented. Investors, for instance, seek information that helps them make informed investment decisions. To provide feedback on the effect of IFRS adoption on accounting quality, this research seeks to analyze the influence of these standards on financial statement quality in the financial sector, using ZB bank as a case study.

## **1.2 Statement of the Problem**

Although many countries have faced challenges in their decisions to adopt IFRS, its widespread adoption has been promoted by the argument that the benefits outweigh the costs. Despite several advantages of the adoption of a generally accepted practice worldwide, the adoption of IFRS in the preparation of financial statements in ZB bank has been questioned by stakeholders saying the

disadvantages and challenges of IFRS adoption are outweighing the benefits of adopting IFRS. Specifically, ZB bank is still lacking in the comparability quality of financial report even though it have adopted IFRS. Also, relevance principle is still found missing in ZB bank. Lack of clarity is still key factors affecting ZB bank despite adoption of IFRS. This study intends to evaluate the effect of adopting IFRS on the quality of financial statements in the financial sector by analyzing a case study of ZB Bank. The primary objective is to provide feedback on whether the transition to IFRS has improved accounting quality, thereby contributing to the existing body of knowledge on financial reporting and its impact on the financial industry..

### **1.3 Objectives of the Study**

#### **1.3.1 Primary Objective**

The aim of this research is to determine the impact of IFRS on the quality of financial statements in ZB Bank, with the objective of identifying the degree of influence of these standards on the bank's financial reporting quality.

#### **1.3.2 Secondary research objectives**

- i. To assess ZB Bank's adherence to the International Financial Reporting Standards (IFRS).
- ii. To determine the benefits and challenges of ZB Bank adopting IFRS.
- iii. The purpose of this research is to analyze the initiatives undertaken to encourage the adoption of IFRS in ZB Bank and assess the effectiveness of these efforts in promoting the uptake of these international accounting standards.

### **1.4 Research Questions**

- i. What is ZB Bank's adherence level to the International Financial Reporting Standards (IFRS)?
- ii. What are the benefits and challenges for adopting IFRS to ZB Bank?
- iii. What are the efforts that have been put in place to promote IFRS uptake by ZB Bank?

## **1.5 Significance of study**

### **To the researcher**

Conducting this research will provide the researcher with valuable research skills and experience, including the ability to apply academic theories to practical procedures. Additionally, the research is a requirement for partial fulfillment of a bachelor of honors degree in Accountancy at Midlands State University.

### **To Bindura University of Science Education**

The findings will contribute to the body of knowledge on the issue of IFRS adoption and its impact on the quality of financial statements in the financial sector and shall also pave way for future researches to other researchers.

### **To ZB Bank**

By conducting this research study, ZB Bank will be able to develop policies that promote the adoption of IFRS and enhance the enforcement of these regulations. As a result, the bank can improve the quality of financial statements take advantage of the benefits that come with full compliance with IFRS. The research findings can serve as a guide for ZB Bank as they work towards improving their financial reporting practices.

## **1.6 Assumptions of the study**

It was assumed that IFRS adoption affect the quality of financial statements by ZB bank inorder for the research to be researchable. Apart from that, it was also assumed that the sample taken was a true representative of the population under study.

## **1.7 Delimitation**

The study delimitation was divided into four categories: geographical, theoretical, data, and participants.

### **1.7.1 Geographical delimitations**

This research focuses on commercial banks, with ZB Bank being the primary case study. The sample for the study was chosen from the finance and accounts departments of ZB Bank's Rotten Row and Natal branches in Harare. This selection was made because the researcher resides in Harare and works for ZB Bank, making it easier to extract relevant data.

### **1.7.2 Theoretical delimitations**

The research was delimited to the relationship between IFRS adoption and quality of financial statements at ZB bank. Conceptually, this research was limited to the effect of IFRS adoption on quality of financial statements using ZB bank as a case study.

### **1.7.3 Data delimitation**

The information used was based on what ZB bank has done the period 2018 to year 2020. This research covered the period of 2018 to 2020. Relevant matters outside this period was referred to only to give the reader an appreciation of the past relevant to the study.

### **1.7.4 Participants**

The research participants were limited to be ZB bank employees from finance, accounts and auditing departments only amongst all other departments in ZB bank Rotten row and Natal Branch.

## **1.8 Limitations**

The study faced three forms of limitations namely, Covid-19 Outbreak, time constraints as well as confidentiality issues.

### **1.8.1 Covid-19 Outbreak**

The Covid-19 outbreak posed a significant challenge to this research study, especially with restrictions on social distancing and travel that impeded data collection efforts. However, the researcher was able to overcome these challenges by seeking the necessary permission from authorities to conduct travel, distribute questionnaires, and conduct contact interviews, thereby ensuring that the study progressed as planned.

### **1.8.2 Time limitation**

The researcher faced a challenge on time to collect questionnaires and to contact interviews as the researcher most of the time is at work. To overcome this, the researcher seek the help of a colleague

to distribute and collect some of the questionnaire and to be able to contact interviews the researcher made use of appointments and requested time off at work.

### **1.8.3 Confidentiality**

Vital information were not easy to disclose by the primary and secondary sources of data as this was seen as a threat. To solve this problem, the researcher explained fully to the company officials of the importance of the research and how the findings were of significance in the attainment of organisational goals once the project has been completed.

## **1.9 Definitions of Key terms**

**Accounting:** This is defined as the process of identifying, measuring, and communicating economic information to permit informed judgements and decisions by users of the information (Wood and Sangster, 2005).

**Financial Statements:** Financial statements are a collection of reports about an organization's financial results, conditions and cash flows.

**Income Statement:** These are financial statement that measures a company's financial performance over a specific period (Wood and Sangster, 2005).

**Statement of Cash Flow:** Statement of cash flow is a financial statement that shows changes in the balance sheet (financial position) accounts and income affect cash and cash equivalents and breaks the analysis down to operating, investing and financing activities (Bodie, Zane; Alex Kane and Alan 2004).

## **1.10 Chapter Summary**

This chapter provided an overview of the research study, covering aspects such as the background, statement of the problem, research objectives and questions, assumptions, significance, and definitions of terms. Delimitations and limitations of the study were also discussed. The following chapter will concentrate on the existing body of knowledge from other researchers in the realm of ethical accounting practices.

## **CHAPTER II**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

In this section, the study reviewed conceptual clarification, theoretical framework and empirical literature related to International Financial Reporting Standards (IFRS) adoption and quality of financial statement prepared by ZB Bank.

#### **2.1 Conceptual Clarification**

##### **2.1.1 Concept and Design of International Financial Reporting Standards (IFRS)**

IFRS, also known as Transnational Accounting Standard, serves as a universal language for business, ensuring that financial statements are uniform and comparable internationally. It provides a global outlook based on a shared understanding of financial statements. As national accounting standards shift toward IFRS, it enhances foreign relations between countries and promotes uniformity in accounting standards across different nations. Accountants in Zimbabwe can learn and comprehend the accounting practices of other countries using these uniform standards. IFRS is known as "principles-based" standards because it establishes general principles while also dictating precise treatments for financial reporting. (Rudzani et al., 2014).

Advocates of IFRS argue that publicly traded companies must use a single set of high-quality accounting standards to improve capital markets' functioning, increase transparency, decrease information costs, and boost market efficiency and liquidity. However, it is unclear whether mandatory adoption of IFRS yields better information or enhanced accounting comparability compared to previous accounting systems. Despite the potential benefits of IFRS adoption, the associated compliance costs, including direct and indirect costs, cannot be ignored. Indirect costs may include increased volatility in financial statements due to the fair value orientation of IFRS and the potential for managerial manipulation. The question of whether true harmonization can be



achieved through IFRS remains a topic of debate, with many experts arguing that implementing the same accounting standards can still result in differences between countries.

International Financial Reporting Standards (IFRS) are becoming increasingly essential for companies with international trade and shareholders. These standards are taking precedence over various national accounting standards and provide guidelines for accountants to maintain comparable, understandable, reliable, and relevant books of accounts that meet the needs of both internal and external stakeholders. (Rudzani et al., 2014).

Initially, IFRS was developed to harmonize accounting practices across the European Union, but its value quickly became recognized worldwide. IFRS was previously referred to as International Accounting Standards (IAS), which were established by the International Accounting Standards Committee (IASC) between 1973 and 2001. On April 1, 2001, the International Accounting Standards Board (IASB) replaced the IASC as the responsible body for setting International Accounting Standards. During its first meeting, the IASB adopted existing IAS and Standing Interpretations Committee (SIC) standards and has since continued to develop new standards under the name International Financial Reporting Standards. (KPMG, United Kingdom, 2010)

### **2.1.2 Concept of International Financial Reporting System (IFRS)**

According to Essien-Akpan (2011), adopting IFRS can enhance transparency, accountability, and integrity in financial reporting, which can help address the financial crisis in the Nigerian financial sector. This crisis resulted in Nigeria losing foreign direct investment (FDI) in the oil and gas sector to countries like Ghana, who are perceived to have better financial reporting standards in place. Additionally, Barth et al. (2008) state that financial accounting concepts and standards represent a theoretical framework that has evolved through the description of accounting practices. As a result, various accounting practices have emerged, leading to a lack of uniformity and making it challenging for financial report users to compare results across different companies.

Olamide and Ajibade (2016) noted that several corporate collapses and fraud cases in Nigeria and globally have led to concerns about the credibility of operational and financial practices of institutions in Nigeria. This has prompted various professional and regulatory organizations to

propose reforms that can enhance transparency in financial reporting systems and improve audit quality and corporate practices. While developed countries have long implemented sound financial systems, this is still a relatively new concept in Zimbabwe.

The growth of international trade, cross-border financial transactions, and investments has led to the adoption of IFRS by both developed and developing countries, as noted by Armstrong et al. (2009). In 2002, the European Union endorsed a regulation requiring public companies within its territory to move to IFRSs by 2005, leading to more African countries, including Nigeria, Ghana, Sierra Leone, South Africa, Kenya, Zimbabwe, and Tunisia, adopting or planning to adopt such standards. Nigeria's adoption of IFRS began in 2010 and was planned to start with public listed companies in 2012, with a full compliance deadline of the end of 2014. As of today, the banking sector has fully implemented IFRS. This is a significant progress for developing countries that lacked resources to establish their own standards. (Madawaki, 2012; Sanya & Ojeka, 2017).

### **2.1.3 Quality of financial reports**

Financial reporting quality refers to accurate and unbiased financial statements that provide fair information about the financial position and performance of an entity. Cheung, Evans, and Wright (2010) highlight the importance of relevance in financial reporting, which denotes the usefulness of financial information in aiding decision-making processes. IFRS emphasizes the role of relevance in financial statements. Annual reports play a crucial role in determining relevance as they provide forward-looking information. Reliability is another key quality that is achieved when financial information is unbiased and free from material errors, thus ensuring that users can rely on the information. (Braam and Boelens, 2009).

The reliability of financial reporting is analyzed based on the qualities of faithful and verifiable information, as noted by Cheung, Evans, and Wright (2010). Comparability is another essential quality that allows users to compare financial statements to determine an entity's financial position, cash flow, and performance. It ensures that identical events in different situations are reflected by identical accounting figures and facts, with notes to the accounts disclosing any changes in accounting policies and their implications. Financial ratio presentation also contributes to comparability among different organizations. Clarity is another crucial quality of financial information. Effective communication is the to achieving clarity, and well-organized annual reports allow for better comprehension by users, thus enhancing the quality of information presented. (Braam and Boelens, 2009).

#### **2.1.4 Rationale for the Adoption of International Financial Reporting Standards in Financial Statements**

According to Atu (2013), financial statements should accurately reflect an organization's business affairs and financial position. They serve multiple purposes for different stakeholders, including regulators, and are useful for checking financial performance during specific periods and facilitating comparison. Price Waterhouse Coopers (2009) notes that financial statements enable the development of a single set of high-quality and understandable global accounting standards, requiring transparent and comparable information. Investors and stockbrokers across the globe can understand financial statements, aiding convergence of national accounting standards. IFRSs are intended for profit-oriented entities and require financial statements to present a true and fair view of an entity's financial health.

#### **2.1.5 Benefits of IFRS Adoption**

According to several sources, including Deloitte (2013), Madawaki (2014), Adeyemi (2016), Omoruyi (2011), and Ronald (2017), the adoption of IFRS offers numerous benefits despite the challenges present during implementation. IFRS simplifies accounting procedures by enabling a common reporting language, promotes collation of relevant data for comparability, reliability, facilitates informed decision-making, attracts foreign investment, and fosters easy regulation. Adoption of IFRS also promotes easy external financing for local companies, low-cost trans-border businesses, and easy consolidation of financial statements of multinational companies. The systematic approach of IFRS enhances financial reporting quality by promoting understandability, reliability, relevance, and comparability. This enhances corporate transparency, improves the comparability of financial statements, and results in higher market liquidity and improved security value.

Tanko (2012) and Abata (2015) highlight several unique benefits of IFRS adoption, including improved financial reporting quality, increased access to foreign investment, enhanced comparability, and transparency. Abata (2015) also notes that benefits include decreased cost of capital, efficient capital allocation, international capital mobility, capital market development, increased market liquidity and value, cross border movement of capital, and improved transparency of results. Street and Gray (2012) provide further benefits of IFRS adoption, such as reduced investment risk and cost of capital for entities, improved cross-border capital allocation,

enhanced comparability of financial information across entities, opacity of financial information to stakeholders, optimization of tax planning, and promotion of international investment opportunities.

Deloitte (2013) also notes that IFRS fosters comparability of entities, provides accurate and consistent financial information, enables access to the global marketplace and world capital market, helps to promote new businesses, and allows investors to compare the performance of entities on a local, national, and international level. IFRS also provides additional and quality information for shareholders and supervisory authorities, promotes easier regulation of financial reporting, and facilitates the consolidation of financial information of entities with offices in different countries. Adoption of IFRS allows entities to have a competitive advantage in negotiations with credit institutions and reduce the cost of borrowing. It also promotes the use of alternative forms of finance, results in more accurate risk evaluations by lenders, assures useful and meaningful decisions on investment portfolios, and facilitates the compilation of meaningful data on the performance of various reporting entities, encouraging comparability, efficiency, reliability, and transparency in financial reporting.

### **2.1.6 Challenges of IFRS Adoption**

Although IFRS comes with various advantages, its implementation faced numerous challenges in different countries. The effectiveness of IFRS is limited by the local business environment and institutional framework, which largely define the structure and content of accounting standards. In countries with strong and effective governance, adopting IFRS may not be necessary due to their high-quality governance. However, developing countries often struggle with weak institutions, which can be a strategic determinant for IFRS adoption. Therefore, the decision to adopt IFRS depends on the institutions and the associated costs that are deemed justifiable in each country.

According to Duh (2009), the challenges of IFRS adoption include interpreting standards in a timely manner, continuous amendments to IFRS, accounting expertise among financial statement users, preparers, auditors, regulators, and managerial incentives. While IFRS has potential benefits such as increased transparency, decreased informational costs, and functional financial markets, Armstrong (2007) argued that cultural, political, and business differences create difficulties in achieving a single global financial reporting standard. Odia and Ogeidu (2013) added that

challenges include IASB financing, staffing, and governance structure, compliance and enforcement in countries with weak institutions, and regulatory review.

Ball (2015) claimed that many IFRS adoptions involve different versions that are inconsistent with the IASB's guideline. Additionally, Madwaki (2014) and Abata (2015) identified several challenges related to adoption costs, including the expenses related to restructuring, accounting systems, staff training, and consultancy fees. Other difficulties include implementing some standards that do not meet the accounting needs of certain countries, ensuring full compliance with internal control systems, requiring reputable audit firms (especially the Big Four), staff training and adaptation, and reconciling local regulations that differ from IFRS requirements.

## **2.2 Theoretical Framework**

The relevant theories which underpin the study are agency theory and stakeholder theory.

### **2.2.1 Agency theory**

Agency theory explains the relationship between managers and shareholders by portraying managers as agents who must work in the best interest of the shareholders. However, managers sometimes act in their own interest instead of prioritizing the interest of shareholders, leading to conflicts. Additionally, the theory suggests that directors may also make decisions that conflict with the interest of shareholders. It offers understanding of how information systems, uncertainty, risk, and incentives influence decision-making (Watts and Zimmerman, 2004).

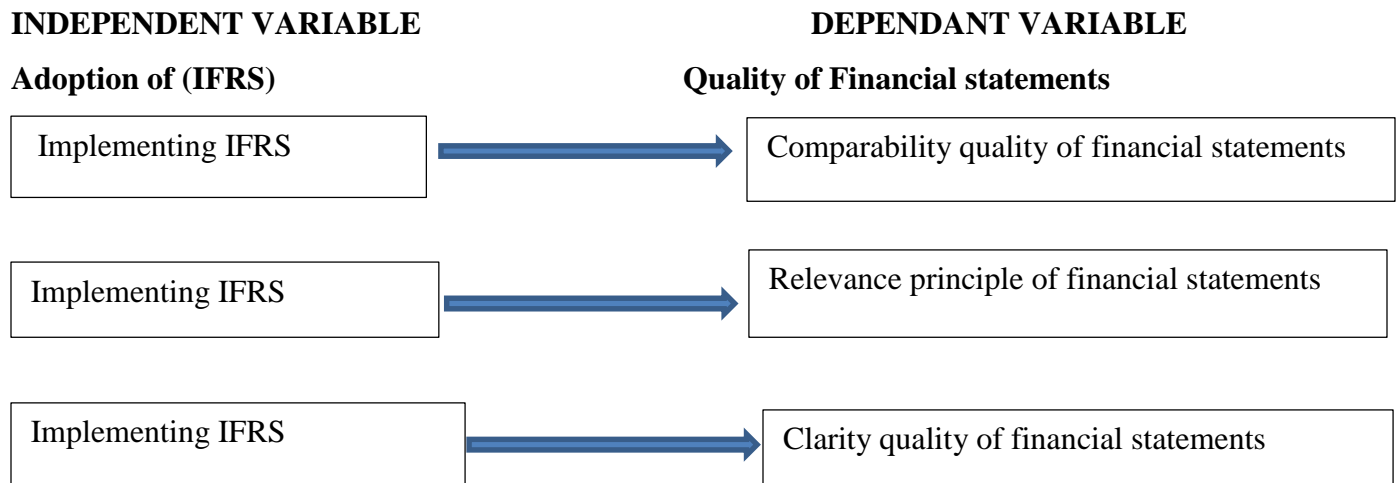
### **2.2.2 Stakeholder theory**

The stakeholder theory is an improvement over agency theory as it advocates for organizations to be accountable not only to shareholders but also to all stakeholders. This theory aims to resolve conflicts that arise due to differing interests between managers and other stakeholders, ensuring each stakeholder is satisfied. This theory emphasizes morals and values in organizational management and business ethics. It suggests that instead of prioritizing shareholders, organizations must consider all parties, including employees, customers, suppliers, financiers, community, governmental bodies, and unions. Madawaki (2014) even included competitors as stakeholders due to their influence on the firm's fortunes. The purpose of a business goes beyond creating profits for shareholders; it should also aim to improve the world and increase

stakeholder value. The stakeholders' influence may compel an organization to adopt certain accounting standards, such as IFRS, regardless of the board of directors' preference.

### 2.3 Conceptual model

The research will utilize two types of variables as illustrated in figure 2.1. The conceptual framework is a model that displays the relationships between the variables in the study. Swaen (2021) defines it as a graphical or diagrammatic representation of these relationships that a researcher conceptualizes. A variable refers to a measurable attribute that can take on various values among units of a specific population. In this research, the independent variable will be the adoption of International Financial Reporting Standards (IFRS), while the dependent variable will be the quality of financial statements.



**Figure 2.1: Conceptual Framework: Source Researchers Own**

### 2.4 Empirical Review

**Wadesango et al (2016) conducted a study titled, the impact of IFRS/IAS on the quality of financial reporting in Zimbabwe.** The authors carried a study on the impact of IFRS/ IAS on the quality of financial reporting using a case study of Zimbabwe stock exchange market. Conversely to their expectations, their research could be referred to as a ‘desk study’ in which they could not find systematic evidence that mere adoption of IFRS results in improved quality of financial reporting. However their study found evidence of increased earnings management for companies

that mandatorily adopted IFRS and a low quality in financial reporting for firms that voluntarily adopted the international accounting standards. Therefore it is also possible that a strong regulatory framework compensate for higher quality of financial reporting framework. Their study also appreciates that IFRS may not be superior to local standards such as GAAP. With these concluding remarks it is therefore recommended that top management, regulators needs to work together and tighten compliance so that the impact of IFRS could be felt more.

**Musa, Nasiru and Muhammad (2017) investigated whether accounting information has improved after IFRS adoption among Nigerian listed firms**, using Ohlson's stock price model on data that has been commonly used in capital market for a 5-year period and found that disaggregated assets and liabilities have a strong relationship with stock price, and that there are no significant differences in accounting information of selected listed firms before and after IFRS adoption.

Kamath and Desai (2019) conducted a study titled "The Impact of IFRS Adoption on the Financial Activities of Companies in India" where they divided the financial activities into four categories: financial risk, investment activities, operating activities, and debt covenant. Through the use of ratios, they found that the adoption of IFRS resulted in improvements in investment activities and operating activities, but no difference was seen in financial risk and debt covenant. However, despite the adoption of IFRS, there was no progress in managing earnings in India. Therefore, the researchers concluded that IFRS provides a fair value-based approach and is more transparent than the conservative Indian GAAP.

Rudzani et al (2014) conducted a research titled problems and perspectives of IFRS adoption in South Africa. Rudzani et (2014) highlighted that IFRS for SMEs was greatly implemented in South Africa reaching about 67% of the total SMEs including the Vhembe district, although most of the operators of the entities found it difficult to see the main objective of the business growth being achieved. The researcher (Rudzani) also indicated that most of the SMEs in Vhembe district adoption rate has not been confirmed. With the reference to the researcher's finding the SMEs that have adapted to the IFRS for SMEs have benefited from the standard in increased credit worthiness, compliance with tax regulation and doing business with the government.

However, Rudzani (2016), was also of the view that while most of the SMEs are trying to adapt to the standard in totality, developed countries are lagging behind. The situation is now creating doubt causing a lack of confidence of adapting to the standard, but the researcher encouraged all SMEs in the developing to apply the standard equally to developed countries, the main objective will be harmonizing the financial reporting globally. The research showed that the SMEs in Vhembe District and, by extension, in South Africa the IFRS for SMEs was adopted at a greater level, but still there was a significant percentage that haven't adopted (27%). Lastly, the researcher recommended that the IASB must try to reduce the complexity of the standard.

**Adeyanju, (2020) carried out a study titled the implication of the adoption of IFRS on the performance of private enterprises in Nigeria.** In specific terms, the study sought to determine the impact of IFRS adoption on the profitability, liquidity and financial leverage of private enterprises in Nigeria between 2013 and 2018. The relevant data was obtained on the variables sourced from the audited financial statements of selected firms, including their financial indices. The population of the study consists of all the 109 private sector firms quoted on the Nigerian Stock Exchange as at 31st December, 2018. The sample size of the study consisted of half of the population size, by purposive sampling. The study employed the correlational and ex-post facto design. The relevant theoretical framework is the stakeholder theory. The study employed random effect correlation and regression. From the analysis, it was found that IFRS adoption has no significant impact on the profitability, liquidity and financial leverage of selected private enterprises in Nigeria. It is thus recommended that Adequate resources should be put in place to support the sustainable implementation of IFRS by having consultative groups available to respond promptly to concerns to users and to provide for their ongoing trainings, and the required awareness of professional accountants, regulators and preparers should be intensified to improve the knowledge gap, as well as strengthening the capacity of the regulatory bodies and institutional framework on enforcement.

**Kerongo et al, (2014) carried out a research titled the effects of the IFRS for SMEs to the performance, in Nairobi, Kenya.** The research investigated on the effects of accessibility of capital on SMEs performance if they adapt to the standard and concluded that it has a great positive



impact in improving SME's production and service delivery. Implementation of the standard has also been helpful in enhancing comparability of SMEs financial statements thereby giving easy access to financial institutions. More so, the researchers was of the view that information asymmetry improved the levels of investor confidence thus enabling stakeholder's making informed economic decisions. Conclusively, the researchers emphasized that the IFRS for SMEs is an important component in the performance of SMEs. However, they were some recommendations that were placed including the public education to be done by the ICPAK and Nairobi Securities Exchange to accountants and managers about the standard in SMEs, also to hiring competent accountants that afford implement the standard and they also thought it was proper to implement the full IFRS as the world is becoming a global village.

**Umobong (2015) examined IFRS adoption and performance of firms in the food and beverage industry in Nigeria;** and the results indicated that mean values of earnings per share, price earnings ratio and dividend yield is higher in the post-IFRS adoption period, and that IFRS adoption does not automatically translate to higher financial performance. Umobong and Ibanichuka (2016) found that, the mean values of return on asset and earnings per share of selected firms is higher in the post-IFRS adoption period while return on equity is higher in pre IFRS adoption period, i.e. there are no significant differences in return on asset, return on equity and earnings per share in the pre- and post-IFRS adoption period. The study done by Herbert, Ene and Tsegba (2013) unveiled that Nigeria was not prepared to adopt IFRS as soon, and that the two major impediments to IFRS adoption are lack of education, understanding and experience by preparers of financial reports with the use of IFRS and lack of coverage of IFRS in contemporary accounting curricula.

**Floropolous (2004) conducted a research which aimed on the impacts of the full IFRS to small entities in Greece and also in the European region.** The study found out that there was a very little effort that was made to check on the impact of IFRS in a very large number of unlisted companies ranging from large companies to small and medium entities. According to the researcher the European Commission was of the belief that most the European countries were to remove the legal obstacles regarding the convergence, though the responsibility was in the hands

of national bodies to establish the standards. There are over six million privately owned companies that found it difficult to adopt to the full IFRS thereby, there was a need for the formation of a set of standards that are suitable for Europeans SMEs.

After the researcher that was carried by the Institute of Chartered Accountants in England and Wales (ICAEW), there was still a need for awareness in as far as introduction is concerned, 52% of the sample of listed companies that were surveyed revealed that their understanding of the standard was 'very poor' and the remaining was of the view that they the IFRS was not even applicable to their businesses. The survey by ICAEW wasn't far from the aim of (Jordan) since in Greece the accountants were also not prepared to implement the IFRS to SMEs.

The researcher then concluded that the level of readiness of accountants for the adoption of the IFRS most in SMEs in Greek businesses was not independent of the company classification. Contrary, Floropolous (2004) emphasized that popularity of the IFRS was among accountants in most of the SMEs was independent of the classification of the company. Finally, the research gave a result that SMEs in Greek are not prepared to implement the full IFRS and converge with the country's standards.

Abata (2015) showed that IFRS provides better information than GAAP, and that changes in business processes and operations, financial position of companies and reduction in cost of finance were the least contributions of IFRS to the financial reporting practices of firm. Hassan (2015) study revealed that firm attributes with respect to leverage, profitability, liquidity, bank size and bank growth has significant influence on earnings quality of listed deposit money banks in Nigeria after the adoption of IFRS, while the pre-IFRS adoption period showed that selected firm's attributes has no significant impact on earnings quality.

Neel (2014) conducted a study to examine the effects of IFRS adoption on analyst forecast accuracy and dispersion, and whether these effects were attributable to changes in comparability or changes in accounting quality. The study utilized a sample of 1,861 firms from 23 countries, with 23% of the firms being non-EU, covering the timeframe of 2001-2008. The study also included a benchmark sample of 6,652 firms, mainly from the US and Japan. The results of the

study showed that the reduction in forecast errors was mainly limited to mandatory IFRS adopters where there was an increased level of comparability. However, greater income smoothing could result in more accurate forecast results in at least one specification. In addition, the adoption of IFRS was only related to a decrease in forecast dispersion among adopters with an increase in comparability.

## **2.5 Research Gap**

Previous studies have primarily focused on examining challenges, effects, and benefits associated with the adoption and implementation of IFRS across various industries worldwide. For instance, Jordan N Floropoulos studied the impact of full IFRS on small entities in Greece and Europe. However, the present researcher is focusing on the impact of IFRS on the quality of financial statements in the financial sector, using ZB Bank as a case study. While the methods in previous studies, such as observations and interviews, were similar to the current research, this study includes questionnaires distributed to all possible respondents in ZB Bank. Although many countries, including Zimbabwe, have adopted IFRS, there is limited literature on its impact on the quality of financial statements in the financial sector in Zimbabwe. Therefore, this study was conducted to address this gap in the literature.

## **2.6 Chapter Summary**

This chapter was looking at literature review and related models or theories to the research problem. It has been organized into conceptual framework, theoretical and empirical reviews leading to the derivation of knowledge gaps existing in various previous research studies. The next chapter will provide research methodology.

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

A research methodology refers to investigations of the ways that can be implemented to obtain, organize and analyze data (Smith, 2019). Howell (2016), highlighted that a research study requires a methodology to reach its conclusions, that is, it must include a way of collecting, collating, analyzing and presenting data so that the theories can be adequately tested, accepted or rejected. More so, the chapter show how the data was collected, how sampling was conducted as well as explaining why the different research methods were adopted.

#### **3.2 Research Design**

Bresler and Stake, (2017) defined research design as the blueprint for meeting set objectives and answering certain questions. A research design is basically a guideline of how the researcher intends to carry out the research. It is the guide to be followed as the research will be taking place. The research design gives a basic arrangement of conditions for the collecting and analysing of the data so as to bring out the relevance of the research, (Rahi, 2017). For the purpose of this research, an exploratory research design was used so as to provide the much needed understanding of the problem under study as well as to include observations as a research instrument. The researcher used exploratory research design because the researcher has only a few studies for reference.

##### **3.2.1 Exploratory Research Design**

The researcher decided to use this research design in this research to provide a greater understanding of the concept under discussion. This design helped the researcher with background knowledge about the problem. It was mainly concerned with looking at the environment in which the problem exists and then also to find suitable variables to understand the environment. An

exploratory research design is used to explore causation in order to find underlying principles, (Rahi, 2017). The researcher employed it at the preliminary stages so as to explore the relationship between international financial standards (IFRS) and quality of financial statements. Exploratory research, being a design that mainly focuses on secondary data, the researcher made use of past records, books as well as internet sources and any other literature that could be obtained and was in line with the research, Keitany, (2017). This research, being a case study based on research and also it used observations as a research instruments, the researcher then found it necessary to use exploratory research. Correlation therefore was used as a means of trying to examine the effect of international financial standards (IFRS) on the quality of financial statements.

### **3.3 Population**

Population refers to the total number of people living in a particular demographic area at a certain point in time. Target population is defined by Cresswell and Cresswell (2017) as the total number of individuals, items, or data from which the results of a study are intended to relate and from which those individuals selected to participate in the study are drawn. Saunders (2016), define population as the total group of people from whom information is needed. Burns and Grove (1993) define a population as all elements (individuals, objects, and events) that meet the sample criteria for inclusion in the study. The study population consisted of the 25 ZB bank accounts and finance employees at Rotten Row branch and Natal branch in Harare, (ZB bank Service Charter Report, 2020).

### **3.4 Sample Size**

A sample is a subset of the population being studied that included the process of selecting a few (samples) from a bigger group (the sampling population) to become the basis for estimating or predicting a fact, situation or outcome regarding the bigger group. Samples should be as large as possible, in general the larger the sample the more representative and the more generalizable the results of the study were likely to be. The sample for the study was 25 respondents made up of ZB bank accounting and finance employees. The research made use of 25 respondents as the sample of the target population as it follows tabulation by Krejcie and Morgan (1970).

### **3.5 Sampling techniques**

#### **3.5.1 Census**

The study used a census. A census is a study of every unit, everyone or everything, in a population (Robson, 2009). It is known as a complete enumeration, which means a complete count. The researcher opted for the census because the universe was not vast as the total number of respondents considered was 25. Through the use of a census the researcher managed to obtain a true measurement of the population as there was no sampling error. Using census, detailed information about the targeted population at ZB bank was adequately provided.

### **3.6 Sources of Data**

The researcher used both primary and secondary data to conduct this research.

#### **3.6.1 Primary data**

It is the raw data that is collected by the researcher from the field using different data collection methods, (Saunders, Lewis and Thornhill, 2003). It is the information collected from the field to address a specific issue or a problem at hand. The researcher managed to collect primary data using questionnaires and interviews done to the accounting and finance staff and managers of ZB bank. In collecting primary data at ZB bank, the researcher had gathered first-hand information that was assumed to be consistent, applicable and up to date. The researcher managed to employ judgmental skills on information that was given by the respondents which appeared to be so crucial and of relevant to the research.

#### **3.6.2 Secondary data**

This is the data that already exist and that was collected for other purposes other than what the researcher is intending to use it (Robson, 2009). It helped the researcher in coming up with a historical background of the work done as it provided an existing literature around the topic studied. The researcher acquired secondary data from past and present financial reports of ZB bank, published books and journals. Obtaining secondary data was time saving and the researcher incurred fewer costs in carrying out data collection process because there was no need for data processing. It was also easier and possible for the researcher to extract the existing data sets.

### **3.7 Research instruments**

Research instruments are the devices used to gather data for a research from a selected population and the following are the methods that were used in respect of this survey (Baker, 2003). The researcher made use of questionnaires and interview guides.

#### **3.7.1 Research Questionnaires**

According to Baker (2003), a questionnaire is a set of questions which may be in variety of research situations. It can also be defined as a series of questions laid out in a view to gather information relating to particular research. There are two types of questions which are open ended and closed ended that can be used in developing a questionnaire, which was given their distinction by Jackson, (2009). He went on to highlight that an open ended question asks the respondent to formulate their own answer whilst the closed ended the respondent will select an answer from the given number of options. As the open ended questionnaire leaves a room for respondents to give variety responses which will be difficult to analyze the information statically as the data needs to be coded in a scientific manner, but the closed ended are easier to analyze statistically, though they limit respondents (Jackson, 2009).

The researcher used the questionnaires to gather information about the study under review. Questionnaires were distributed to target respondents with closed ended and open ended questions. The questionnaires were constructed in simply worded and relatively short questions to encourage the response and compliance. Majority of the question in the questionnaires were closed ended almost 85% of them.

#### **3.7.2 Interviews**

Thakur (2009:113) correctly defines interviews as “a process of talking in a more purposive and more systematic manner than the day to day talks.” This means that interviews have directness and thus it is flexible in any situation. An interview simply is a conversation between the interviewer and the interviewee with a purpose. There are two types of interview which are fully structured and semi structured. A fully structured interview questions has a predetermined set of questions with responses recorded on a schedule, whilst semi structured is when the interviewer works out a set of questions in advance but is free to modify them during the conversation. A semi structured interview was then the preferred one since it offered flexibility during the interview as questions

can be modified. Three accounting and finance managers of ZB bank were interviewed as the researcher wanted to probe for more information.

### **3.8 Data collection procedures**

The researcher had arranged appointments prior to visiting of the offices. As indicated above, the researcher used questionnaires and interviews for data collection from the targeted population of accounting and finance managers in ZB bank. The questionnaires were filled whilst the researcher waited so that the researcher can assist where the respondents did not understand. The questionnaires were returned to the researcher as soon as the respondents finished filling in.

### **3.9 Reliability and Validity**

#### **3.9.1 Validity**

Dikko, (2016) provides that data is valid if it provides a true picture of what is being studied. Validity can be both internal and external where internal validity is the degree to which changes or results in a study can be attributed to the independent variable. External validity refers to the degree to which the findings in a study can be generalized to other populations, settings, groups and situations (Chan and Idris, 2017). The researcher ensured validity in this study through eliminating subject judgment based on facial interaction; and also through content. Content validity was ensured through pilot testing to determine how accurately the questions asked elicited the information sought. Validity of data was also ensured through seeking authorization to access data and from the complaints register as well as access to members to freely participate in the research.

#### **3.9.2 Reliability**

Cresswell and Clark, (2017) says reliability deals with accuracy. It asks such questions as, “How accurate is the instrument used to make the measurement?” In this study the researcher constructed the questionnaire in such a way that it would solicit answers which were responsive to the objectives of the study. In a bid to ensure reliability, the researcher made use of scrutiny of the research instruments by the supervisor and peers and the researcher also made use of Pilot study. The research also engages participants in order to confirm the consistency of their view points. To



obtain credible results the research employs rich description of studied phenomena to provide the readers with comparative ideas of the circumstances under the same situation.

### **3.10 Data Presentation and Analysis Procedures**

The questionnaires that were received from the respondents were scrutinized for inconsistencies, omissions and unanswered questions regarding the collection of the data. Kahn and Cannell (2018) advocates ignoring unanswered questions during the analysis, of which the researcher found none. The researcher went physically distributed the questionnaires to the workmates at ZB bank. Appointments were made with the managers to ask for permission to distribute the questionnaires to the employees while the individual experts were approached on a face to face basis. The researcher than had to personally distribute the questionnaires to the respective respondents. Appointments were also made to conduct interviews.

Kahn and Cannell (2018), highlighted data analysis procedure(s) as a significant part of the research process as it enables raw data to be interpreted, given more meaning and more importantly to be presented in a manner that makes sense to both the researcher and the intended beneficiaries. The researcher employed both qualitative and quantitative methods in the process of analysing the data.

#### **3.10.1 Qualitative Analysis**

Interviews were used in this study to fully understand the respondent's impression and experiences. This in a way helps the researcher to comprehend the responses contained in the questionnaires. Interviews provide full detailed information on the area of study. Strategic issues are articulated from top management, who have detailed information on the subject area, interviewing help to tap all this information without necessarily limiting them. Due to the flexibility of their nature the researcher was enabled to get the full information range and required depth.

The data was analyzed based on the research problem, the research objectives and the research questions. In this study content analysis was done. After carrying out the interview, the researcher

cleaned up the data, removing all the unnecessary information. The views of the managers were presented in tables. Similar views were put into categories to formulate connections and explore relationships. This inductive process helped ensure that the major themes were grounded in the data and the participants' responses rather than prior assumptions.

### **3.10.2 Quantitative Analysis**

Kahn and Cannell (2018) refers data analysis to the process of reducing the collected data into summaries and also deducing patterns through application of statistical analysis techniques. Sharma, (2017) states that analyzing data involves interpretation of research findings in relation to research questions and checking if findings are consistent with research hypotheses. Findings of this research were presented using tables, graphs and charts to concisely outline results of the study. The data were collected using a questionnaire, captured and analyzed using SPSS Version 20. The descriptive statistics calculated in form of frequencies and percentages for the different variables and presented in form of frequency tables so as to make understanding easy. Presentation of data using graphs and pictures promotes effective communication and makes information easier to understand (Sharma, 2017). The researcher carried out numerous data analysis procedures including normality test, regression and correlation analysis using SPSS. The researcher performed the regression analysis and tested the hypotheses so as to either accept or reject the hypotheses. The researcher then discussed the results and compared them with theory.

### **3.8 Ethical Considerations**

According to Polit and Hungler (2006), ethics are systems of moral values that are concerned with the degree to which research procedures adhere to professional, legal and social obligations. In this research, permission was sought from the selected ZB Management and from the respondents. The participants' voluntary freedom to participate or withdraw from the exercise was clarified. All study participants were treated with respect, fairness and dignity. Anonymity, confidentiality and privacy of study participants were afforded by explaining to the participants that their personal data were not going to be used to link results to them. The questionnaire was designed to exclude personal identification data.

### **3.9 Chapter summary**

This chapter was mainly focusing on the methods used for data collection, the research design, their merits and demerits, methods of sampling and the manner in which the questionnaire was administered. The data that was obtained was analyzed, evaluated and presented in the following chapter.

## CHAPTER IV

### DATA PRESENTATION, ANALYSIS AND DISCUSSION

#### 4.0 Introduction

This chapter seeks to give detailed explanations about the research findings and discussions. The chapter also presents the analysis and interpretation of the findings and making references to relevant literature. The researcher made use of tables, graphs and charts to illustrate the findings from both the primary and secondary data. The data analysis and findings were arranged in a manner that addresses the impact of international financial standards (IFRS) on the quality of financial statements.

##### 4.1.1 Questionnaire response rate

The researcher issued a total of 25 questionnaires to ZB bank accounts and finance departments corporate and individual clients in Harare CBD. The questionnaires response rate was as follows:

**Table 4.1: Questionnaire response rate**

<b>Respondents Category</b>	<b>Questionnaires Distributed</b>	<b>Returned Questionnaires</b>	<b>Response rate</b>
ZB bank finance employees	25	22	88%
<b>Total</b>	<b>25</b>	<b>22</b>	<b>88%</b>

**Source: Primary Data (2023)**

The above table 4.1 above shows that a total of 25 questionnaires were distributed to individuals inclusive of accountants, auditors, junior management and senior management at ZB Bank, Rotten row and Natal branches and only 3 questionnaires were not completed and returned back whilst 22 questionnaires were completed therefore obtaining a response rate of 88%. Leeuw (2005) stated

that an acceptable response rate depends on how the survey was carried out. He approved a response rate of 70% and above as very good because it represents the majority of the targeted sample. The overall response rate from the study was 88% which falls under the bracket of excellence according to Mugenda and Mugenda (2003). This showed that almost all respondents were willing to participate. This renders that data collected was reliable and valid. Therefore, this high response rate was mainly attributed to the fact that questionnaires were self-administered and most of the time the researcher was present when the respondents filled in the questions.

#### 4.1.2 Interview response rate

Interviews were conducted with three accounting managers at ZB Rotten Row branch. From the selected individuals, the interviews were successfully conducted on different days and this gave a favorable interview response rate of 100% as shown below;

**Table 4.2: Interview Response rate**

<b>Respondents Category</b>	<b>Interviews Scheduled</b>	<b>Interviews Conducted</b>	<b>Response rate</b>
ZB Managers	3	3	100%
<b>Total</b>	<b>3</b>	<b>3</b>	<b>100%</b>

**Source: Primary Data (2023)**

The table 4.2 above shows the overall interview response rate which is 100%. The response rate for the study was reliable according to Silverman (2015) who postulated that an interview response rate of 75% and above is reliable to give accurate information.

#### 4.2 Demographic Characteristics of Respondents

The questionnaire surveyed various types of respondents. For the purpose of achieving the objectives of this research it was important to get information on the demographic characteristics

of the respondents that were information based on age, level of education and work experience. In view of the researcher these demographic characteristics have so much bearing on responses given by the respondents. Basic respondents' data was necessary so as to add on validity of the study because such characteristics as age, work experience and level of education can add on reliability of information provided. The respondent's demographic data is presented on Table 4.3

**Table 4.3 Demographic Data of respondents**

<b>Variable</b>		<b>Number of respondents (n=22)</b>	
		<b>Frequency</b>	<b>Percentage (%)</b>
<b>Age</b>	Below 30 Years	3	13.64
	31 - 40 Years	7	31.81
	41 - 50 Years	6	27.27
	Above 50 Years	6	27.27
<b>Highest level of education attained</b>	Certificate Level	3	14
	Diploma	6	27
	Degreed	10	45
	Post graduate	3	14
<b>Work experience</b>	Below 5 years	7	31.81
	6 – 10 years	12	54.54
	Above 10 years	3	13.54

<b>Job Designation</b>	Accountant	10	45
	Auditor	5	23
	Junior management	6	27
	Senior management	2	9

**Source: Primary Data 2023**

**Age Profile of Respondents**

The table 4.3 above shows that many respondents were between the age range of 31 – 40years which constitutes 31.81% of the total respondents. This majority age range was followed by 27.27% of the respondents who were in the age range of 41 – 50 years and above 50 years and this was followed by 13.64% of the respondents who were below 30 years. By having a bigger proportion for the elderly and middle aged, the respondents were therefore likely to give dependable responses based on their real life experience.

**Highest level of education attained**

The level of education of the respondents had a significant impact on their ability to understand and respond to the questionnaire without much input from the researcher. As indicated in Table 4. largest percentage (45%) of respondents held degrees, followed by those with diploma certificates (27%) and those with certificates (14%). The lowest educational qualification held by any of the respondents was an ordinary level certificate. This demonstrates that the respondents were literate and able to comprehend and complete the questionnaire accurately. Their high level of education also facilitated clear and elaborate responses during interviews, enhancing the reliability and validity of research findings. Moreover, effective communication between the research instrument and the research subjects during interviews helped to eliminate bias in the study.

**Work Experience of the respondents**

Lastly, on the table 4.3 above, it showed that the most respondents had 6 – 10 years of work experience within the banking sector yielding 56.25%, followed by those who were below 5 years

with 31.25% of the respondents and those who are above 10 years work experience within banking sector yielded 12.50% each. These results signify that the respondents were well acquainted with the impact of IFRS adoption on the quality of financial reporting, using a case study of ZB bank which means that data collected was valid and reliable. Most of the respondents have been in the banking sector for 5 to 10 years, this should qualify them to answer the questions with more coverage on the understanding of the IFRS adoption. The longer the period respondents served minimised assumptions to the research questions, which enabled obtaining results that were more reliable since the respondents had the experience and knowledge of what the researcher aimed to study.

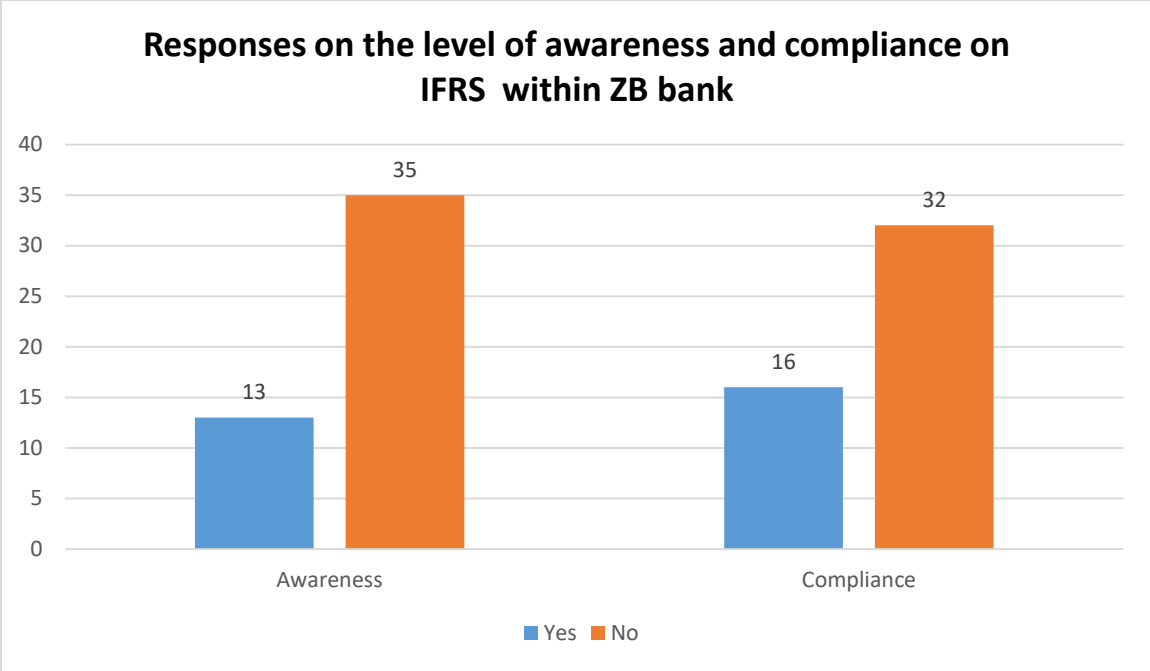
Lastly, as shown on the table 4.3 above, accountants constituted the highest percentage (45%) of the respondents, followed by junior management with 27%, then auditors constituted 23%. Senior management had the least percentage of 9%. This means most of the financial work was being done by accountants, auditors and junior management. These three main participants were most involved in applying accounting ethics in their work hence their contribution was more valid and practical.

### **4.3 The uptake level of IFRS guidelines within ZB Bank**

#### **4.3.1 Responses in relation to the Level of Awareness and Compliance of IFRS within ZB Bank**

The researcher had questions on the level of awareness of the IFRS within ZB bank. Figure 4.1 below, highlight the research findings that were gathered by the researcher.





**Fig 4.1 Level of Awareness and compliance of IFRS within ZB Bank**

**Source: Primary Data 2023**

The study showed that there was need for professional bodies to engaged themselves in activities that encourage the adoption of the standard since on 13 respondents were aware of the IFRS and only 16 complied with the standard. All of the participants had the same overall view that uptake and compliance levels are not even desirable at all. The researcher revealed that there was a need for educating ZB bank employees of the standard since most of the participants indicated that there were not aware of it.

**4.4 The extent to which IFRS adoption enhances the quality of financial reporting in ZB bank**

The respondents were asked to rate the effectiveness of IFRS adoption in enhancing the quality of financial reporting in ZB bank. The responses are shown in Table 4.4 below.

Table4.4 The extent to which IFRS adoption enhances quality of financial reporting

N=22

<b>Effectiveness of IFRS adoption in enhancing quality of financial reporting</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Very effective	13	<b>59</b>
Effective	8	<b>38</b>
Not effective	1	<b>3</b>

**Source: Primary Data2023**

Table 4.4 shows that 59% of respondents rate IFRS adoption as very effective in enhancing quality of financial reporting, 38% rated IFRS adoption as effective in enhancing quality of financial reporting while 4% thought IFRS adoption is not effective in enhancing quality of financial reporting. Findings from the interviews showed that all the three interview respondents praised the importance of IFRS for ZB bank by citing that their financial reporting practices had improved since adopting the IFRS. This current research finding was supported by the previous research finding of Jerman and Ivankovic (2011) argued that IFRS for SMEs was not designed for taxation and this would undermine the quality of accounting data. The other sectors had mixed feelings on the extent to which IFRS adoption had enhanced quality of accounting reports. While the financial services providers expressed tremendous positive changes since adopting IFRS and noted that it was now easier to articulate the information presented in the financial statements. This is supported in literature by Tan, Wang and Welker (2011) who noted that IFRS for SMEs had enhanced the usefulness of accounting data. In literature, Kim (2012) concluded that SMEs had improved their financial reports since adopting IFRS and the information presented in the financial statements was now of high quality and well appreciated by end user's.

#### **4.5 The relationship between adoption of IFRS and financial reporting transparency and accountability in ZB bank**

Another objective of the study was to find out the relationship between adoption of IFRS and financial reporting transparency and accountability. After conducting a research at ZB bank through the use of questionnaires and interviews the results were analysed below. Table 4.5 shows the minimum, maximum, mean and standard deviation of the constructs used to ascertain the relationship between adoption of IFRS and financial reporting transparency and accountability.

**Table 4.5: Relationship between adoption of IFRS and financial reporting transparency and accountability in ZB bank**

N=22

<b>Relationship between adoption of IFRS and financial reporting transparency and accountability in ZB bank</b>	<b>N</b>	<b>Min</b>	<b>Max</b>	<b>Mean</b>	<b>Std</b>
IFRS adoption reduced and curb corruption in financial reporting quality in ZB bank	22	1.00	2.00	1.2000	.40684
IFRS adoption improved compliance with regulatory authorities	22	1.00	3.00	1.2667	.58329
Preparing of financial statements in accordance to IFRS will actually show the financial performance in the organisation	22	1.00	3.00	1.2000	.48423
The adoption of IFRS improved credibility of financial reporting in public sector	22	1.00	2.00	1.1667	.37905
Preparing financial statements in accordance to IFRS actually shows the financial position of ZB bank	22	1.00	3.00	1.3333	.66089
<b>Valid N (list wise)</b>	<b>22</b>				

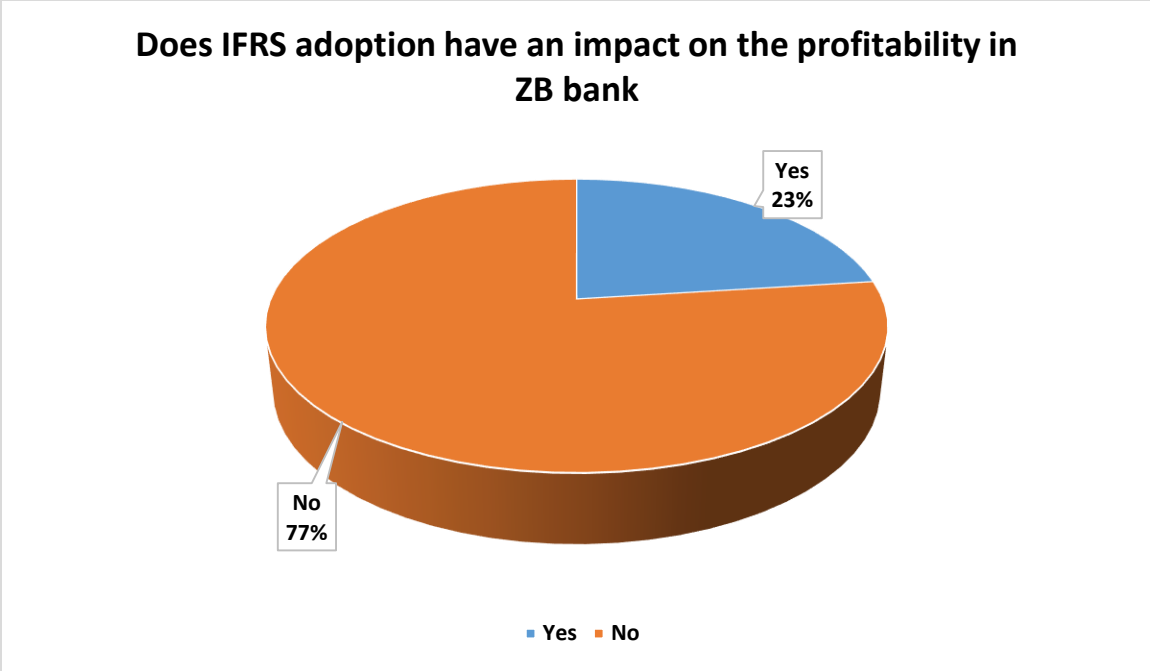
**Source: Primary Data 2023**

The mean result falls in class 5 of the scale that is for those who strongly agree that the table 4.4 above results have a mean of less than 2.4, it implies that IFRS adoption have an impact on financial reporting transparency and accountability in ZB bank to a greater extent. This is shown by the respondents' agreement to the benefits that have been brought about by the adoption of IFRS: IFRS adoption reduced and curb corruption in financial reporting quality in ZB bank, IFRS

adoption improved compliance with regulatory authorities, preparing of financial statements in accordance to IFRS will actually show the financial performance of the organisation, the adoption of IFRS improved credibility of financial reporting in public sector, preparing financial statements in accordance to IFRS actually shows the financial position of ZB bank. The findings of this current research replicates past studies which found out that the adoption of IFRS in Kenya produce high quality financial information through transparency and makes corruption more difficult, (Babatunde, 2013).

#### **4.6 Influence of IFRS adoption on the profitability of ZB bank**

The study was also concerned with ascertaining the impact of IFRS adoption on the profitability of ZB bank. The Fig 4.2 below shows the response rate concerning the impact of IFRS adoption on the profitability in ZB bank.



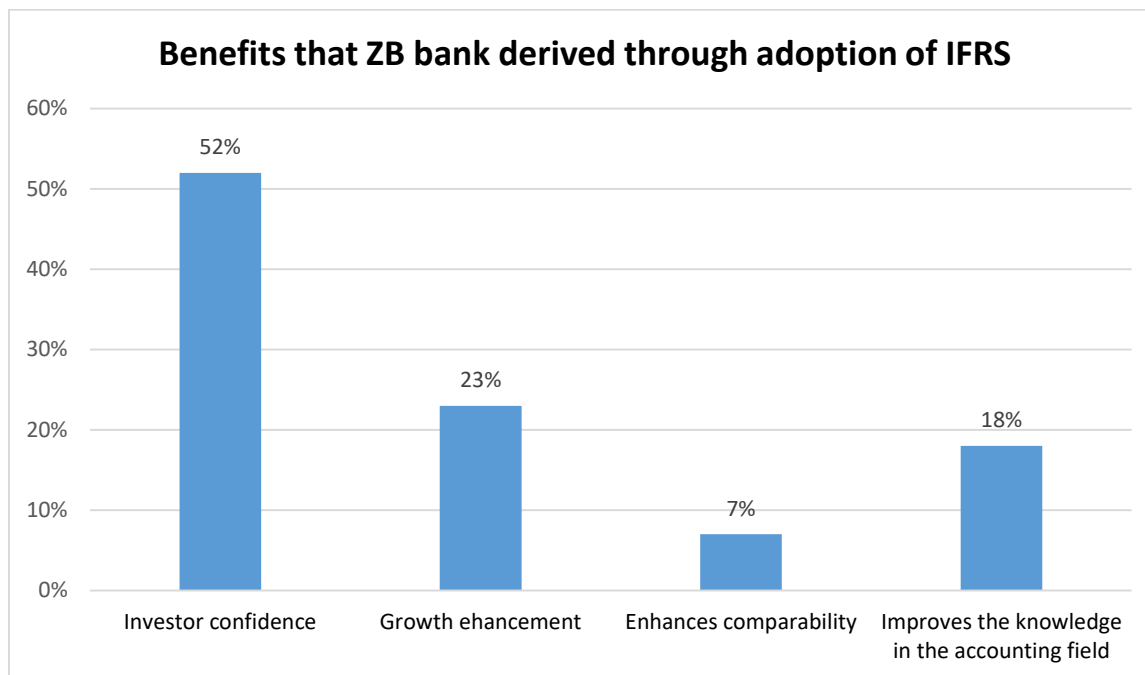
**Fig 4.2 Does IFRS adoption have an impact on the profitability in ZB bank**

**Source: Primary Data 2023**

From the analysis on fig 4.2 above, it was discovered that IFRS adoption has no significant impact on the profitability of ZB bank since the majority of the respondents 77% denied the fact that IFRS adoption has an impact on profitability with only 23% of the respondents concurring to that. This could be attributed to the fact that ZB bank is yet to fully realize the benefits of IFRS adoption due to challenges surrounding its adoption and implementation. The non-significance of IFRS adoption on firm performance is simply because the challenges of implementation have not been well-addressed. In most countries it may include changing culture and poor developing systems of regulation. The finding of this study is consistent with empirical findings of Umobong (2015), Adeyemi (2016) and Umobong and Ibanichuka (2016) who found out that IFRS adoption does not automatically translate to higher financial performance especially when the firm fails to address the inherent challenges surrounding its adoption and implementation. Furthermore, the finding is consistent with that of Musa, Nasiru and Muhammad (2017) that there is no significant difference in the quality of accounting information and corporate performance of selected quoted Nigerian firms before and after adopting IFRS.

#### 4.7 Benefits that ZB bank derived through adoption of IFRS

The researcher gathered the response from the participants which showed how adoption of the IFRS in ZB bank possesses some benefits. The results that were revealed are illustrated on the figure 4.3 below.



**Fig 4.3: Benefits of adopting IFRS**

**Source: Primary Data 2023**

The responses that were gathered from the participants revealed that 52% of them agreed that adoption of IFRS increases investor confidence, whilst the other benefit that 18% of the respondents strongly agreed was improvement of the knowledge in the accounting field when a company adopts IFRS. According to Shim and Siegel (1999), companies need to be careful about keeping proper accounting information as it facilitates protection and safeguarding company's assets. There are set of tangible benefits associated with the adoption of IFRS within financial institutions that will in turn improve growth rates, (Rudzani, 2016). Kerongo, (2014), investigated on the effects of accessibility of capital on SMEs performance if they adopt IFRS and concluded that it has a great positive impact in improving SME's production and service delivery.

In the table above 7% of the respondents agreed that IFRS creates more flexibility and unifies business transactions thereby providing consistency in financial information which enhances level of investor confidence. Many of the big business units in Zimbabwe have companies registered locally as well as registered and listed outside the country in global capital markets. Companies registered in Zimbabwe present their financial statements as per accounting standards prevailing in Zimbabwe whereas companies registered and listed globally has to submit their accounting information as per the accounting standards prevailing in that particular country. Adoption of single set of financial reporting for example IFRS will ensures the eradication of manifold reporting. These results were in line with Nilsson (2016) who highlighted that, for countries applying local standards or US GAAP, which are rule based, the transition to IFRS also bring more flexibility in accounting requirements, treatment and disclosure.

The above results also showed that there will be high quality information which enhances greater comparability. There was a 100% agreement from the interview respondents that IFRs standards produces high quality financial information. Barth et al (2007) supported that application of IFRS resulted in the improvement of quality of financial reports on the post adoption periods for firm who adopt the standards. Similarly, Chai et al (2010) also found that the majority of accounting quality indicators improved after adoption of IFRs in the European Union. Hence it can be concluded that, application of IFRS produces high quality financial information which are credible hence there will enlighten the future of an entity.

Also, the figure 4.3 above showed that 18% of the respondents agreed that application of IFRS improves the knowledge in the accounting field. IFRs standards enables accountants to learn internationally recognised standards which enhances their knowledge base for instance IFRS will assist the preparers of the holding companies with different subsidiaries in other countries to prepare one common set of accounts using IFRS, this reduces costs such as information processing costs and allows for better performance measurement for subsidiaries in different countries. As a result the table above indicated that respondents have all agreed that having implemented IFRS there will be many benefits which accrue to both the economy and individual skills. Sushendra (2014) suggested that IFRS will enhance the opportunities for accounting professional worldwide

as they will be able to render their services as experts globally. The convergence process will eradicate the requirement of dual set of financial statement, and will also decrease the cost of raising funds.

#### **4.8 Chapter summary**

The chapter looked into the response rate from the target population, the data presentation and analysis. There were several aspects of some source of the challenges that are faced by ZB bank in trying to adopt the IFRS and the data gathered was the analyzed, the results being interpreted through tables, graphs and pie charts. In the opinion of the researcher the results shall be true representative of the situation on the ground.



## CHAPTER V

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### **5.1 Introduction**

The objective of the research was to evaluate the effect of IFRS on the financial statements' quality in the financial sector, focusing on ZB bank as a case study. This section provides conclusions and recommendations regarding the topic based on a thorough analysis of the research findings. As a result, we draw conclusions and offer suggestions based on the research objectives, findings, and the literature review.

#### **5.2 Summary of findings**

##### **The level to which ZB Bank is adhering to the International Financial Reporting Standards (IFRS),**

The first objective of the study was concerned with ascertaining the level to which ZB Bank is adhering to the International Financial Reporting Standards (IFRS). The research found out that respondents from ZB bank were aware of the standard, however not all of those who were aware of the IFRS complied, being reflected by the drop of compliance.

##### **The impact of IFRS adoption on the profitability of ZB bank**

Apart from the above, the study was concerned with ascertaining the impact of IFRS adoption on the profitability of ZB bank. The research found out that IFRS adoption has no significant impact on the profitability of ZB bank. The non-significance of causal relationship of IFRS adoption on firm performance is simply because the challenges of implementation have not been well-addressed and ZB bank is yet to fully realize the benefits of IFRS adoption due to challenges surrounding its adoption and implementation.

Also, the study was concerned with determining whether ZB bank's financial statements have improved as a result of the adoption of IFRS. The study found out that IFRS adoption have an impact on financial reporting transparency and accountability in ZB bank to a greater extent. This is shown by the respondents' agreement to the benefits that have been brought about by the adoption of IFRS: IFRS adoption reduced and curb corruption in financial reporting quality in ZB bank, IFRS adoption improved compliance with regulatory authorities, preparing of financial statements in accordance to IFRS will actually show the financial performance of the organisation, the adoption of IFRS improved credibility of financial reporting in public sector, preparing financial statements in accordance to IFRS actually shows the financial position of ZB bank.

### **The benefits and challenges of ZB Bank adopting IFRS**

The last objective of the study was concerned with assessing the benefits that ZB bank can derive through adoption of IFRS. The research indicated that there are a many benefits that ZB bank can accrue from adoption of the standard. These benefits varied from boosting of investor confidence, it will ease compliance with tax regulation, the standard also makes the companies comparable with those in the same industry and it increases the rate of growth of the entities through accountability.

### **5.3 Conclusion**

Many developing countries adopt IFRS in order to gain acceptance in the international community and to prevent the problems that arise where there is limited resources in terms of human, technical, logistics or otherwise to prepare national standards. These reasons however should not be the primary motive for adoption because what good will a financial statement be if being reported under IFRS standard becomes irrelevant, untimely, costly, incomprehensive, unreliable and does not give faithful representations to stakeholders.

Thus, the researcher concluded that there is positive significant relationship between international financial standards (IFRS) and the quality of financial statements in the financial sector. However, the research concluded that IFRS adoption has no significant impact on profitability within ZB bank. On the issue concerning the benefits that are associated with the adoption of the IFRS the

research concluded that ZB bank enjoyed a fairly large number of benefits from adapting to IFRS. These benefits are to come in form of creation of investor confidence since there will be comparability of the accounting statements, there will be compliance with laws and also comparability for growth sake internally will be enhanced.

#### **5.4 Recommendations**

In light of the above conclusions, the following recommendations are made:

- ❖ Standard setters involving the top managers, external auditors and regulators should link in tightening compliance of the IFRS so that banks can derive the benefits of adopting the standards.
- ❖ The government should also assist by providing with financial reporting incentives that will give financial institutions the willingness to adopt the IFRS.
- ❖ As most of the employees in financial institutions don't have adequate skills to adopt of implement the IFRS, there is a need for the banks to send their employees for vital training of the accounting courses.
- ❖ ZB bank can make use of the available accounting firms for the preparation of accounting records on their behalf since the firms are always updated with the accounting standards and their employees are competent enough for any accounting task.
- ❖ There should be separation of management and ownership to enhance accountability in order to reduce the risk of management overriding control. This would give a clear responsibility to the auditors and management for ensuring the compliance to relevant accounting frameworks when preparing the financial statements.
- ❖ In addition to above recommendations the research showed that there is also a need to include the standard in the universities circulars since graduates will be employed as managers, accountants and some even start their own financial institutions and this could be an advantage on the adoption of the standard.

### **5.5 Suggestion for further research**

IFRS are viewed as high quality accounting standards which enhances business performance and motivation of accountants at the work place. It will be interesting to research on the insignificant impact of adopting IFRS and provide with evidence of where the IFRS is not adopted,

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**APPENDIX 1**

**THE BINDURA UNIVERSITY OF SCIENCE EDUCATION**

**FACULTY OF COMMERCE**

**ACCOUNTANCY DEPARTMENT**

Dear Sir/Madam

RE: REQUEST TO CARRY OUT A RESEARCH

I am a Bindura University of Science Education student who is currently studying for Bachelor of Commerce Degree in Accounting. I am required to carry out a research project in partial fulfillment of the requirements for the degree. As such the student is carrying out a research titled “International Financial Standards (IFRS) on the quality of financial statements in the financial sector, using a case study of ZB bank.” The researcher is kindly asking for your assistance as respondents to the research understudy by filling in the questionnaire. The responses you will provide will be treated with utmost confidentiality and will be used solely for academic purposes. Your cooperation will be greatly appreciated.

Your corporation in this study is greatly valued

Yours Sincerely

-----

## General Instructions

[1] Answer by putting a tick in the box where options are provided or give details where necessary.

[2] Please kindly complete the questionnaire on your own.

**[NB]:** Names of participants will not by any means be disclosed to the on the questionnaire.

Information collected shall remain private and confidential and will be used for the purpose of this study only.

### Section A: Personal characteristics of respondents

1. Indicate your gender

Male

Female

2. Indicate your age range

below 30 years	31 – 40 years	41 – 50years	+50 years

3. Indicate your highest qualification.

Certificate	Diploma	Undergrade Degree	Postgrade Qualification

4. Position you hold in your organization

Accountant	Senior managers	Auditors



Below 5 years	5 to 10 years	Above 10 years

6. Type of goods sold (tick one)

Clothing	Motor spares	Furniture/ electrical gadgets	Grocery

## Section B

1. What do you understand by the term IFRS

.....

.....

.....

.....

2. Does your company maintain books of accounts?

Yes	
No	

3. If your response please tick the one that you use from the table below.

Types of books of accounts	Tick
Cash book	
Journals	
Source documents	
Ledger accounts	
Bank reconciliations	

4. Are your firm's financial statements being audited?

Yes	
No	

5. Is your organization aware of the IFRS in ZB bank?

Yes	
No	

6. Have you complied with the guidelines of in IFRS for ZB bank?

Yes	
No	

7. Are there any benefits from adopting to the IFRS? If your response is Yes can you kindly list some of them below?

.....  
.....

8. Does IFRS adoption influence the profitability of ZB bank?

Yes	
No	

9. Are there any challenges that you are facing in implementing the IFRS for?

Yes	
No	

10. If your response is Yes, then can you highlight the challenges?

	Yes	No
a. Increased cost of reporting		
b. Lack of competent employees		
c. Reluctance of the client in adopting the IFRS		
d. Satisfaction of users information		
e. Complexity		

If there are any other challenges besides the above mentioned, can you please specify?

.....  
.....  
.....  
.....

**END OF QUESTIONNAIRE**

**THANK YOU FOR YOUR CONTRIBUTION**

**Interview Guide for the Management**

## **Interview Questions**

- a. In your own opinion, what are the challenges that are faced by the ZB bank when implementing the IFRS and what are the possible solutions?
- b. From your own point of view to what extent does the IFRS is beneficial to emerging entities?
- c. Are there any noticeable efforts done by the PAAB in emphasizing the implementation of the standard?
- d. What are the requirements of the standard from the private institution?
- e. What is the relationship between IFRS adoption and profitability in ZB bank?
- f. What are the recommendations that you can suggest that can be implemented to facilitate the adoption of IFRS by ZB bank?



