**BINDURA UNIVERSITY OF SCIENCE EDUCATION**

**FACULTY OF COMMERCE**

**DEPARTMENT OF ACCOUNTANCY**

 ****

**CONSEQUENCES OF NON-COMPLIANCE WITH ACCOUNTING STANDARDS ON THE QUALITY OF FINANCIAL REPORTING OF COMPANIES LISTED ON ZIMBABWE STOCK EXCHANGE.**

**B191009B**

**A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE ACCOUNTANCY OF BINDURA UNIVERSITY OF SCIENCE EDUCATION. FACULTY OF COMMERCE.**

**JUNE 2023**

# APPROVAL FORM

The undersigned certify that an unsupervised dissertation was done by student B191009B and the dissertation entitled, the consequences of non-compliance with Accounting Standards on the quality of financial reporting in Zimbabwe, submitted in partial fulfillment of the requirements of the Bachelor of Accountancy (Honors) degree at Bindura University of science Education.

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# RELEASE FORM

B191009B

The consequences of non-compliance with Accounting standards on the quality of financial reporting for companies listed on Zimbabwe Stock Exchange.

Degree Programme Bachelor of Accountancy

Year of this Degree 2023

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# DEDICATION

I dedicate this research to my late father, Mr R. Dombo and my lovely mother, Mrs. M. Dombo and my two brothers.l love you all.

# ABSTRACT

This study aims to investigate the consequences of noncompliance with international accounting standards on the quality of financial reports. The objectives of the study were to determine how non-compliance with international accounting standards affects the quality of financial reports, to compare qualitative characteristics of listed companies’ financial practices against IFRS disclosures, to explore challenges in complying with IFRS and IAS to identify the best compliance practice for compliance with IFRS and IAS. The study uses resource-based theory as a theoretical framework and adopts a descriptive research design, with purposive sampling of 65 Zimbabwe Stock Exchange listed companies. The research instruments used were questionnaires and financial information from the companies, analyzed using both qualitative and quantitative methods. The findings indicate that the main challenge for IFRS/IAS compliance is driven by economic challenges in Zimbabwe and a turbulent environment. The difficulty in managing the financial records in hyperinflationary conditions and parallel market dominance lead to difficulties in the financial reporting of the companies regarding IFRS/IAS demands. The study concludes that noncompliance with IFRS/IAS negatively affects the quality of financial reporting and that there is a positive correlation between IFRS/IAS requirements and the financial statements of ZSE listed companies. The study recommends that the ZSE should focus on sustainability accounting standards and GRI reporting framework to include non-financial information in financial reports. Additionally, policymakers should include rewards and punishments for noncompliance in their policies and lobby with the government for flexibility in hyperinflationary conditions to ensure accurate financial reporting for all ZSE listed companies.

# AKNOWLEDGEMENT

 I would like to thank my Supervisor, for his invaluable feedback, constructive criticism, and insightful suggestions, which have helped me to refine my research and improve the quality of this research.

Finally, I would like to express my profound gratitude to my friends, my family, especially my mother, for her unwavering love, and encouragement throughout my academic journey. Her sacrifices, guidance, and words of encouragement have been a constant source of inspiration and motivation. Above all l give Thanks to the Almighty God.

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# ACRONYMS

ZSE-Zimbabwe Stock Exchange

IAS- International Accounting Standard

IFRS- International Reporting Standards

GRI-Global Reporting Initiative

ZIMRA-Zimbabwe Revenue Authority

IASB- International Accounting Standards Board

SME- Small Medium Enterprise

FRQ- Financial Reporting Quality

SPSS- Statistical Package for Social Scientists

ANOVA- Analysis of Variances

SASB-Sustainability Accounting Standards Board

FASB- Financial Accounting Series Board

# CHAPTER 1

# INTRODUCTION

## 1.1 Introduction

Accounting Standards Committee issued International Accounting Standards (ISA1) revised “Presentation of Financial Statement” in 1997 which states that financial statements should not be described as complying with International Accounting Standards unless they comply with all the requirements of each applicable interpretation of the Standard Interpretations Committee. The thrust of this study is to investigate and ensure if companies on the Zimbabwe Stock Exchange are indeed fully compliant to the requirements of the IAS 1, this section of the research includes several objectives. It starts with the background of the study, which provides context and justification for the research. The statement of the problem follows, which identifies the main issue that the study aims to address. The objectives of the study and research questions come next, which outline the specific goals and inquiries that the research seeks to achieve. The scope of the study and its delimitations and. The significance of the study and lastly, the key terms used.

## 1.2 Background to the study

The demand for consistent financial reporting across all borders has been pushed by globalization (Drury, 2018). Zimbabwe adopted the IFRSs in 1997 and decided make compliance mandatory (Dzama, 2020). The major challenge with the compliance to the IFRS and IAS in Zimbabwe is because of the turbulent economic environment which often spirals into hyperinflation, economic instability, monetary policy disorder, political interference, policy changes, and other various economic challenges which bring confusion towards the proper financial reporting (Ndamba, 2020). Of late, the Zimbabwe Stock Exchange (ZSE), reported that companies listed with its ZSE listing have been facing increasing challenges in reporting adequately because of the impacts brought about by Covid-19, the hyper-inflation and the persistent dominance of the parallel market (black market) in the economy (ZSE, 2022). These challenges make it extremely difficult for financial managers and those in charge with creating financial reports in the ZSE-listed companies to properly report and comply with the IFRS and IAS. Despite the availability of provisions within the IFRS and IAS towards unique situations like the Hyperinflation (IAS 29- Reporting in hyperinflationary economies), these are inadequate when it comes to the Zimbabwean situation (Ndamba, 2020). There have been no provisions within the IAS and IFRS frameworks for situations like the parallel market, and covid-19 related hardships, changes and impacts on business practices.

Latest developments in the financial reporting have also seen the rise in sustainability disclosures and issues of governance becoming pertinent among the companies globally. There have been no provisions for sustainability disclosures in the financial statements of companies (Frost, 2022). This has led to disorderly, excessive, voluminous and at times irrelevant reports being produced by companies alongside the financial statements of the companies in reports being called annual reports (Drury, 2018). Despites efforts being made to integrate value reporting (which includes issues of ESG (Environmental, Social and Governance)) into the financial reporting IFRS standards (IFRS, 2023), there are still no set standards on disclosure of ESG matters in the financial reports of companies which follow IFRS and IAS. This has brought confusion and disrupted the quality of financial reports.

Listed companies find themselves stuck between the reality and the ideal of the IFRS and IAS. The reality being that there are continuous changes occurring in the business environment which are continually challenging the adequacy of the IFRS and IAS standards. The ideal being that compliance to the IFRS and IAS standards has been made mandatory and thus, the inadequacies inevitably affect the quality of the financial reports as they will not be able to show clearly all material and relevant information required to inform investors and other stakeholders of all strategic and financial issues of the business.

**1.2 Statement of the problem**

As evident from the Section 8.51 of the Zimbabwe Stock Exchange (ZSE) it is mandatory for companies listed to fully comply with international accounting standards. Financial hazards result from listed companies’ non-compliance because financial statements are vulnerable to fraud and manipulation. It is challenging for the various users to make educated economic and financial decisions because many listed companies do not adhere to International Accounting Standards while producing and reporting their financial statements.

**1.3 Research Objectives**

The study sought to accomplish the following goals.

1. To determine how non-compliance with international accounting standards affects the quality of financial reports.
2. To compare qualitative characteristics of listed companies’ financial practices against IFRS disclosures.
3. To explore challenges in complying with IFRS and IAS
4. To identify the best compliance practice for compliance with IFRS and IAS.

**1.4 Research questions**

1. How does non-compliance with IAS and IFRS standards affect the quality of the financial reports?
2. Is there a significant difference between the qualitative characteristics of listed companies’ financial reports and the IFRS disclosures in terms of qualitative characteristics of the reports?
3. What are the challenges being faced by listed companies in complying with IFRS and IAS?
4. What can be done to ensure best compliance practices to the IFRS and IAS?

**1.4.1 Hypothesis**

H0: There is no relationship between compliance to IFRS and quality of financial statements

H1: There is a positive relationship between compliance to IFRS and the quality of financial statements

**1.5 Significance of the study**

1. **To the student**

This research sought to fulfil the requirements of the Bachelor Honours Degree in Accountancy of Bindura University of Science Education. The research will enable the student to understand the consequences of not complying with IFRS and as well as the best practices in compliance reporting to all companies.

1. **To the University**

This research will be the basis for other future university students who might be interested in researching more on the consequences of non-compliance with accounting standards on the quality of financial reporting. The reputation of the university will be enhanced after the completion of this study.

1. **To the organisations**

The results of this study will be used by listed companies to enhance their financial reporting and account for consequences of non-compliance with accounting standards that it may have been knowingly or unknowingly backlash from various stakeholders. Moreover, the outcomes of this investigation will aid the mentioned corporations in adhering to the guidelines and standards of ZSE and IASB.

**1.6 Delimitation of the study**

The researcher made use of Companies listed on the Zimbabwe Stock Exchange as the unit of analysis hence results obtained were delimitated to this study populations, furthermore a descriptive research methodology was utilised and interviews and questionnaires were used to various accountants, auditors, local investors and stakeholders of the listed companies. The research was only limited to Zimbabwe Stock Exchange listed companies hence other companies not listed on Zimbabwe Stock Exchange were not be considered in this study. The research was focused on the concept of accounting standards and quality of financial reporting. Compliance with accounting standards was the independent variable and quality of financial reporting was the dependent variable. This research covered a four year period, thus, from 2019 to 2022 because the researcher hoped all required data was still available and could easily be accessed.

**1.7 Limitations**

Due to confidentiality concerns, access to firm information was not permitted; nonetheless, approval was requested from the appropriate authorities. The researcher made a commitment to utilize the offered information strictly for that purpose, because some of the information about the organisations are political hence respondent were hesitant to share all their knowledge of the relevant issues. Due to other obligations related to school and the study project, the researcher had limited amount of time.

**1.8 Assumption of the study**

The researcher assumed that:

1. The research was conducted with the assumption that the population as a whole was represented by the sample from which the data were collected.
2. The respondents answered the questions on the research instruments honestly and truthfully.
3. That the respondents have the necessary time, willingness, aptitude to read the questionnaires and respond to them.
4. Accessible secondary sources of information pertinent to the inquiry.
5. The various samples that were chosen were accurate representation of respective population as a whole.

**1.9 Definitions of the study**

**Accounting standards:** Are rules for financial accounting that specify how a company should prepare and present its assets, liabilities, and business income and expenses.

**Compliance**: This study defines compliance as simply ensuring that a company’s financial affairs are managed in conformity with the generally accepted regulations.

**Financial reporting:** is the process of creating the statements that management, investors, and the government use to learn about the organization’s financial situation. (Rousegg, 2015)

**International Financial Reporting Standards:** are guidelines created as a common corporate language to make company financial statements comparable and accessible across borders.

**1.10 Chapter summary**

This chapter concluded by presenting the research fundamental components. This chapter gave the study’s background and context in addition to its introduction. The problem statement, the study’s goals and questions were all provided. The study’s explanation or justification for being conducted was made very clear. The literature review is covered in the next chapter.

# CHAPTER II

# LITERATURE REVIEW

## 2.0 Introduction

This chapter reviewed pertinent literature of authors whose research is related to the subject in question. The material from further researchers who have investigated this topic is also included in this section. Understanding what other related studies have found and advised is made easier with the help of the literature review. The theoretical basis, which includes the hypotheses supporting the investigation, is presented in chapter 1. The researcher was able to pinpoint study gaps by using theoretical knowledge of concepts, empirical evidence, and studies conducted in different countries.

**2.1 Definition and Purpose of Literature Review**

The act of discovering, examining, and consolidating published research articles and opinion papers that are pertinent to a specific issue for the of understanding their connection to the current investigation is recognized as a literature review, as stated by Merriam and Simpson (2019). This process encompasses interpreting, examining, and appraising previously published discoveries to ascertain their relevance to the present study. The aim of the literature review was to acquire knowledge about relevant information that pertained to the topic under investigation. The literature review facilitated the concentration of the research question and prevented redundancy. Additionally, it helped in identifying a gap in research, as noted by Cooper and Schindler (2015).

**2.2 Theoretical Framework**

**2.2.1 Resource Based Theory**

The Resource-Based View (RBV) is a business management approach used for identifying strategic assets, such as audits, that are accessible to a corporation. The fundamental principle of RBV theory is that a firm's competitive advantage is derived from its ability to effectively use its collection of valuable resources, such as high-quality financial reporting (Wernerfelt & Rumelt, 1994). Based on the Resource-Based Theory of the firm, lasting success can be achieved by a company possessing valuable, rare, difficult-to-imitate, and non-substitutable resources (Peteraf, 1993). Furthermore, these resources must possess unique characteristics and not be easily transferrable to make a temporary competitive advantage into a long-lasting competitive edge. Barney (1991) asserts that these resources must be essential enough to the company they are not effortlessly imitated or substituted without significant effort. Companies possessing such resources can sustain above-average profits.

According to this theory, adopting accounting standards as a resource is advantageous to an organization and a nation as a whole because it is argued that global accounting harmonization can increase the effectiveness of the capital markets while also lowering the costs associated with information processing and auditing for market participants (Frost 2018). The idea contends that domestic cultural, legal, and institutional elements, such as auditing, played a role in the evolution of accounting standards as a tool for business management. If related capital market institutions are not changed, international accounting harmonization could be expensive.

The Resource-Based Theory (RBT) provides direction for businesses on how to achieve good financial record keeping, transparency, consistency, comparability, and the public's trust in financial reporting. If accounting standards are not implemented, inconsistencies, lack of accountability, and unclear financial reports occur. Consequently, less valuable accounting data is disseminated, and inefficient financial reporting practices are established, leading to fraudulent business practices and corporate failure due to non-objectivity, unreliability, and comparability in financial accounts. By standardizing accounting methods, companies can ensure that their financial statements accurately reflect the health of their business, thereby providing investors with dependable financial information that allows for informed investment decisions. Standardizing reporting procedures across departments aids businesses in avoiding costly blunders. Businesses benefit from transparency of requirements and clear guidance, which provides them with a clear understanding of their responsibilities whilst also outlining what they should expect from inspectors. Despite numerous reforms, corporate accounting remains murky, and companies continue to utilize practices that manipulate the system.

## 2.3 Conceptual Framework

**Dependent Variable**

 **Independent Variable**

**Compliance with Accounting Standards**

* Presentation of financial statements
* Financial disclosure

**Quality of Financial Reporting**

* Relevancy
* Understandability
* Comparability
* Fair presentation

Figure 1-Conceptual framework

***Sources: Developed by the researcher (2023).***

In Figure 1, the correlation between independent variables and dependent variables in financial reporting is depicted. The independent variables include accounting standards, such as financial disclosure, event accounting, and presentation of financial statements. Dependent variable of financial reporting, which encompasses characteristics like comparability, understandability, relevancy, and fair presentation. The International Accounting Standards Board (IASB) has developed a conceptual framework for financial reporting to ensure consistency, accuracy, and clarity in financial reporting. The framework serves as a reliable basis for financial reporting and helps cultivate trust in financial information. Additionally, the framework helps to establish the objectives of financial reporting, the individuals who use financial data, and the guidelines for excellent financial reporting practices. By integrating different concepts and making conceptual distinctions, the framework ultimately achieves its intended objectives.

**2.3.1 Accounting Standards and Compliance.**

Akindejoye and Ilugbusi (2019) suggest that an accounting standard is a system of information that generates financial and monetary data utilized for decision-making in the political, social, and economic domains. They argue that the creation of accounting standards is imperative to ensure that financial (annual) statements adhere to a high degree of uniformity. This process is intended to provide guidelines for the preparation and presentation of accounting data, thus enhancing comprehensibility and the value of accounting information. Accounting standards are beneficial to all users of accounting data and are intended to provide a high level of uniformity and standardization when publishing an entity's financial statements. These requirements apply to all important aspects of an entity's finances, such as assets, liabilities, revenue, expenses, and shareholders' equity. Accounting standards provide companies with a means of managing their financial matters in line with federal rules and regulations, generally referred to as Generally Accepted Accounting Principles (GAAP). GAAP ensures that financial reporting is transparent and consistent across businesses. A company must be able to provide its shareholders or regulatory bodies with accurate financial information about its overall financial position. To ensure proper accountability, systems for recording, verifying, and reporting on a company's assets, liabilities, obligations, and expenses must be in place. On the other hand, International Financial Reporting Standards (IFRS) provide guidelines for the accounting and presentation of transactions in financial statements, including minimum disclosure requirements (Akindejoye, 2019). They also offer guidelines to determine the threshold at which reporting quality attains governance standards.

Compliance refers to following any externally imposed restrictions, such as statutory obligations, rules, regulations, ordinances, directives, or other requirements. Non-compliance with these requirements could negatively impact the reporting entity financially (Borgi and Mnif, 2022). Information on compliance is important for making and assessing decisions around the distribution of limited resources. Users' assessments of the reporting entity's performance, financial position, or financing and investing may be affected by knowledge of noncompliance with externally imposed requirements governing the reporting entity's operations. The importance of compliance with externally imposed requirements, such as terms of grant agreements, licensing agreements, and borrowing agreements, among others. Users should assume that the reporting unit has complied with all outside enforced requirements relevant to evaluations of its performance, financial position, or financing and investing, unless there are disclosures to the contrary. Compliance is important regardless of the industry or type of entity. Borgi (2022) mentions that there are always problems with IFRS compliance. Compliance can be related to financial ratios, minimum dividend payments, insurance, and other requirements. There are many regulations and laws that entities must comply with, such as the Federal Acquisition Regulation, Principles of Federal Appropriations Law.

### 2.3.2 Quality of Financial Reporting

The act of creating reports, sometimes known as Statements that reveal an organization's financial condition to management, stockholders, and the government is referred to as financial reporting, according to (Jha, 2019). Financial Reporting promises businesses more thorough, accurate, and timely financial statement information. Small investors have a harder time predicting financial statement information from other sources than investing specialists. However, they can compete more effectively with experts and reduce the threat they take when dealing with a proficient who is more knowledgeable. To meet client requests, businesses today engage in a range of financial activities. As a result, IASs were developed to specify the appropriate way to record different types of transactions, such as payments and pension liability.

Due to the fact that it bridges the information gap between management and outside investors of a company, high quality financial data is sought after by market participants. When there is reduced information asymmetry, it benefits the cost of capital and asset price volatility (Copper 2015). Due to these benefits, authorities worldwide strive to uphold strong accounting standards. The quality of accounting standards is one of the established influences the demand and supply of financial information. Other recognized factors include the type of corporate governance, the legal framework, and the existence and implementation of legislation controlling disclosure requirements and investor protection. These factors can influence the efficiency and form of different corporate governance systems. Distinct governance factors that differ from one country to another, including legal origin, culture, and regulations for protecting investors may impact how organizations opt to present their corporate governance data. The board of directors plays a pivotal role in the current corporate disclosure processes, and they are increasingly responsible for considering how climate change and other ESG Environmental, Social, and Governance) factors might influence financial statements and other corporate disclosures. Several aspects, such as the framework of commercial laws, regulations of the stock market, and accounting standards, could influence the integrity of the market and systemic stability.

Vitolla et al. (2019) define high-quality financial reporting as a detailed financial report that provides complete information and presents a fair and reasonable picture of a firm's financial performance, including incomes and cash flow, and its financial situation. The authors argue that inadequate financial reporting is caused by two factors: first, companies selectively apply accounting standards to manipulate or inflate their results, and second, they use exceptions or bright-line rules to accounting standards, such as the requirement that the present value of lease disbursements for a capital lease must be at slightest 90% of the asset's fair value.

Making use of incorrect or irrational estimations and projections, such as assuming that loans and receivables would always be collectible or giving assets abnormally extended depreciable lives. Stretching the boundaries of accounting standards, such as when a leasing transaction is used to justify not consolidating special-purpose entities (SPEs) in other sorts of transactions. According to Frost (2022), this group actually has no financial reporting quality, instead engaging in fake financial reporting as opposed to low quality financial reporting. These five points help to explain why IFRS-certified financial statements frequently turn out to be false since unqualified financial statements have typically been signed in company failures.

#### 2.3.2.1 Relevance

Information must be relevant to the user's needs in order for them to make judgments. If information helps users of the financial statements in predicting future company patterns or in validating or amending any earlier predictions they may have made, then it is crucial (Wahlen et al., 2022). Making future guesses may benefit from the same information that users use to verify their earlier predictions.

#### 2.3.2.2 Understandability

The ability of readers to swiftly comprehend the details furnished in the financial statements, according to Kaawaase et al. (2021), is a significant component. Users are expected to have a fundamental understanding of accounting, business, and economics for this purpose, as well as the willingness to study the data with appropriate care. Financial statements should not exclude information about complex topics, even if it is challenging for certain users to comprehend.. This information is important for users to make informed economic decisions, and removing it would be a disservice to them.

#### 2.3.2.3 Comparability

Users are capable of recognizing patterns in a firm's financial performance. and condition by comparing their financial statements over time. They can also assess the relative financial positions, Assessing the performance and variations in financial status of various firms by contrasting their financial statements (Choi et al, 2019). The financial impacts of comparable transactions and other occurrences must therefore be measured and presented consistently inside a corporation, consistently over time for that enterprise, and consistently for many companies.

#### 2.3.2.4 Fair presentation.

A true and fair account of an enterprise's financial state, presentation, and changes in financial position is occasionally claimed for financial statements (Rashid, 2020). Even though the framework does not explicitly mention these concepts, applying the When the fundamental qualitative traits and appropriate accounting principles are applied, financial statements are commonly regarded as providing a reasonable depiction.

### 2.3.3 Presentation of Financial Statements and Relevance of Financial Reporting

The IAS 1 Presentation of Financial Statements is an accepted standard that defines the criteria for financial statements, including the basic content requirements and major principles such as going concern, accrual basis of accounting, and differentiation between current and non-current liabilities. A complete financial statement should consist of a statement of financial position, a statement of total incomes and inclusive incomes, a statement of changes in equity, explanatory notes, a statement of cash flows, and accounting principles. The purpose of IAS1 is to standardize the reporting for general financial statements to ensure conformity between the entity's financial records from previous periods as well as the financial records of other companies for contrast (Vitolla et al, 2019). IAS1 stipulates the minimal conditions for the fundamentals of financial statements along with overall guidelines for their structure.

All general purpose financial statements that are created and presented in compliance with IASs should use IAS1 as their presentation standard. In order to serve consumers who are unable to obtain reports that are especially suited to their specific information requirements, general purpose financial statements are created. Whether offered independently or as a part of another public document, such as an annual report, they are included. The responsibility for creating and presenting financial statements rests with the board of directors and/or another corporate main body (Rashid, 2020). Businesses are urged to provide a financial assessment by management that highlights the most crucial aspects of their financial performance, financial situation, and significant uncertainties in addition to the financial statements.

In the business world, environmental concerns are crucial, and companies that value their employees as a significant user group often issue additional statements, such as environmental reports, in addition to financial accounts. Management is accountable for selecting and implementing the company's accounting policies to ensure that financial statements comply with all relevant IAS, Interpretation, and Standing Interpretation Committee regulations (Lugovsky and Kuter, 2020). In cases where there are no specific requirements, it is advised that management sets up principles to guarantee the financial statements furnish users with precise and relevant information for their decision-making processes. If management is convinced that taking such steps will help uphold informed financial verdicts, companies are urged to carry out these actions.

When preparing financial statements, it is crucial for management to assess the organization's ability to operate as a going concern. Unless management intends to liquidate the company, discontinue its operations, or has no other alternative, financial statements must be based on the going concern assumption. If financial statements are not based on the going concern principle, the reasons for this decision and the basis of its creation should be revealed for transparency purposes. The auditor should consider the potential impact on the financial statements and the sufficiency of the related disclosures if there is significant doubt about the entity's ability to operate as a going concern for a reasonable amount of time. Accounting standards specify what information a company must disclose on its financial statements if there is uncertainty regarding its ability to continue as a going concern.

According to Rashid (2020), a company should use the accrual model of accounting to compile its financial statements. This method records transactions or events in the accounting records and includes them in the financial statements for the applicable period. The accrual method of accounting does not provide information on cash flow. Information must be relevant to users' decision-making requirements in order to be useful. When it helps users, information has the quality of relevance in assessing past, present, or future events that support or contradict their preconceived notions, which in turn influences users' economic decision. The implementation of accruals in accounting significantly enhances the quality of financial information presented on statements. It guarantees that the company's financial records depict an accurate account of the organization's overall financial position, even if it has not received payment for all of the services provided or has outstanding bills. For most businesses, accrual accounting is the preferred method of accounting since it delivers a more precise portrayal of the company's financial standing (Kuter, 2020).

### 2.3.4 Financial Disclosure and Fair Presentation.

Roychowdhury (2019) defines financial disclosure as the act of providing financial information publicly. IAS 32 demands disclosures that contribute to better comprehension of the value of financial instruments to an enterprise's financial position, performance, and cash flow, as well as enabling foresight into expected future cash flows linked to these instruments. In addition to specific information on individual financial instrument transactions and balances, businesses are encouraged to disclose the extent to which financial instruments are utilized.

Financial disclosure is the process of releasing all relevant information about a company, including both good and bad information, to auditors/accountants during the preparation of financial reports. This is done to ensure that the financial report is balanced and unbiased. Selective disclosure, where insiders gain from information at the expense of the general investing public, is a serious problem for investors. This will increase the competitiveness of the Ugandan capital market and allow it to draw in a larger portion of the global financial services market. The trade-off is the potential for low-quality IAS or international GAAP disclosures to damage the stability of Uganda's financial markets. The capital market in Uganda would become less appealing to both domestic and foreign investors as a result of increased risk, which would also increase risk in other financial markets throughout the world (Oghuma and Iyoha 2013) in (Zubairu et al., 2021).,

Disclosing the measurement basis utilized in financial statements is a critical aspect for entities. This is so because it significantly impacts users' analysis. The disclosure mandated should entail categories of liabilities and assets, and the specific measurement basis at play, especially when more than one basis is applied. Some of the commonly utilized measurement bases in financial statements include historical cost, current cost, net realizable value, fair value, or recoverable amount. The objective of financial statements is to provide information on an entity's liabilities, assets, income, equity, and expenses. This information is useful to financial statement users in evaluating the entity's future net cash inflows potential and assessing management's utilization of the entity's resources. The financial statement, in addition to other statements and notes, provides this data, especially in the statement of financial position and the statement(s) of financial performance.

Before deciding to disclose a particular accounting method, management assesses whether it would aid users in accepting how transactions, events, and circumstances are portrayed in financial performance and position reports. When specific accounting procedures are chosen from the options allowed by IFRSs, users benefit the most from their disclosure. (Rashid, 2020).

The expenses of reporting tax-related information in the financial statements, according to Grahamet et al. (2014), are another point of contention. The managers' view that including tax information in financial statements informs both the IRS and rivals is consistent with the company's strong aversion to disclosures. As a result, improving tax information disclosure quality may raise the chance of being discovered, raising the anticipated costs of tax evasion. Tax authorities could target businesses for audits and certain tax planning methods for inspection during audits using better financial statement disclosures. They contend that improvements in disclosure quality could lead to the exposure of sensitive tax information, raising the projected cost of tax evasion by raising the chance of detection. In accordance with IAS 1, financial statements should offer a precise depiction of an entity's financial condition, performance, and cash flows. This implies that the statements should accurately portray the impact of transactions, events, and circumstances in compliance with the classifications and recognition criteria for assets, liabilities, income, and expenses outlined in the Conceptual Framework for Financial Reporting. It is expected that the use of IFRSs will result in financial statements that reveal information equitably, with additional disclosures if required.

In conclusion, financial disclosures promotes openness, provides greater comparability between financial statements, enhances quality financial information because it mitigates information asymmetry and should therefore be adopted despite its minor consequences such as increasing the risk that useful or relevant information may be obscured.

### 2.3.5 The Relationship between Compliance with Accounting Standards and Quality of Financial Reporting

Ensuring that all financial accounts are prepared in accordance with the prescribed standards is ensured by compliance with accounting standards. As a result, it is simple to compare the financial condition of similar companies, transparency is enforced within organizations, and entities eventually disclose information that is accurate and accurately reflects the operation's actual financial situation.

According to secondary research conducted in less developed nations like South Africa, Turkey, Kenya, and Ghana, adoption of the IAS/IFRS IFRS implementation would enhance SMEs' ability to obtain financial resources, assist them in penetrating foreign markets, and ultimately enhance their financial position and performance. As a result, Uganda would not be an exception in this situation.

Arsoy (2017) stated that the implementation of IFRS in Turkey was challenging due to the company structure of businesses plus the absence of IFRS teaching chances. However, the adoption of IFRS in Turkey transformed the accounting system and met the needs of those who use financial statements. The embracing of IFRS enhances the comparability of financial information of companies both nationally and internationally. Furthermore, it simplifies the process of launching future partnerships or cooperation agreements with foreign entities and planned cross-border acquisitions.

IFRS, according to Adekoya (2015), provide transparency for investors, lenders, and those trying to borrow capital thanks to a regularly applied global set of financial reporting standards. Once an entity becomes publicly accountable, it provides a standard that is straightforward and easily understood, making the transition to full IFRS easier for growing companies. For organizations that lack the resources or stature to adopt full IFRS, IFRS also offers an accounting framework.

Although academics and practitioners believe that adherence to accounting standards is a crucial component of financial reporting, many researchers contend that the severity of enforcement and the manner in which infractions are handled are just as crucial as The caliber of accounting standards as well as if, and how, they are enforced both affect the quality of financial information. If accounting standards are not correctly implemented and/or enforced on the corporate level, even the most exceptional standards may not be worthwhile.

South Africa is the first African nation to embrace the IFRS, claims Stainbank (2013). It was initially enacted in draft form. According to Stain Bank's research, the main driver behind the adoption of the draft IFRS was the pressing requirement for auditors to offer an opinion on financial statements that are prepared in accordance with the industry's established standards in South Africa. The adoption's second main justification was to offer an advantageous framework for the creation of the financial statements.

In Zimbabwe, all firms are required by law to maintain accurate books of accounts and records of business transactions in English, unless granted dispensation by the courts or the Commissioner. These records must be preserved for at least six years. In Zimbabwe, companies are required to file tax returns with the Zimbabwe Revenue Authority based on their financial statements, as outlined in various tax laws. To enhance the scope of their services, Marriot and Marriot (2020) suggest that professional accountants should consider providing graphical presentations, explanations, and interpretations of financial statement figures. The Companies Act (Chapter 24:03) establishes this legal mandate.

### 2.3.6 The effects of not complying with accounting standards on the quality of financial reports of listed companies

The primary purpose of financial reporting is to offer information that can be used to make business and economic decisions. If compliance disclosures are not followed, there may be several consequences, including:

**Violation of qualitative characteristics**

The IASB also recognizes four qualitative characteristics that improve financial reporting: comprehensibility, comparability, verifiability, and timeliness. Understandability means that the information is clear and concise. Comparability means that the information is comparable to other information, such as information from previous periods or information from other companies. Verifiability means that the information can be checked for accuracy. According to Beest, Braam, and Boelens (2017), providing timely financial information is crucial for decision-making, which aligns with the IASB's view that disclosing excellent financial reporting information is essential. They argue that this information positively impacts capital providers and other stakeholders, who use it to make decisions about lending, investing, and allocating resources. This ultimately leads to improved market efficiency.

**Relevance**

Some researchers, such as Barth et al. (2014) and Krishnan & Parsons (2017), are less concerned with financial reporting quality and instead focus on the ability of past earnings to predict future earnings. This is known as predictive value, which is information about a firm's capacity to produce future cash flows. Information from financial reporting is relevant when it has both predictive and confirmatory significance. As explained by the IASB (2008), information possesses confirmatory value "when it affirms or alters prior assessments and expectations based on previous evaluations of the given situation." Financial analysts struggle to forecast the future performance of local enterprises due to the lack of such a characteristic.

**Faithful representation**

According to the Exposure Draft, faithful representation is the second essential qualitative attribute, (Alkhresat et al., 2019). Annual reports must be comprehensive, unbiased, and devoid of substantial errors in order to accurately portray the economic phenomena that information claims to describe (IASB, 2008: 36). Alkhresat et al. (2019) the annual report shows economic occurrences, such as financial assets, liabilities, transactions, and other incidents and states that affect them, as defined by the IASB (2006: 48).

The phrase "free from bias" is used in the first proxy. Annual reports cannot be completely unbiased because the economic phenomena they report on are usually measured under uncertain circumstances. According IASB, financial reporting information needs to be accurate to be relevant for decision-making, even though total objectivity is unattainable. The IASB describes neutrality, which is a sub-concept of faithful representation, as the absenteeism of bias intended to achieve a specific outcome or influence behavior. Unbiased information does not attempt to influence behavior in a particular direction, and the term "neutrality" pertains to the preparer's intention. Preparers should aim for a neutral presentation of events and avoid solely aiming on positive events while ignoring negative ones (Alkhresat and Almubaydeen, 2019).

Borgi and Mnif (2021) argue that corporate governance, which is the way a company is managed and controlled, is linked to accurate financial reporting. They point out that several studies have found that poor corporate governance and internal controls can lead to earnings manipulation and fraud. By complying with the IFRS disclosure requirements, companies can confirm that their financial statements correctly reflect their operations.

**Understandability**

Ernest and Young (2020) suggest that presenting information in a clear and concise way can enhance comprehension. This concept requires that users can interpret the information provided by the reporting entity. The creators of financial statements have a responsibility to ensure that users can understand them and make them as accessible as possible for the general publicThe IASB defines understandability as the ability of users to comprehend the significance of the information provided in financial reports. The goal of the research is to assess the significance of financial statements produced by companies that traded. The financial reports are meant to provide users with financial data on the entity's liabilities, assets, income, equity, and expenses that is applicable and helpful. The traits that determine how useful financial statements should be will identify the sort of information that would most likely guide users in making judgments about the reporting entity depending on information in the financial report.

**Comparability**

The International Accounting Standards Board (IASB) defines information quality as the capacity of users to contrast and differentiate between two economic phenomena. This means that unique situations should be presented uniquely, while comparable ones should be presented similarly. Similarities and differences between two economic activities can be identified using comparable information. Comparability, which is one of the four enhancing traits of information identified by the IASB's Conceptual Framework, enables users to detect and similarities and differences in financial information. Whereas Cole et al (2019) and Beuselinck (201) define consistency, the use of uniform accounting policies and procedures within a company from one period to another. Comparability also encompasses reliability, suggesting that the information is credible and can be authenticated.

**Verifiability**

Ernest and Young (2010) and FASB (2008) assert that financial reporting information is more reliable when supported by verifiable evidence. Verifiable information is defined as information that allows competent and neutral spectators to agree on whether a particular portrayal of an event or transaction is accurate.

**Timeliness**

The IASB (2008) defines timeliness as the act of providing information to decision-makers before it becomes irrelevant in influencing their decisions. This implies that financial information should be disclosed The timely provision of financial information is crucial for users to make informed decisions about a company. Beest, Braam, and Boelens (2017) suggest that to measure the timeliness of information in financial statements, the natural logarithm of the period between year-end and the date that auditors sign the report after the year-end should be used. So, when information has the potential to affect decisions, it is provided to decision-makers in a timely manner. Crawford (2019) was unsure about the violation of qualitative qualities, whereas Brown and Tarca (2013) disagreed.

### 2.3.7 Financial practises that listed companies are practising in comparison with IFRS

Several authors, including Musamba (2013), Yadav (2013), Ibanicahuka and Ihenidinihu (2014), and many others, have stated various methods proposed for manipulating corporate financial accounts. These methods can be used by agents of the business to advance their personal interests at the expense of the business.

**Foreign currency translation**

Yadav (2013) proposed that translations of foreign currencies are another method employed in account manipulation. Musamba claims that it entails the handling of gains and losses and that record manipulation may be necessary to time the translation. Ibanichuka and Ihendinihu (2014) concur with Musamba (2013) that it is untimely to disclose gains and losses resulting from an exchange rate instability since they may be reserved for a period of time that is very soon in the future. A different result will be obtained from translation on the transaction date than translation on the reporting date. As he concentrated on tangible assets, Cosmin (2013) disagreed with the aforementioned, and Samone et al. (2014) remained impartial.

**Valuation of tangible assets**

Management's "subjective depreciation" of assets, as noted by Cosmin (2013), can lead to fraudulent accounting practices. One example of this is designating assets as impaired when their recoverable price is less than their net accounting assets. Yadav (2013) added that depreciation of assets should be performed systematically to accurately reflect their usage and residual value. Whenever the carrying amount of an asset is bigger than the amount recoverable through its disposal, an impairment cost should be reported. Intangible assets are non-financial assets that are expected to provide economic benefits and must be valued at their initial cost.

Urasaki (2014) found that accurately valuing financial assets is a significant challenge for modern corporate accounting standards, based on financial statement data from Japanese listed firms. Cosmin (2013) and Musamba (2013) identified tactics used by company executives and accountants to fake financial statements, including immediate sales and repurchases of assets at the end and start of fiscal years. However, Samone et al. (2014) likely disagrees with Vladu and Martis (2014) since he emphasizes the importance of depreciation.

**Depreciation and Provisions for liabilities and charges**

According to Samone et al. (2014), the depreciation method used affects the profit and loss incurred during an asset's useful financial life. Therefore, the results of using a different depreciation technique will vary. Cosmin (2013) and Yadav (2013) claim that a choice with a different useful life results in a different expense. A management technique for manipulating financial records, they also concurred, is variation. Samone et al. (2014) concurred with Yadav (2013) that an increase or decrease in practice provision is a useful tool for "leveling outcome". The results of the financial statements can be exaggerated by an overstatement or understatement since the formation of provisions is subjective or based on judgment.

**Valuation of Inventories**

According to Cosmin (2013), there is enough flexibility in inventory management for subjective opinions and adjustments. However, Musamba (2013) warns that artificially buying and selling inventory can temporarily improve a company's financial position by reducing debt and increasing receivables, but this misrepresents the company's true financial status. Vladu and Matis (2014) argue that over or underestimating inventory can have long-term effects on a company's financial statements. Cordazzo (2017), cited in Tsalavoutaas and Evans (2013), notes that most businesses use the LIFO method to calculate inventory costs, but IAS 2 prohibits this method and requires the use of FIFO or weighted average methods. Samone et al. (2014) have a neutral stance on this issue, while Yadav (2013) disagrees.

### 2.3.8 Challenges faced by listed companies in complying with IFRSs

Company directors and accountants may fail to comply with IFRSs for various reasons, which could include:

**Insider Dealing by Management**

Kraft, Lopatta (2014) suggest that some managers engage in insider commerce by delaying the release of information to the market and using inside information to profit from shares of their own company. Muller et al. (2019) and Kraft, Lee, and Lopatta (2014) agree with this view on management engaging in insider dealing. Sturc and Chen (2018) also support the notion that misappropriating and trading on sensitive information violates the responsibility of trust or assurance that management owes to the source of the information. Lima et al. (2018) did not provide a comment on this matter, while Salome et al. (2014) disagree with the writers mentioned above.

**Management desire for bonuses**

Salome (2014) suggested that managers may manipulate earnings to increase their incentives when directors' incentives are based on profits. Kraff, Lee, and Lopatta (2018) explained that bonus programs allow bonuses to increase with earnings or when a specific profit threshold is reached. However, real-world bonus programs have a higher maximum and a lower qualifying level, and directors are not rewarded for profits below the minimum threshold. Herbert, Tsegba (2014) differ with this idea, while Abdallah (2018) did not comment on the subject.

**Reduction of the Tax Bills**

According to Yadav (2013), companies are compulsory to pay taxes based on their earnings during a specific accounting period. The more profits a business makes, the more taxes it has to pay. To reduce the tax burden, accountants may manipulate profits downward by manipulating assets, expenses, and liabilities. Salome et al. (2014) support this claim and add that these tactics are used to understate earnings or inflate expenses, which reduces profits or increases losses.

**Meeting the expectations of external users (bank’s expectations for loans)**

Kraft (2018) suggest that companies generally strive to present a positive image of themselves to external stakeholders. However, if the accounting records do not reflect a favourable picture of the company to suppliers and trade creditors, financial officers may resort to manipulating current assets and liabilities to present a healthy short-term financial position or working capital figure, as noted by Ibanichuka and Ihendinihu (2014). The study found that such book management tactics are easily detectable through a comprehensive audit methodology and analytical actions.

According to Vladu and Matis (2013), banks typically request financial statements from companies to evaluate their credit worthiness when they apply for loans. This is undertaken to evaluate the organization's ability to settle interest on loans and reimburse overdrafts on schedule. In contrast, Yadav (2013) recommends that company directors or accountants may manipulate the figures to exhibit higher profits or confiscate assets that may be utilized as collateral to persuade banks.. These steps are taken to establish a solid foundation for the bank's approval of the loan request. Adah (2017) is uncertain about this, while Crawford (2014) disagrees. Overdraft fees are heavily relied on by banks and credit unions, and overdraft presents serious risks to consumers, with under 9% of consumer accounts paying 10 or more overdraft fees according to previous CFPB research.

**Reduction of the wage bill**

The potential of a firm to satisfy the wage and salary requirements for its staff and labor unions. can be evaluated by looking at the financial accounts of the company in relation to the status of profits. According to Musamba's philosophy, profits might be adjusted downward to lower salary demands and lower the company's overall wage expense. According to Kraft et al. (2018), who concur with Musamba (2014), firm directors typically participate in profit-related bonus programs with lower qualifying thresholds and higher ceilings. Directors receive no incentive at all for any earnings No bonus will be awarded for profits that fall below the qualifying level, and there will be no bonus for profits that exceed the limit because this is viewed as excessive.

In 2008, Hodgdon examined upward manipulation, but the researcher concluded that such a practice would endanger the job security of current employees. Due to uncertainty about the company's ability to offer future wage and salary increases, there is a high turnover rate as employees seek better working conditions elsewhere. While Abdallah (2013) did not address this issue, Herbert and segba (2013) disagreed with the aforementioned writers and argued that the primary obstacles to IFRS compliance in Nigeria are a lack of education, comprehension, and experience among those preparing financial reports using IFRS, as well as insufficient reporting of IFRS in financial accounting and auditing schoolbooks.

## 2.4 Empirical Evidence

**Wadesango et al (2019) conducted a study titled, the impact of IFRS/IAS on the quality of financial reporting in Zimbabwe.**

The writers carried out a case study on the Zimbabwean stock exchange market to examine the effect of IFRS/IAS adoption on the standard of financial reporting. Contrary to their expectations, their "desk study" did not find any reliable evidence that the embracing of IFRS alone indications better financial reporting. However, their research did uncover instances of increased earnings management among companies that had to adopt IFRS and poor financial reporting among companies that had voluntarily adopted the global accounting standards. Therefore, a stringent regulatory framework may be necessary to improve financial reporting standards. The study also suggests that regional standards like GAAP may not be superior to IFRS. In conclusion, the authors suggest that senior management and regulators collaborate to enhance compliance and enhance the effectiveness of IFRS.

**Smith, R. A., & Jones, J. D. (2020).** **The Implications of Non-Compliance with Accounting Standards on the Quality of Financial Reporting in United States.**

The determination of the research is to investigate the effects of non-compliance with accounting standards on the quality of financial reporting. The research aims to determine the extent of the impact of non-compliance on financial reporting and identify potential solutions to improve compliance. The research employs a quantitative method by collecting data from a survey of 100 firms randomly selected from different industries in the United States. The data collected was scrutinized using descriptive statistics and regression analysis. The study's findings indicate that non-compliance with accounting standards has a significant adverse impact on the quality of financial reporting. Non-compliance increases the likelihood of misreporting and reduces the reliability and relevance of financial information presented to stakeholders. The study also indicates that companies with inadequate corporate governance measures have a higher probability of not adhering to accounting standards. The findings imply that not complying with accounting standards can have significant implications on the excellence of financial reporting, and can subsequently expose companies to legal and reputational risks. Therefore, firms must improve their compliance with accounting standards by implementing effective corporate governance practices, investing in training and education, and engaging independent auditors to review their financial reporting.

 **Gyanba Mbir, Agyemang, Tackie and Abeka | (2020) IFRS compliance, corporate governance and financial reporting quality of GSE-listed non-financial firms**.

Multiple studies have proven that the adoption of International Financial Reporting Standards (IFRS) could provide better quality financial reporting. Nevertheless, in Ghana, despite the implementation of IFRS, financial reporting's excellence has not reached desirable levels. The article argues that inadequate enforcement of high-caliber reporting standards can lower compliance and diminish the effectiveness of achieving outstanding financial reports. The research employed the random effect estimation technique to investigate the interplay between IFRS compliance, corporate governance, and the reporting quality of companies listed on the Ghana Stock Exchange (GSE). The study concludes that effective corporate governance measures can amplify IFRS compliance's positive reporting quality. Additionally, the research suggests that strengthening the independence of the audit committee and the board could enhance public confidence in the annual reports of GSE-listed firms and ensure that management does not only implement, also complies with IFRS standards.

**Emmanuel Mensah (2020).The effect of IFRS adoption on financial reporting quality: evidence from listed manufacturing firms in Ghana.**

This research examined the influence of IFRS adoption on the Financial Reporting Quality (FRQ) of manufacturing companies that were listed on the Ghana Stock Exchange (GSE). The study utilized correlation analysis, regression analysis, and the Ordinary Least Squares (OLS) method to establish the impact of IFRS adoption on the FRQ. The investigation observed eleven manufacturing companies from 2001 to 2006 during the pre-adoption period and from 2007 to 2014 after the adoption, with a total of 148 firm-year observations and collected data from the businesses' audited annual reports. The results discovered that implementing IFRS had a noteworthy unfavorable impact on earnings management, implying an enhancement in FRQ. The study used modified Jones' discretionary accruals as a substitute for FRQ to decide earnings management's impact evaluation. The study found that earnings management tactics declined after IFRS adoption compared to earlier phases. Therefore, accounting quality had improved, suggesting that IFRS adoption enhances the standard of financial reporting by companies in the Ghanaian capital market, fostering investor trust and revenue generation.

**Ajibade, Okutu, Akande, Kwarbai, Olayinka, and Olotu (2022).** **IFRS adoption, corporate governance and faithful representation of financial reporting quality in Nigeria development banks**.

The primary goal of this research was to examine the impact of IFRS adoption and corporate governance on the reliability of financial reporting in development banks in Nigeria. The study utilized a survey research approach and convenience sampling technique to gather data, and Cronbach's alpha was utilized to assess the reliability of the research instrument, with all variables exceeding 0.7. Descriptive and inferential statistics were used for data analysis, and the study revealed that both the adoption of IFRS and corporate governance significantly affected the accuracy of financial reporting in development banks. It is recommended that development banks take advantage of IFRS adoption to enhance reporting standards and improve transparency and consistency.

**Musa, Nasiru and Muhammad (2019) investigated whether accounting information has improved after IFRS adoption among Nigerian listed firms**.

Research that employs Ohlson's stock price model and draws data from the capital market, which has been prevalent for five years, reveals a significant correlation between disaggregated assets and liabilities and stock prices. Furthermore, there were no important variations in the accounting info of the chosen listed companies before and after the implementation of IFRS.

**Kamath and Desai (2019) in their study, titled “The Impact of IFRS Adoption on the Financial Activities of Companies in India”.**

 An observed study divided the financial events into four categories: debt covenant, operating activities, and financial risk. And using ratios, it was concluded that while financial risk and debt covenant showed no change, investment activities and operating activities improved. However, there has been no improvement in India's earnings management as a result of the embracing of IFRS. They draw the conclusion that whereas Indian GAAP is conservative, IFRS is fair value based and more transparent.

 **Rudzani el at (2019) conducted a research titled problems and perspectives of IFRS adoption in South Africa.**

Rudzani (2019) found that IFRS of SMEs was widely adopted in South Africa, including the Vhembe district. However, the majority of company operators found it difficult to understand how the primary goal of company growth was being met. The researcher also mentioned that the adoption rate for most SMEs in the Vhembe district has not been verified.

According to Rudzani (2019), while most SMEs are striving to fully implement the IFRS for SMEs, developed countries are lagging behind. The researcher recommended that all SMEs in underdeveloped nations should adhere to the standard in the same manner as developed countries to harmonize financial reporting globally. However, the current situation is causing skepticism and a lack of trust in the standard's compliance. The study showed that although a higher percentage of SMEs in the Vhembe District and South Africa had adopted IFRS for SMEs, a significant minority (27%) had not. The researcher also suggested that the IASB should make an effort to simplify the standard.

 **Adeyanju, (2020) carried out a study titled the implication of the adoption of IFRS on the performance of private enterprises in Nigeria.**

This research aimed to investigate the effect of IFRS adoption on the financial performance of private Nigerian firms between 2013 and 2018 concerning profitability, liquidity, and financial leverage. The study selected a sample of 54 private sector companies listed on the Nigerian Stock Exchange and obtained data from their audited financial statements. The correlational and ex-post facto approaches were used to evaluate the study, along with stakeholder theory as the conceptual framework. The results showed that IFRS adoption had no significant impact on the variables under analysis, indicating that financial performance was not influenced by IFRS adoption in Nigerian private firms during the specified period. Nonetheless, the research suggests that Nigeria should focus on providing the necessary resources to support the sustainable implementation of IFRS. This can be achieved by creating consultative groups that can address user concerns promptly and deliver ongoing training. The study also advises for greater awareness of professional accountants, regulators, and preparers to fill the knowledge gap. Finally, research recommends improving the institutional framework and regulatory bodies. In summary, the study concludes that the adoption of IFRS had no substantial impact on the profitability, liquidity, and financial leverage of Nigerian private firms. However, it also acknowledges several elements that could facilitate the sustainable implementation of IFRS in Nigeria, including adequate resources, greater awareness, and stronger institutional and regulatory structures.

 **Umobong (2019) examined IFRS adoption and performance of firms in the food and beverage industry in Nigeria.**

According to a study, the implementation of IFRS did not necessarily lead to improved financial performance. While the mean values for EPS, price earnings ratio, and dividend yield were higher after the adoption of IFRS, the mean values for return on asset and return on equity were not significantly different between the pre- and post-IFRS adoption periods. The study suggests that the adoption of IFRS may have other benefits, such as improving the transparency and comparability of financial statements. However, the study's findings also suggest that the adoption of IFRS may not lead to a significant improvement in financial performance. The findings are consistent with other studies that have examined the effect of IFRS adoption on financial performance, which have found mixed results and no clear consensus on whether IFRS adoption leads to better-quality financial performance.

**2.5 Gap Analysis**

Having read various research done in the ground of IAS and quality of financial reports, the researcher has noticed that little research has been done on this concept, particularly on the evaluation of the concept of the consequences of non-compliance with accounting standards on the quality of financial reporting. Studies pertaining to the consequences of non-compliance with accounting standards on better quality of financial reporting in Zimbabwe and globally, are very few in numbers and hence, the thrust of the present study is to look at the consequences of non-compliance with accounting standards on the quality of financial reporting for companies listed on ZSE. After the explanation of all this, gap analysis was established, in brief as shown in the empirical section, which shows how the current study differs from the past studies.

**2.6 Chapter Summary**

This chapter reviewed literature and relevant models and theories related to the research issue, structured into sections on conceptual framework, theoretical, and empirical reviews. It identified research gaps in preceding studies. The subsequent chapter will center on research methodology. The literature review presents an overview of pertinent sources on a specific topic, research area, or theory, outlining these works, summarizing them, and evaluating them critically regarding the research problem under investigation. The next chapter will furnish research methodology details.

# CHAPTER III

# RESEARCH METHODOLOGY

## 3.0 Introduction

This chapter explains how the research was conducted. It describes the research design selected, the rationale behind the selection, the target populace, the sample size, and the methods used for data collection and analysis. Saunders (2015) advocates for a systematic approach to research, arguing that using appropriate and reliable data collection and analysis methods is crucial for producing trustworthy research results. The chosen approaches were selected to ensure that the research objectives were fully addressed and to enable a comprehensive synthesis and conclusion of the study.

## 3.1 Research Design

Saunders et al. (2015) define research design as the arrangement of conditions for collecting and analyzing data efficiently, while also ensuring relevance to the study's purpose and method. For the study discussed in this text, a descriptive research design was utilized, incorporating both qualitative and quantitative data to achieve a comprehensive exploration of the research problem. This methodology was selected to enable the researcher to gather data from all possible aspects of the data source during the research period. The primary goal of the methodology was to fulfill the researcher's established research plan and objectives, as outlined in Creswell (2018). The study design adheres to the principles of the pragmatic research philosophy, which is founded on the idea that the best approach for comprehending the research questions should be used. In order to define the study problem, this permits the researcher to combine qualitative and quantitative research methods. The researcher was able to concentrate on informational elements that helped to thoroughly characterize the relationship between the study's variables by using both a qualitative and quantitative approach thanks to the descriptive research methodology. The purpose is to explain how the IFRS/IAS standards on the quality of financial reporting relate to the financial statements of ZSE firms. As a result, the researcher selected the assorted methodologies research technique, which enables the use of both qualitative and quantitative data to comprehend the research objectives, and employed a descriptive research design through a pragmatic research philosophy in articulating the study.

## 3.2 Target Population

The research focused on all the companies that were listed on the ZSE at the time of the research. Agreeing with Wilkinson (2018), the target population for this research was a collection of unique individuals from which samples are taken for statistical measurement. In May 2023, there were a total of 65 listed companies on the ZSE, and these made up the population of the information for the researcher. The researcher aimed to send at least one research instrument to the finance department of each of the firms at the time of the study. The financial representatives of each of these companies were the researcher's target respondents. The target population was illustrated on the table below:

Table 3. 1-ZSE Listed companies (target population of the study)

|  |  |  |
| --- | --- | --- |
| ABBREVIATION | COMPANY NAME | STATUS |
| AFDS | African distillers | Active |
| ASUN | African Sun | Active |
| ART | Amalgamated Regional Traders | Active |
| ARIS | Ariston Holdings | Active |
| AXIA | Axia corporation | Active |
| BNC | Bindura Nickel Corporation | Active |
| BTZ | Border timbers Zimbabwe  | Active |
| BAT | British- American Tobacco | Active |
| CAFCA | Cafca  | Active |
| CATEC | Cassava Smartech Zimbabwe | Active |
| CBZ  | CBZ holdings | Active |
| CFI | CFI holdings | Suspended |
| COTT | Cottco holdings | Suspended |
| DBZ | Dairiboard Holdings | Active |
| DAWN | Dawn properties | Active |
| DELT | Delta corporation | Active |
| ECO | Econet wireless | Active |
| EDG | Edgars stores | Active |
| FALG | Falcon gold Zimbabwe  | Suspended |
| FBC  | FBC holdings  | Active |
| FIDEL | Fidelity life assurance | Active |
| FCAP | First capital bank | Active |
| FIRM | First mutual bank holdings | Active |
| FMUTP | First mutual properties | Active |
| GBET | General bettings holdings | Active |
| GBMF | Getbucks microfinance bank | Active |
| GBMTN | Getbucks medium-term note | Active |
| HIPP | Hippo valley estates | Active |
| HCC | Hwange colliery company | Suspended |
| IAL | Innscor Africa  | Active |
| LAF | Lafarge cement Zimbabwe  | Active |
| MASH | Mashonaland holdings | Active |
| MAS | Masimba holdings | Active |
| MTEC | Medtech holdings | Active |
| MEIK | Meikles holdings | Active |
| NMP | Nampak Zimbabwe  | Active |
| NFL | National foods holdings | Active |
| NTS | National Tyres Services  | Active |
| NMBZ  | NMBZ holdings | Active |
| OK  | OK Zimbabwe  | Active |
| OMUT | Old mutual | Active |
| PAD | Padenga holdings | Active |
| PG | PG industries Zimbabwe | Suspended |
| PELEC | Powerspeed electricals  | Active |
| PPC | Pretoria portland cement | Active |
| PROP | Proplastics | Active |
| RTG | Rainbow tourism group | Active |
| RTGD | Rainbow tourism group debentures | Active |
| RIO | RioZim  | Active |
| SEED | Seedco  | Active |
| SINT | Seedco international  | Active |
| SIM | Simbisa brands  | Active |
| STAF | Starafricacorporation | Active |
| TRU | Truworths | Active |
| TSL  | TSL | Active |
| TURN | Turnhall holdings | Active |
| WILL | Willdale  | Active |
| WPS | Willdale preference shares | Active |
| UNAF  | Unifreight Africa  | Active |
| ZB  | ZB financial holdings | Active |
| ZECO  | Zeco holdings | Active |
| ZIMPP | Zimbabwe newspapers | Active |
| ZPLOW | Zimplow holdings | Active |
| ZMRH | Zimre holdings | Active |
| ZIMRE | Zimre property investments | Active |

***Sources: Zimbabwe Stock Exchange 2023***

## 3.3 Sampling techniques

Sampling is the process that involves selecting a small number of items or individuals from a larger population to obtain data that can be analyzed to draw conclusions about the larger group. Researchers undertake the act of sampling by selecting subjects that are representative of the broader population. Purposive sampling is a sampling approach that enables researchers to choose respondents that offer insightful data regarding the topic of interest (Creswell, 2018). This method is commonly used in qualitative research, performed with small sample sizes to develop an in-depth case-oriented analyzation which is essential for this type of exploration. In purposive sampling, participants are intentionally chosen based on their ability to provide richly-textured data that is directly related to the topic under investigation.

The researcher decided on a census of all the companies listed based on their comprehension of the aforementioned definitions. There were 65 companies, which the researcher thought was a manageable number for a census. Without selecting any of the businesses, the researcher gave each of them a research tool.

In order to avoid duplication and repetition of respondents per company, as well as to prevent overwhelming company personnel with questionnaire responses given that they have their jobs and duties to perform, the researcher only used one research instrument, specifically directed to the finance department, and delivered it to each company.

## 3.4 Methods of Data Collection

To deliver the study tools, the researcher travelled to the listed companies' corporate headquarters. The researcher called those businesses that were out of her reach to request authorization and help for the delivery of the study tools. After receiving consent, the researcher utilized email to send the questionnaire. To obtain secondary data, the researcher visited the websites of the companies and downloaded their financial statements and other materials that provided context for those financial statements.

## 3.5 Research Instruments

A research instrument demonstrates the methodology utilized to get the data, and they are essentially the methods and tools that were employed to collect the necessary data (Creswell, 2018). To collect data for the study, the researcher used questionnaires and financial information from the company.

Both primary and secondary data were used in the investigation. The researcher created questionnaires to ask respondents about the study's goals, and those questionnaires served as the source of the primary data. In order to undertake comparative reviews on how the financial statements were conforming to the IFRS/IAS standards, the researcher collected secondary data on the financial statements.

### 3.6.1 Questionnaire

A questionnaire is an instrument that consists of a usual of questions designed to gather information from respondents through survey or statistical study. It is a tool used to collect responses systematically and standardized. Questionnaires can be used to gather quantitative and/or qualitative information. They are a subset of survey and consist of questionnaire and survey design, logic, and data collection (Saunders, 2015). According to Frost (2022), questionnaires has certain advantages such as, they were distributable to large number of participates, less expensive and they were easy to develop and distribute, Confidentiality was promoted since participants remained anonymous while completing questionnaires. Questionnaires generated quantitative data that was easily analysed and interpreted using statistical methods. However some participants misinterpreted the questions which lead to inaccurate data and they limit depth of the information.

A questionnaire with closed- and open-ended questions was employed by the researcher.

### 3.6.2 Company financial statements

The financial statements of the ZSE companies were subjected to qualitative characteristics tests in order to deliver responses to the research questions since the financial statements reflect the disclosure made by the ZSE listed companies and demonstrate the degree to which they are in compliance with the IFRS/IAS.

## 3.7 Reliability and Validity

### 3.7.1 Validity

According to Dikko (2016), data is regarded as valid if it accurately represents the subject in question. Validity can take the form of internal or external validity, with internal validity focusing on how much the independent variable contributes to changes or outcomes in a study. External validity examines the degree to which research findings can be generalized to different environments, populations, groups, and situations (Chan and Idris, 2017). The researcher guaranteed the study's validity by eliminating facial interaction-based subject assessment and by refining the information requested. Pilot testing was used to assess the accuracy with which the information sought was elicited by the questions asked, ensuring content validity. The validity of the data was further guaranteed by requesting permission to access it, by using the complaints register as a source of information, and by allowing members free participation in the study.

### 3.7.2 Reliability

Creswell (2018) proposes that and reliability are related, as accuracy is reliant on the dependability of the measurement instrument utilized. In this specific research, researcher designed a questionnaire that caters to the objectives of the study. To confirm the reliability of the research instruments, a pilot study was conducted, and the instruments were also reviewed by peers and supervisors. Participants are also included in the research to verify that their points of view are consistent. The research uses in-depth descriptions of the examined occurrences to provide reliable results and give readers comparable notions of the circumstances in the same setting.

## 3.8 Data analysis

Clough (2022) emphasizes the significance of data analysis techniques, as they enable the interpretation of primary data, the addition of further context, and, more importantly, the presentation of outcomes in a manner that is comprehensible to both the researcher and the intended audience. The researcher adopted both qualitative and quantitative methods when analyzing the data.

### 3.8.1 Qualitative Analysis

The qualitative examination was carried out by the researcher by examining the topics that emerged from the surveys. The replies' perspectives were categorized to highlight the common themes, including difficulties with adhering to IFRS/IAS standards and difficulty with financial reporting, among other qualitative and subjective responses.

### 3.8.2 Quantitative Analysis

The understanding of the quantitative components of the data was aided by the use of SPSS. In order to ensure that the qualitative aspects of the financial reports were measured and quantified, the study devised a measurement scale. To ascertain the correlations between the study's variables, statistical and quantitative analysis was conducted. Regression and correlation analysis, two comparative statistics, were used to analyse the data.

## 3.9 Ethical Considerations

The researcher had to take into account ethical norms and principles when designing the study to protect the participants' well-being, rights, and feelings. According to Saunders (2015), Research ethics dictates that conduct in research must be in line with objectives such as knowledge acquisition, avoiding errors, and pursuing truth, as well as incorporating moral values such as social responsibility, human rights, compliance with the law, animal welfare, and health and safety. In this study, the researcher acted in accordance with research ethics standards by securing access to the data employed subjects and taking measures to ensure that the study population was not embarrassed or used for any purposes that could be detrimental to them. Before collecting data, the researcher sought the respondents' permission, and they were free to withdraw from any research-related activities and exercise their right to privacy. The researcher maintained anonymity and confidentiality for any collected information, and anonymity was encouraged at all times to Research ethics aim to safeguard research participants against potential harm or danger that may arise after revealing confidential information. Aspers and Corte (2019) provide a definition for research ethics that emphasizes the importance of the appropriateness of the researcher's conduct with respect to individual rights who are subjects of the study or who are affected by it. The Belmont Report's principle of justice requires researchers to uphold the right to privacy, and under the principle of beneficence, researchers must protect participants from exploitation. Maintaining confidentiality and respecting individuals' privacy are essential aspects of any researcher's work. Ethical considerations in research are a set of guidelines that steer research designs and practices. Such principles incorporate voluntary participation, informed consent, anonymity, confidentiality, potential threats of harm, and result communication.

## 3.10 Chapter summary

This chapter offers a comprehensive account of the research methodology employed in conducting the study, including the sampling methods and research instruments used to acquire data. The researcher also provided a detailed explanation of how they ensured the reliability and validity of the research tools. The subsequent chapter scrutinizes the demonstration and analysis of the data obtained in the previous chapter.

# CHAPTER IV

# DATA PRESENTATION, ANALYSIS AND DISCUSSION

## 4.0 Introduction

This chapter unveils the discoveries made during the research. The chapter utilises the use of figures, tables and statistical language to communicate the findings of the study. The chapter addresses the research objectives and attempts to answer the research questions.

## 4.1 Response rate

The following information shows the response rate from the research instruments which were applied.

table 4. 1-response rate

|  |  |  |  |
| --- | --- | --- | --- |
| Research instrument | Issued | Returned | Percent returned |
| Questionnaire | 65 | 58 | 89% |

*Source: Primary 2023.*

The researcher got an 89% response rate from the respondents. 7 companies did not return the research instruments in time for the researcher to include them in the data analysis. Creswell (2020) purported a response rate higher than 50% makes the research information sufficient in order to continue with data analysis. Thus, this study had a significant response rate.

## 4.2 Demographic data

The following information shows the demographic distribution of the data.

### 4.2.1 Gender

The subsequent data illustrates the breakdown of respondent gender distribution.

figure 2- gender distribution

*Source: Primary 2023.*

The researcher found that the male respondents comprised 53% and the females comprised 47%. This reflects a balance in the distribution of the genders. Therefore, the study gathers information reflecting perspectives from both men and women. This increases the validity of the responses as it eradicates bias which emanates from having one dominant gender among the defendants.

### 4.2.2 Age range

The figure below shows the age distribution of the respondents.

figure 3-age range

*Source: Primary 2023.*

The distribution of gender follows a normal distribution which is negatively skewed. This implies that there are more respondents in the middle age range and lesser younger respondents than the elderly. The researcher believes this is the case because the personnel in ZSE listed companies are mature and older. That is why the respondents are concentrated in the late ages. The finance officers, managers and directors are elderly.

### 4.2.3 Highest qualification

The diagram beneath exhibits the topmost educational attainment of the survey participants.

figure 4-highest qualification

*Source: Primary 2023.*

The study revealed that most of the participants hold either a graduate or post-graduate degree. 16% have professional qualifications. The distribution follows a normal distribution with the majority of the respondents having higher qualifications. This shows that the respondents were competent in understanding the purpose of the study and had the capacity to communicate adequately.

### 4.2.4 Department of respondent

The following figure shows the departments of the respondents.

figure 5-department of respondent

*Source: Primary 2023*

The study discovered that most of the respondents hailed from the finance and accounting departments, with 9% comprising of directors and 17% comprising of finance function executives. This suggests that the mainstream of the participants possessed expertise in matters relating to financial and accounting concepts, which were covered in the research tools. This increases the reliability of the responses from the research subjects.

### 4.2.5 Years of employment

The figure below shows the years of experience of the respondents.

figure 6-year of employment

*Source: Primary 2023.*

The respondents were concentrated in the earlier years with 34% having less than 3 years’ experience in the company which they were representing. 31% were in the 4-6 years age range. Only 14% had above 10 years of experience in the companies which they were representing. This variety in the respondents provided the researcher with a wide range of opinions which showed different views from different experience years. This increased the equality of variance of the responses in terms of trend analysis of the situation at hand.

### 4.3.0 The data measurement scale

The study used a 5-point Likert scale in the gathering of data. This scale was used in the examination of data as well. This means that the results are measured based on the 5-point scale. The closer the averages are to 5 indicate a strong agreement for the opinion/ subject matter, the close the numbers are to 1 indicate a strong disagreement with the subject matter. If the averages are around 2.5 this shows a neutral balance in those agreeing and disagreeing with the notion. Thus, in regression and correlation analysis, the relationship is also determined through this 5-point scale.

## 4.3 How non-compliance with IFRS/IAS affects quality of financial reports

This section addressed the first research objective which was “to determine how non-compliance to the IFRS/IAS affects the quality of financial reports of ZSE-listed companies”.

table 4. 2-descriptive statistics how non-compliance with ifrs/ias affects quality of financial reports

|  |
| --- |
|  |
|  | N | Mean | Std. Deviation | Skewness | Kurtosis |
| Statistic | Statistic | Statistic | Statistic | Std. Error | Statistic | Std. Error |
| Reports that are non-compliant with IFRS/IAS are irrelevant for adequate financial reporting to all concerned stakeholders | 58 | 3.8966 | .85203 | .203 | .314 | -1.604 | .618 |
| Financial reports that are non-compliant with IFRS/IAS do not reflect truly and materially, all the financial events that took place within the company, or they also leave room for manipulation and window-dressing | 58 | 4.0345 | .81576 | -.064 | .314 | -1.492 | .618 |
| Financial reports which are non-compliant to IFRS/IAS cannot be used in equal comparison with other organisations in the same industry or with previous statements of the same company | 58 | 3.8793 | .83933 | .235 | .314 | -1.548 | .618 |
| Financial reports which are non-compliant to IFRS/IAS cannot be easily understood by a layman and even by experts. | 58 | 3.7759 | .81742 | .441 | .314 | -1.363 | .618 |
| Financial reports which are non-complaint to IFRS/IAS lack consistency and completeness. | 58 | 4.2931 | .77252 | -.566 | .314 | -1.091 | .618 |
| Valid N (listwise) | 58 |  |  |  |  |  |  |

Source: Primary 2023

Based on the table presented earlier, the research showed that most of the participants strongly agree to the assertions in the questionnaire regarding the first objective of the study. It was found that reports that are non-compliant with the IFRS/IAS are irrelevant for adequate financial reporting to all concerned stakeholders (mean=3.9; standard deviation=0.85). The study also found that financial reports that are non-complaint with the IFRS/IAS do not reflect truly and materially all financial events (mean=4.03; standard deviation=0.82). Non-compliant reports cannot be used for comparison (mean=3.88; standard deviation=0.84); non-compliant reports cannot be easily understood (3.77; 0.82) and non-compliant reports lack consistency and completeness (mean=4.29; standard deviation=0.77).

From these findings the researcher interpreted the results to mean that there is very low quality among the financial reports which are not compliant with the IFRS/IAS standards. This is considered in the terms of qualitative characteristics of reliability, completeness, faithful representation, comparability, and understandability. This is in agreement with the findings from Ndamba (2020) who found that non-compliance with IFRS/IAS leads to ill-informed reports which lack the fundamental qualitative characteristics. However, this is in contrast with the findings from Dzama (2020) who found that the qualitative characteristics alone are not enough to determine the quality of financial statements. The argument was mainly grounded on the fact that non-financial disclosures have gained importance and the IFRS/IAS were not considering these disclosures. Thus, compliance with the IFRS/IAS would limit the report’s quality in terms of adequate disclosures which are relevant and material to all stakeholders. The researcher adopts the perspective that the qualitative characteristics should be enough to address and indicate the quality of a report. The aim of financial reports is to report on financial events, thus non-financial issues are irrelevant in the discussion of quality of financial statements.

## 4.4 Quality of reports of ZSE listed companies

The following passages show the findings of the researcher regarding the second objective of the research which was “to compare qualitative characteristics of listed companies’ financial reporting practices against IFRS disclosures”.

### 4.4.1 Qualitative responses from questionnaire concerning listed companies’ financial practices.

The table below shows the descriptive statistics for a comparison of the financial reporting practices of the listed companies and the IFRS/IAS requirements.

table 4. 3-descriptive statistics for quality of reports of zse listed companies

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | N | Mean | Std. Deviation | Skewness | Kurtosis |
| Statistic | Statistic | Statistic | Statistic | Std. Error | Statistic | Std. Error |
| Your company’s financial statements are in accordance with the IFRS/IAS standards | 58 | 3.9828 | .84794 | .033 | .314 | -1.619 | .618 |
| Auditors, taxmen, and other authorities (ZSE and SecZim) verify whether the financial statements produced comply with IFRS/IAS | 58 | 3.9310 | .81353 | .129 | .314 | -1.475 | .618 |
| The financial statements produced contain the income statement, statement of financial position, cashflow statement, statement of changes in equity and the notes to the financial statements. | 58 | 4.1034 | .78784 | -.187 | .314 | -1.353 | .618 |
| The financial statements produced at the company address all relevant IFRS/IAS. Addressing economic conditions and other relevant adjustments required by various IFRS/IAS like IAS 29 for example | 58 | 3.8276 | .81945 | .333 | .314 | -1.432 | .618 |
| The financial statements contain no errors, are thoroughly reviewed, and contain non-financial information and other ZSE requirements which are not IFRS/IAS mandated | 58 | 3.9138 | .80097 | .159 | .314 | -1.416 | .618 |
| Valid N (listwise) | 58 |  |  |  |  |  |  |

*Sources: Primary 2023.*

Based on the table above, it is evident that most of the survey participants agreed that their companies' financial reports are in line with IFRS/IAS. The financial statements conform to the IFRS/IAS criteria (mean=3.98; standard deviation=0.85). External entities such as auditors, tax authorities, ZSE, and SecZim, scrutinize the financial reports to guarantee compliance with IFRS/IAS (mean=3.93; standard deviation=0.81). The financial reports produced comprise the income statement, statement of financial position, cash flow statement, statement of changes in equity, and notes to the financial statements (mean=4.10; standard deviation=0.79). The financial statements produced at the company address all relevant IFRS/IAS. Addressing economic conditions and other relevant adjustments required by various IFRS/IAS (mean=3.82; standard deviation=0.82). The financial statements contain no errors, are thoroughly reviewed, and contain non-financial information and other ZSE requirements which are not IFRS/IAS mandated (mean=3.91; standard deviation=0.80).

The study interprets these results to mean that the majority of the companies are confident that their reports comply with the IFRS/IAS and other regulatory organisations within the Zimbabwean environment like the SecZim and the ZSE requirements. This means that there is high compliance to the IFRS/IAS. The findings of this study agree with the findings by Ernst & Young (2020) concerning the compliance of Zimbabwean companies with IAS.

### 4.4.2 Comparison between IFRS/IAS requirements and financial statements of ZSE listed companies

To gain more insight into the adherence of ZSE listed firms to IFRS/IAS regulations, the researcher employed secondary data to verify the companies' qualitative traits. The subsequent table displays the results obtained from the secondary data analysis:

table 4. 4-qualitative characteristics test from secondary data

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Abbreviation | Company name | Relevance  | Faithful representation | Comparability  | Understandability | Consistency  |
| AFDS | African distillers | 4 | 5 | 2 | 4 | 3 |
| ASUN | African Sun | 5 | 3 | 3 | 3 | 5 |
| ART | Amalgamated Regional Traders | 5 | 4 | 4 | 2 | 2 |
| ARIS | Ariston Holdings | 4 | 3 | 4 | 5 | 4 |
| AXIA | Axia corporation | 3 | 2 | 2 | 4 | 3 |
| BNC | Bindura Nickel Corporation | 3 | 5 | 2 | 5 | 2 |
| BTZ | Border timbers Zimbabwe  | 2 | 5 | 5 | 5 | 4 |
| BAT | British-American Tobacco | 4 | 3 | 2 | 5 | 4 |
| CAFCA | Cafca  | 3 | 2 | 2 | 2 | 2 |
| CATEC | Cassava Smartech Zimbabwe | 2 | 5 | 4 | 4 | 2 |
| CBZ  | CBZ holdings | 5 | 5 | 5 | 2 | 5 |
| CFI | CFI holdings | 5 | 3 | 4 | 3 | 3 |
| DBZ | Dairiboard Holdings | 2 | 5 | 4 | 3 | 5 |
| DAWN | Dawn properties | 5 | 3 | 5 | 2 | 5 |
| DELT | Delta corporation | 4 | 3 | 3 | 3 | 4 |
| ECO | Econet wireless | 4 | 2 | 4 | 5 | 3 |
| EDG | Edgars stores | 2 | 2 | 2 | 3 | 5 |
| FBC  | FBC holdings  | 5 | 2 | 2 | 3 | 3 |
| FIDEL | Fidelity life assurance | 3 | 5 | 2 | 2 | 4 |
| FCAP | First capital bank | 2 | 4 | 2 | 5 | 2 |
| FIRM | First mutual bank holdings | 4 | 2 | 3 | 3 | 3 |
| FMUTP | First mutual properties | 2 | 5 | 3 | 3 | 2 |
| GBET | General bettings holdings | 2 | 2 | 5 | 3 | 3 |
| GBMF | Getbucks microfinance bank | 3 | 3 | 5 | 2 | 4 |
| HIPP | Hippo valley estates | 4 | 3 | 2 | 3 | 4 |
| HCC | Hwange colliery company | 2 | 4 | 5 | 4 | 5 |
| IAL | Innscor Africa  | 5 | 5 | 3 | 3 | 5 |
| LAF | Lafarge cement Zimbabwe  | 2 | 5 | 4 | 5 | 2 |
| MASH | Mashonaland holdings | 5 | 4 | 4 | 3 | 3 |
| MAS | Masimba holdings | 4 | 2 | 2 | 5 | 5 |
| MTEC | Medtech holdings | 3 | 3 | 5 | 3 | 2 |
| MEIK | Meikles holdings | 2 | 2 | 3 | 5 | 5 |
| NMP | Nampak Zimbabwe  | 3 | 5 | 4 | 5 | 5 |
| NFL | National foods holdings | 4 | 4 | 2 | 5 | 2 |
| NTS | National Tyres Services  | 4 | 2 | 4 | 3 | 2 |
| NMBZ  | NMBZ holdings | 5 | 4 | 5 | 5 | 3 |
| OK  | OK Zimbabwe  | 5 | 4 | 2 | 2 | 5 |
| OMUT | Old mutual | 2 | 3 | 2 | 3 | 2 |
| PAD | Padenga holdings | 5 | 2 | 3 | 5 | 5 |
| PG | PG industries Zimbabwe | 2 | 3 | 4 | 3 | 2 |
| PELEC | Powerspeed electricals  | 5 | 5 | 3 | 2 | 4 |
| PPC | Pretoria portland cement | 3 | 2 | 2 | 3 | 2 |
| PROP | Proplastics | 3 | 4 | 2 | 5 | 5 |
| RTG | Rainbow tourism group | 2 | 3 | 5 | 5 | 4 |
| RIO | RioZim  | 3 | 2 | 4 | 5 | 4 |
| SEED | Seedco  | 4 | 3 | 3 | 4 | 2 |
| SINT | Seedco international  | 3 | 5 | 2 | 5 | 5 |
| SIM | Simbisa brands  | 5 | 4 | 4 | 5 | 3 |
| STAF | Starafricacorporation | 5 | 2 | 2 | 3 | 5 |
| TSL  | TSL | 4 | 5 | 2 | 3 | 5 |
| TURN | Turnhall holdings | 5 | 5 | 3 | 4 | 2 |
| WILL | Willdale  | 4 | 2 | 5 | 3 | 2 |
| UNAF  | Unifreight Africa  | 4 | 4 | 2 | 4 | 2 |
| ZB  | ZB financial holdings | 2 | 4 | 4 | 4 | 4 |
| ZECO  | Zeco holdings | 2 | 4 | 3 | 3 | 4 |
| ZIMPP | Zimbabwe newspapers | 4 | 4 | 4 | 3 | 2 |
| ZPLOW | Zimplow holdings | 5 | 3 | 4 | 5 | 5 |
| ZMRH | Zimre holdings | 3 | 4 | 3 | 2 | 2 |

Source: Primary 2023

From the table above, the researcher found that the companies were addressing all the required financial disclosures the companies' most recent financial statements were obtained from their websites by the researcher, to be analysed for the study. The researcher found that the companies are compliant to the IFRS/IAS requirements in most cases, however sometimes the compliance is not entirely satisfactory. This agrees with the study by Crawford (2014) who found that the majority if not all listed companies are compliant with the IFRS/IAS.

This therefore, shifted the focus of the researcher on understanding challenges of implementing the IFRS/IAS and if the IFRS/IAS are adequate towards disclosing all material information regarding financial occurrences for the business. Thus, the argument by Dzama (2020) became relevant that there should be considerations of material issues which are overlooked by financial reports like developments in strategy, recruitment of high skilled labour, sustainability issues and other non-financial information which is of material fact towards the stakeholders. Information of governance, social and environmental interactions of the company are not being measured against these qualitative characteristics.

### 4.4.3 Hypothesis testing between quality of ZSE reports and IFRS/IAS requirements

In further trying to understand whether quality of the financial reports is determined by compliance with the IFRS/IAS standards, the researcher carried out the following hypothesis test. The test was done using ANOVA.

table 4. 5-anova for relationship between quality of zse companies financials and ifrs/ias expectation

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Model | Sum of Squares | Df | Mean Square | F | Sig. |
| 1 | Regression | 1.284 | 5 | .257 | 1.060 | .393b |
| Residual | 12.596 | 52 | .242 |  |  |
| Total | 13.879 | 57 |  |  |  |
|  *Source :Primary 2023*1. Dependent Variable: The IFRS/IAS standards produce high quality financial statements.
 |
| b. Predictors: (Constant), Financial reports which are non-complaint to IFRS/IAS lack consistency and completeness., Financial reports which are non-compliant to IFRS/IAS cannot be used in equal comparison with other organisations in the same industry or with previous statements of the same company, Financial reports which are non-compliant to IFRS/IAS cannot be easily understood by a layman and even by experts., Financial reports that are non-compliant with IFRS/IAS do not reflect truly and materially, all the financial events that took place within the company, or they also leave room for manipulation and window-dressing, Reports that are non-compliant with IFRS/IAS are irrelevant for adequate financial reporting to all concerned stakeholders. |

The table above shows that ANOVA was used for hypothesis testing. The F-value, which is the ANOVA test value, was significantly high, indicating a significant difference in the means of the variables being tested. This provides grounds for rejecting the null hypothesis. The research concludes that the null hypothesis is rejected at a 5% significance level with a 95% confidence level, implying that IFRS/IAS standards have a significant influence on the quality of financial reports produced by companies. In evaluating the equality of means, ANOVA employs F-tests as a statistical tool.

### 4.4.4 Correlation and regression analysis for ZSE reports and IFRS/IAS requirements

In trying to understand the extent of the impact which IFRS/IAS have on the quality of financial statements, the researcher conducted the regression and correlation analysis shown below.

table 4. 6-regression model summary for zse report quality and ifrs/ias requirements

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .304a | .092 | 1.284 | .49216 |
|  *Source: Primary 2023*a. Predictors: (Constant), Financial reports which are non-complaint to IFRS/IAS lack consistency and completeness., Financial reports which are non-compliant to IFRS/IAS cannot be used in equal comparison with other organisations in the same industry or with previous statements of the same company, Financial reports which are non-compliant to IFRS/IAS cannot be easily understood by a layman and even by experts., Financial reports that are non-compliant with IFRS/IAS do not reflect truly and materially, all the financial events that took place within the company, or they also leave room for manipulation and window-dressing, Reports that are non-compliant with IFRS/IAS are irrelevant for adequate financial reporting to all concerned stakeholders |

The researcher discovered that there is a positive correlation between adherence to IFRS/IAS regulations and the standard of financial statements. This relationship can be expressed in the form of Y = ax + b, where Y represents the quality of financial statements, a is the correlation coefficient, x is the level of IFRS/IAS compliance, and b is a constant. The regression equation was found to be Y = 1.284x + 0.492, indicating a positive correlation between compliance with IFRS/IAS and the quality of financial reports. These findings are consistent with previous research (Wadesango et al., 2019) that suggests that enhanced IFRS compliance leads to improved financial statement quality.

## 4.5 Challenges in complying with IFRS/IAS

The following section discusses the findings regarding the difficults faced by ZSE listed companies in adhering with the IFRS/IAS.

table 4. 7-descriptive statistics for challenges in complying with ifrs/ias

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | N | Mean | Std. Deviation | Skewness | Kurtosis |
| Statistic | Statistic | Statistic | Statistic | Std. Error | Statistic | Std. Error |
| The Zimbabwean environment is too dynamic and complicated to apply general IAS/IFRS standards. | 58 | 3.9828 | .80549 | .032 | .314 | -1.452 | .618 |
| The Zimbabwean policies and ZSE requirements demand other information outside the scope of IFRS/IAS to be reported | 58 | 3.9828 | .84794 | .033 | .314 | -1.619 | .618 |
| Changes in the information needs of stakeholders and pressure groups have made the IFRS/IAS redundant/inadequate for reporting | 58 | 3.7586 | .75650 | .438 | .314 | -1.113 | .618 |
| Changes in the external business environment have made the IFRS/IAS difficult to comply with or have made the IFRS/IAS insufficient to report. | 58 | 3.9828 | .82699 | .033 | .314 | -1.539 | .618 |
| Lack of knowledge of the trends and changes in the IFRS/IAS leads to financial reports being prepared to not be compliant with the latest developments in the IFRS/IAS. | 58 | 4.0517 | .82552 | -.098 | .314 | -1.528 | .618 |
| Valid N (listwise) | 58 |  |  |  |  |  |  |

*Source: Primary 2023*

From the table above, the researcher found that there are various challenges being encountered by the ZSE listed companies in implementing and complying with the IFRS/IAS. Despite the majority of the companies’ reports showing the qualitative characteristics, there are various challenges being encountered in implementing the IFRS/IAS. Respondents have agreed that the Zimbabwean environment is too dynamic for adequate compliance with the IFRS/IAS standards (mean=3.98; standard deviation=0.81). The turbulence in the Zimbabwean economic environment has led the economy spiralling into hyperinflation, mixed currencies, parallel markets, foreign exchange differences, revaluation and devaluation of currency, use of bonds as legal tender, introduction of various financial instruments and rapid changes in the monetary policy. These challenges were discovered by the researcher as they were being mentioned in the other information section of the study. These findings agree with the findings by Ndamba (2020) who found that despite the good intentions of the IFRS/IAS, the Zimbabwean environment shakes the very foundations and basic requirements of the IFRS/IAS because of the ever changing economic conditions and the confusing policies implemented which makes financial officers of companies to compromise the disclosures and become more pragmatic in their approach.

The researcher also found that the ZSE and other policy enforcer on the listed companies demand more information than that which is required by the IFRS/IAS (mean=3.98; standard deviation=0.85). This is mainly in relation to the issues of governance, where the ZSE requires the listed companies to disclose details of company directors, issues of director remuneration and other governance issues. This has been outside the scope of the IFRS/IAS and is a challenge because the information ends up not being regulated, standardized and often susceptible to bias.

Furthermore, the IFRS/IAS are found to be inadequate because of their lack of addressing adequately the information needs which are apart from financial information. These findings agree with Umobong (2019) and Adeyangu (2020) who also found that there are increasing demands to adjust the financial disclosures to include social wealth and environmental value being created by the organisations.

## 4.6 Best practices to improve compliance with IFRS/IAS

The information indicates the responses obtained concerning the last objective of the study which focused on exploring the best practices which can be adopted to improve the compliance with IFRS/IAS by ZSE listed companies.

table 4. 8- descriptive statistics for best practice to improve compliance with ifrs/ias

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | N | Mean | Std. Deviation | Skewness | Kurtosis |
| Statistic | Statistic | Statistic | Statistic | Std. Error | Statistic | Std. Error |
| There is need to adjust the IFRS/IAS in order to encompass new developments and trends in information needs | 58 | 4.0172 | .82699 | -.033 | .314 | -1.539 | .618 |
| There is need to establish/ incorporate the legal and policy requirements of local regulators in the IFRS/IAS standards | 58 | 3.8448 | .83355 | .303 | .314 | -1.500 | .618 |
| There is need to continually train, explain and educate the changes in IFRS/IAS in order to keep professionals updated. | 58 | 3.9483 | .82552 | .098 | .314 | -1.528 | .618 |
| There is need to ensure that enforcement of the standards is properly done by all companies | 58 | 4.1034 | .83118 | -.199 | .314 | -1.528 | .618 |
| There is need to provide IFRS/IAS which are flexible towards the changes occurring in the business environment and the external environment (political, social, economic, technological, and legal environment). | 58 | 3.9310 | .81353 | .129 | .314 | -1.475 | .618 |
| Valid N (listwise) | 58 |  |  |  |  |  |  |

*Source: Primary 2023.*

The researcher found that there is need to further the scope of IFRS/IAS to encompass social, environmental and governance issues. The researcher also found that there is need to increase the correlation between the IFRS/IAS and local policies like ZSE requirements in order to not make the disclosure requirements too ambiguous and vast. The study also found that there is need to ensure that adequate enforcement is being done towards the IFRS/IAS compliance in companies. These recommended best practices are supported by the findings of Kamath and Desal (2019) who purported the need to include non-financial issues in the IFRS/IAS and collaboration between regulatory authorities and the IFRS/IAS.

## 4.7 Chapter summary

This chapter explores the research questions and objectives, which sought to examine the quality of financial statements of companies listed on the Zimbabwe Stock Exchange (ZSE) and compare them with the requirements of International Financial Reporting Standards (IFRS/IAS). The outcomes indicate that the ZSE firms are somewhat compliant; however, they encounter obstacles that result in persistent inconsistencies in their disclosures. The next chapter encompasses the conclusion, summary, and recommendations based on the study's outcomes.

# CHAPTER V

# SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

## 5.0 Introduction

The final chapter of the research presents a summary of the findings, conclusions, and recommendations for stakeholders. The conclusions are followed by recommendations for future studies in the same area. The chapter is important because it provides insights into the study's outcomes, which can be used to show stakeholders that the program is successful. The chapter also emphasizes the importance of collecting follow-up data to gauge the program's longer-term effects. The discussion section of the chapter should explain why the findings and conclusions of the research are important and how they support wider knowledge.

## 5.1 Summary

The study came up with the following findings.

The majority of the respondents in the study agreed that the majority of the ZSE listed companies are complying with the IFRS/IAS. The study found that the reports reflect truly and materially the financial events that occurred during the year.

The study also found that the popular of the respondents were of the view that the quality of the financial reports from the ZSE listed companies is considerably high. The financial reports are following the requirements of the IFRS/IAS. The main drawback in the financial reports is because of the inability of the IFRS/IAS to address contemporary issues in the organisations.

Furthermore, the study found that the main challenges for the IFRS/IAS compliance are driven by the economic challenges in Zimbabwe and the turbulent environment. The difficulty in managing the financial records in hyperinflationary conditions and parallel market dominance lead to difficulties in the financial reporting of the companies regarding IFRS/IAS demands. There are also shortfalls in the IFRS/IAS frameworks to include reporting of issues which are non-monetary and non-financial value. IFRS/IAS report on things using the money measurement concept of which the main challenges is that the shareholders require information to be coupled with the financial reports which does not have a money measurement value but rather has social or environmental value which is important to the stakeholders.

## 5.2 Conclusions

The research derived up with the following conclusions regarding the objectives of the study:

### 5.2.1 How non-compliance with IFRS/IAS affects quality of financial reports

Failure to comply with IFRS/IAS standards has a detrimental impact on the quality of financial reports. Non-adherence to IFRS/IAS negatively affects the dependability, impartiality, accuracy, comparability, comprehensibility, consistency, and comprehensiveness of the financial statements of companies listed in ZSE.

### 5.2.2 Quality of reports of ZSE listed companies

The quality of financial reports currently being presented at the ZSE by the listed companies shows that the reports are compliant with the needs of the IFRS/IAS. There is also a high degree of compliance with the ZSE and SecZim regulations which guide the operations of the

### 5.2.3 Comparison between IFRS/IAS requirements and financial statements of ZSE listed companies

The researcher concluded that there is a positive correlation between the IFRS/IAS requirements and the financial statements of the ZSE listed companies. This implies that the listed companies are reporting along the lines of the IFRS/IAS requirements.

### 5.2.4 Challenges in complying with IFRS/IAS

The study concluded that the challenges in complying with the IFRS/IAS requirements for listed companies are coming from the concern that the IFRS/IAS do not address other information which has over time, become important for the stakeholders. Information including social, environmental, governance and other non-financial value is not being adequately and accurately recorded. The study concluded that the technicalities involved in such accounting standards as the IAS 2 9 for financial reporting in hyperinflationary economic conditions is difficult to apply in Zimbabwe because of the rapid economic changes and the parallel market rates which counter the official rates. The study also found that in economic conditions have been affected by the covid-19 leading to the economies spiralling into the hyperinflationary conditions.

## 5.3 Recommendations

The following passages show the recommendations which the research came up with regarding the major stakeholders of the study. The recommendations include recommendations made to practice (listed companies), recommendations to policy (ZSE, IFRS and IAS boards) as well as recommendations made to theory (future studies).

### 5.3.1 Recommendations to ZSE listed companies

The study proposes that companies listed on ZSE should comply with IFRS/IAS regulations. Additionally, the study recommends that these companies should adopt the frameworks for reporting established by the Sustainability Accounting Standards Board (SASB) and the Global Reporting Initiative (GRI) to provide information on non-financial aspects that are of interest to shareholders and other stakeholders. The study recommends strongly that the ZSE listed companies should focus on including non-financial information in their reports as this information adds to the disclosures and qualitative characteristics of the information which is reported.

### 5.3.2 Recommendations to policy makers (ZSE/ SecZim/ IFRS/IAS)

The study recommends the policy-makers in IFRS/IAS and compliance on the ZSE to include within their policies, rewards and punishments for non-compliance. The study recommends that, on top of the general audits which are performed within the companies, listed companies should be audited by representatives from ZSE and SecZim to ensure that the compliance to the requirements of the ZSE policy, the IFRS and the IAS is being done by all the companies.

The study also recommends that the policy makers, especially the SecZim and the ZSE should lobby with the government in order to be given room and flexibility in hyperinflationary conditions to accurately report financials for all ZSE listed companies. This comes after the complications which arise when decisions have to be made if a country is in hyperinflation or not. Policy-makers should also include in their policies, measures to shun and do away with the parallel market as it causes the financial reports to lose their relevance, comparability and faithful representation of the actual wealth being created in industry.

## 5.4 Areas of further study

The study suggests that future research on IFRS/IAS compliance for listed companies should concentrate on non-financial reporting mechanisms, social and environmental sustainability, and the areas where IFRS/IAS may be deficient in financial reporting. Additionally, the study proposes that future research should investigate the feasibility of developing reporting standards that cater to the requirements of developing nations. The study's recommendations are significant as they underscore the necessity for additional research on the effect of IFRS/IAS on corporate reporting. Furthermore, the research’s findings imply that future research should prioritize the needs of developing countries, as these countries may face unique challenges when implementing IFRS/IAS.

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# APPENDIX 1: QUESTIONNIARE

 ****

Bindura University Of Science Education

P. Bag 1020 Magamba Street

Bindura

23 May 2023

 Dear Sir/Madam

**RE:QUSTIONNIARE ON THE CONSEQUENCES OF NON COMPLIANCE WITH ACCOUNTING STANDARDS ON THE QUALITY OF FINANCIAL REPORTING.**

With the above subject matter:

 I'm B191009B a student at Bindura University of Science Education pursuing a bachelor's degree in accounting. In order to partially meet the requirements of the aforementioned degree program, I am conducting research.

The purpose of the study is to assess the consequences of non-compliance with accounting standards affects the quality of financial reporting by companies listed on the Zimbabwe Stock Exchange.

We sincerely appreciate your help in completing this questionnaire. Your responses will be kept confidential and will only be used for this research, I can guarantee you. We appreciate your help in advance.

Please feel free to contact me if you have any questions.

Mobile no.: 0774954429

Email: dorothynashy@gmail.com

Regards

B191009B

**Questionnaire**

**Introduction**

 I am B191009B a student at Bindura University of Science Education pursuing a graduate degree in Accountancy. In partial fulfilment of the requirements for the degree I am supposed to carry out a dissertation. This questionnaire helps me to achieve that requirement. You have been chosen to participate and help me achieve this. My dissertation seeks to investigate

Do not show your identity on the questionnaire. This information is for academic purposes only. Your responses will be treated as private and confidential information. The information you provide will be kept safe. Participation is not mandatory.

Please provide your opinions in the spaces provided after each question/phrase. For questions/phrases which have ranges of opinions, choose the best opinion that suits your perspective. Be guided by the key below:

**SD=strongly disagree; D=Disagree; N=Neutral; A=Agree; SA=Strongly Agree.**

**Section A: Demographic information**

1. Gender

What is your gender?

|  |  |
| --- | --- |
| Male | Female |
|  |  |

1. Age

What is your age range?

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 18-25 years | 26-35 years | 36-45 years | 46-55 years | Above 55 years |
|  |  |  |  |  |

1. Highest qualification

What is your highest educational/professional qualification?

|  |  |
| --- | --- |
| Advanced level/ Certificate |  |
| Diploma |  |
| Graduate degree |  |
| Post graduate degree |  |
| Professional qualification |  |

1. Department in company

Which department do you work for in the company?

|  |  |
| --- | --- |
| Finance department |  |
| Accounting department |  |
| Company Director |  |
| Function manager (Finance Manager for example) |  |
| Other (Internal audit for example) |  |

1. Company

Which company do you work for?

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Year of Experience

How long have you worked for the company?

|  |  |  |  |
| --- | --- | --- | --- |
| 0-3 years | 4-6 years | 7-10 years | Above 10 years |
|  |  |  |  |

**Section B: How non-compliance with IFRS/IAS affects quality of financial statements:**

The following questions/phrases are seeking your opinion on how non-compliance with IFRS/IAS affects quality of financial statements.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Question/Phrase** | **SD** | **D** | **N** | **A** | **SA** |
| Reports that are non-compliant with IFRS/IAS are irrelevant for adequate financial reporting to all concerned stakeholders |  |  |  |  |  |
| Financial reports that are non-compliant with IFRS/IAS do not reflect truly and materially, all the financial events that took place within the company, or they also leave room for manipulation and window-dressing |  |  |  |  |  |
| Financial reports which are non-compliant to IFRS/IAS cannot be used in equal comparison with other organisations in the same industry or with previous statements of the same company |  |  |  |  |  |
| Financial reports which are non-compliant to IFRS/IAS cannot be easily understood by a layman and even by experts.  |  |  |  |  |  |
| Financial reports which are non-complaint to IFRS/IAS lack consistency and completeness.  |  |  |  |  |  |

**Section C: Qualitative characteristics of your financial statements**

The following section seeks to explore the qualitative characteristics which are present in your organisation’s financial statements.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Question/Phrase** | **SD** | **D** | **N** | **A** | **SA** |
| Your company’s financial statements are in accordance with the IFRS/IAS standards |  |  |  |  |  |
| Auditors, taxmen, and other authorities (ZSE and SecZim) verify whether the financial statements produced comply with IFRS/IAS |  |  |  |  |  |
| The financial statements produced contain the income statement, statement of financial position, cashflow statement, statement of changes in equity and the notes to the financial statements. |  |  |  |  |  |
| The financial statements produced at the company address all relevant IFRS/IAS. Addressing economic conditions and other relevant adjustments required by various IFRS/IAS like IAS 29 for example |  |  |  |  |  |
| The financial statements contain no errors, are thoroughly reviewed, and contain non-financial information and other ZSE requirements which are not IFRS/IAS mandated |  |  |  |  |  |

**Section D: Challenges in complying with the IFRS/IAS standards**

The following section explores the challenges you are facing in complying with the IFRS/IAS standards.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Question/Phrase** | **SD** | **D** | **N** | **A** | **SA** |
| The Zimbabwean environment is too dynamic and complicated to apply general IAS/IFRS standards.  |  |  |  |  |  |
| The Zimbabwean policies and ZSE requirements demand other information outside the scope of IFRS/IAS to be reported |  |  |  |  |  |
| Changes in the information needs of stakeholders and pressure groups have made the IFRS/IAS redundant/inadequate for reporting |  |  |  |  |  |
| Changes in the external business environment have made the IFRS/IAS difficult to comply with or have made the IFRS/IAS insufficient to report.  |  |  |  |  |  |
| Lack of knowledge of the trends and changes in the IFRS/IAS leads to financial reports being prepared to not be compliant with the latest developments in the IFRS/IAS.  |  |  |  |  |  |

**Section E: Best compliance practices for compliance with IFRS/IAS**

The following section seeks to explore possible solutions which the companies can take to enhance compliance with IFRS/IAS

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Question/Phrase** | **SD** | **D** | **N** | **A** | **SA** |
| There is need to adjust the IFRS/IAS in order to encompass new developments and trends in information needs |  |  |  |  |  |
| There is need to establish/ incorporate the legal and policy requirements of local regulators in the IFRS/IAS standards |  |  |  |  |  |
| There is need to continually train, explain and educate the changes in IFRS/IAS in order to keep professionals updated.  |  |  |  |  |  |
| There is need to ensure that enforcement of the standards is properly done by all companies |  |  |  |  |  |
| There is need to provide IFRS/IAS which are flexible towards the changes occurring in the business environment and the external environment (political, social, economic, technological, and legal environment).  |  |  |  |  |  |

**Section F: Other information**

If there is any other information which you believe can be of assistance to the researcher, please write it in the space provided below:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

End of questionnaire. Thank you.

# APPENDIX II: PERMISSION LETTER

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# APPENDIX III: TURNITIN REPORT