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An analysis of the adoption of International Financial Reporting Standards by Small and Medium Entities: A Case Study in Kadoma

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Declaration

I, Sweswe Thabo, hereby certify that the thesis was written entirely by me with the assistance of my supervisor. All sources used to compile this dissertation have been properly credited. Furthermore, I attest that the thesis has not been submitted in whole or in part to another school of higher learning with the intention of obtaining a degree.

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Abstract

The study focused on analysis of the adoption of IFRS by Small and Medium-sized Enterprises in Kadoma. The objectives of this study were to; analyse the practical problems faced by SMEs in preparation of financial reports that meet IFRS criteria, examine whether SMEs have personnel equipped with knowledge and skills required to apply IFRS, evaluate the significance of adoption of IFRS on the accessibility of SMEs to funding institutions and determine the effects of adopting modern information technological systems in boosting the implementation of IFRS in SMEs. The study was entirely dependent on past works of literature and secondary data sources. Descriptive research design was utilised in the study. Data was collected from fifty respondents through the use of questionnaires and the study discusses the suitability of this tool in gathering data. The sample size of 50 was obtained through the use of stratified and simple random sampling methods. Data collected was analysed through descriptive statistics, and was presented on tables and graphs by utilising SPSS software version 20. The findings indicated that information technological systems caused 70.4% of the variation in adoption of IFRS and the relationship was statistically significant ($B=0.704$, $P<0.05$). The researcher found that the size of the firm caused 67.4% of the variation in adoption of IFRS and the relationship was statistically significant ($B=0.851$, $P<0.05$). The findings also highlighted that the accessibility to capital markets or funding institutions contributed 51.4% of the variation in the adoption of IFRS and the relationship was statistically significant ($B=0.765$, $P<0.05$). The findings indicated that the working experience and the intellectual skills of the employees contributed 61.3% of the variation in adoption of IFRS and the relationship was statistically significant ($B=0.613$, $P<0.05$). The degree of education contributed 58.1% of the variation of the adoption of IFRS and the relationship was statistically significant ($B=0.784$, $P<0.05$. The study concluded that many SMEs were ignorant about IFRS for SMEs and they were not yet ready to adopt the standards, however, they only practiced Cash Basis Accounting and Book-keeping.

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List of Abbreviations

SME- Small and Medium-sized Enterprise

IASB- International Accounting Standard Board

IASC- International Accounting Standard Committee

ICAZ-Institute of Chartered Accountants of Zimbabwe

IFRS- International Financial Reporting Standards

GAAP- Generally Accepted Accounting Practices

FRC- Financial Reporting Council

ZAPB-Zimbabwe Accounting Practices Board

GDP- Gross Domestic Product

IFRS for SMEs- International Financial Reporting Standards for Small and Medium-sized Enterprises.

SPSS- Statistical Package for Social Sciences.

CHAPTER I

INTRODUCTION

1.0 Introduction

This part of the study provides background information, issuing of IFRS, reports on the obstacles to IFRS adoption encountered by SMEs, statement of the problem, the study's objectives, significance, scope, limitations, delimitations and the definition of the phrase SMEs.

1.1 Background of the study.

The International Accounting Standards Board (IASB), was replaced by International Accounting Standards Committee (IASC), which was formed in April 2001. This board is in charge of creating and implementing IFRS, the new name for IAS adopted after 2001. Researchers and professionals in developed, emerging, and underdeveloped nations around the globe are interested in the implementation of IFRS. These established accounting standards were used in the production and interpretations of financial statements. In addition, these standards established a wide range of regulations that place an emphasis on analysis and judgment rather than reliance on data, IFRS were regarded as a principles-based collection of standards (Tomaszewski and Showerman, 2009). Due to various increased worldwide trade, there was widespread support for IFRS since they are a well-organised collection of accounting principles that promote financial reporting transparency, clarity, and global acceptance (Edwards, 2009).

Accounting is recognised as the official corporate language because firms are becoming more global, and it is vital that they communicate in a single language globally. Adopting universal standards lowers the cost of international trade by eliminating the need for additional information. They make financial statements easier to read and understand by making data more comparable (Adekoye, 2011). According to Esptein (2009), adoption of IFRS would improve cross-border capital formation and movements, boost financial flexibility, and reduces business expenses for shareholders. Despite the reality that there are additional factors, including network effects, that make IFRS inappropriate for developing markets (Odia and Ogeido, 2013).

Financial reporting framework similarity and accounting standards consolidation are essential considerations for companies that deal with capital market network connected (Street, 2002), improving financial dialogue (Gebhart, 2000), assisting individuals in acquiring monetary resources from global capital markets (Garrido, Pascual, Zorio, and Ana, 2002), as well as assembling one's requirements for a standard global financial reporting (Whittington, 2005).

IFRS clearly emerged as a world-wide reporting standard in recent years, and majority nations have adopted them as their reference guidelines. Multiple studies have been undertaken to investigate the adoption of these standards in various countries throughout the globe. IFRS improves the objectivity and comparability of a company's financial statements, decreases the cost of capital, encourages international trade, and improves the efficacy of economic growth, according to several researches (Daske and Gebhardt, 2006; Dodiya, 2013).

Shareholders, entrepreneurs, legislators, regulatory authorities, government workforce, accounting experts, academic researchers, financial advisers, and management all rely on financial reports from businesses to get information (Aljifri and Khasharmeh, 2006). The design of corporate financial reports was critical for communicating useful information to diverse consumers. This framework addresses the rules and laws that govern financial reporting.

Across the world, several countries have set local accounting standards for corporations to follow while creating financial reports. Clients and policymakers grew aware of discrepancies in how financial reports were generated in multiple nations as the amount of transactions between enterprises in other countries increased. This prompted calls for harmonisation of financial reporting guidelines and norms in order to reduce discrepancies. The publishing and approval of IAS contributed to some degree of standardisation. Standards are now produced by the IASB in the form of IFRS because firms in many countries were already reporting in line with current local accounting rules, resulting in complexities in interpreting IFRS procedures (Nobes and Parker, 2016).

1.2 Statement of the Problem

The Zimbabwe Accounting Practices Board (ZAPB) noticed an insignificant approval of implementing IFRS for SME, and it was concluded that there is a need to analyse the hindrances to implementation in order to create a path forward (PAAB, 2012). Accounting information practitioners are concerned about the financial reporting burden as well as the use of the generated data to lending institutions, suppliers, creditors, household entrepreneurs, investors, and many stakeholders who rely on the financial statements of SMEs (ICAZ, 2010).

According to O'Neil and Rajaram (2009), one of the key reasons that SMEs do not have the potential to secure finance is a lack of accounting abilities to prepare exceptional financial reports. When properly created, high-quality financial reports may be used to make critical business decisions and represent an organization's financial health and performance.

This research focused on the analysis of the adoption of IFRS by SMEs in Kadoma. It examines; the practical problems that SMEs confront in preparing financial reports that meet the IFRS criteria, whether SMEs have personnel equipped with knowledge and intellectual skills to apply IFRS, the significant effects in adopting IFRS on the accessibility of SMEs to funding institutions and finally it determines the effects of adopting modern information technological system in boosting the implementation of IFRS in SMEs. Ultimately, conclusions and recommendations are made.

1.3 The objectives of the study.

The study sought to achieve the following objectives:

i. to explore issues and practical problems that SMEs confront in preparing financial reports that meet IFRS criteria.

ii to examine whether SMEs have personnel equipped with knowledge and skills required to apply IFRS.

iii. to evaluate significant effects in adopting IFRS on the accessibility of SMEs to capital markets or funding institutions.

iv. to determine the effects of adopting modern information technological systems in boosting the implementation of IFRS in SMEs.

1.4 Research Questions

The research was intended to account for the undermentioned questions:

1. What are the practical problems that SMEs confront in preparing financial reports that meet IFRS criteria?

2. How does the personnel intellectual skills and experience affect the adoption of IFRS?

3. What are the effects in adopting IFRS on the accessibility of SMEs to capital markets or funding institutions?

4. What are the effects of adopting modern information technological systems in boosting the implementation of IFRS in SMEs?

1.5 Significance of the study

This research was carried out for the following reasons:

Firstly, the study would give significant information on IFRS and the challenges associated with its adoption, which would be beneficial to all practitioners and academics. IFRS offers knowledge on the theoretical and real advantages, as well as the challenges, of using IFRS. It would also be extremely beneficial for academic purposes, since it provides information on the problem statement.

Secondly, the growing emphasis on SMEs in Kadoma needs study into how their operations might be enhanced to contribute more to Zimbabwe's economy.

Thirdly, before offering items or services on credit, suppliers attempt to analyse their clients' financial status. The implementation of IFRSs would improve the financial status of SMEs.

Finally, the adoption of IFRS for SMEs presented an once-in-a-lifetime chance to evaluate the application process. The researcher has a lengthy history of interest in financial reporting in SMEs and is conscious of their underappreciated importance. The reseacher was personally interested in this investigation.

1.6 Assumptions of the study

Prior to and throughout the research, the following assumptions were made.

(i) The sample of the research taken represented overall perception of the population understudy.

(ii) The participants of the research would share their thoughts based on their experiences and offer honest, non-misleading responses.

(iii) The adoption of modern information technological systems will boost the implementation of IFRS in SMEs.

1.7 Delimitations of the study

This research was restrained to Kadoma's SMEs and was conducted between December 2022 and May 2023; that is limited area of the study and the time at which the research was conducted, respectively.

1.8 Limitations of the study

The issues of the study are mostly collected from previous sources, such as research papers, articles, working papers, and other publications. The research is quantitave in nature. As a result, statistically analysing the issues is difficult.

The researcher was confined by the study's tight timelines and had to work feverishly to complete it on time. Several major respondents were uncomfortable to share information, and the researcher had to persuade them of the importance of the research.

Some of the respondents did not complete the questionnaires distributed to them, ten out of sixty distributed questionnaires were not completed. Therefore, their failure to express their opinions negatively affected the research in a smaller extent.

1.9 Definition of SMEs

SMEs should use simplified reporting structures to meet customer requirements and meet cost/benefit limitations. This is supported by Litjens, Bissessur, Langendijk, and Vergoossen (2012), who argue that firms that use full IFRS face high financial reporting costs and financial reports that are not helpful to users.

Each nation defines SMEs uniquely, with the most common parameters to be revenue amount and workforce counts (Ardic, Nataliya and Valentina, 2011).The most essential elements are ownership, administration, organizational framework, and the company's liability for any debt accrued. One or more individuals should own the company, management should be handled by the owner, and a fundamental organizational framework should be created. (Rajaram, 2008).

SMEs are classified based on qualitative and quantitative characteristics such as number of workers, turnover, amount of capital invested, and company type. There is no general agreement on how to define SMEs, so different nations adopt different interpretations (MacGregor and Vrazalic, 2004; Gamage, 2003; Ihlstrum, Magnusson, Scupola and Tuunainen, 2003; and Cloete, Courtney and Firtz, 2002)

SMEs must have 6-75 permanent workers, a $250,000-$2 million asset basis, and yearly revenues of $500,000-$3 million (The SME Act of Zimbabwe 24:12). As a result, for clarity, this study defines a SME as a business with less than seventy permanent workers that is not a subsidiary of a major organization (RBZ, 2007)

1.1.1 Summary

This chapter described the background of the study, the IFRS issued by the IASB, the reports difficulties encountered by SMEs in adopting of IFRS, theoretical assumptions of the research, the statement of the problem, the objectives of the research, the significance of the study, the assumptions of the research, the delimitations and limitations of the study.

CHAPTER II

LITERATURE REVIEW

2.0 Introduction

This chapter is concerned about the theory of the firm, the effects of Information Technological systems in boosting the implementation of IFRS in SMEs, the adoption of IFRS on the accessibility of SMEs to capital markets, the significance of SMEs in a global market, the contribution of SMEs in the global economy, the practical problems that SMEs confront in preparing financial reports that meet IFRS criteria, the effects of the intellectual skills and experience of SMEs' personnel in application of IFRS in their sector, the empirical review of the previous studies and the gap analysis.

2.1 Theory of the firm

Many researches have been done to determine a company's purpose and existence. Businesses exist to maximise profits, according to Anderson and Ross (2005) as well as Meckling and Jensen (1976). The firm's general production variables—capital, labour, and land should be used as effectively as possible to achieve all the targets and objectives of the firm. Rajaram (2008) contends that the term "capital" includes not only the acquiring of monetary resources but also efficient use, management, and documentation of those resources. Reliable financial statistics guarantee the effective allocation of funds in any corporation. O'Neil and Rajaram (2009) assert that current and potential enterprises are more likely to utilise resources wisely if they access to reliable financial statements.

All sets of financial statements must be prepared according to a structure that guarantees relevance, uniformity, and dependability in order to meet the foundation for legitimate economic choices. According to O'Neil and Rajaram (2009), firms that do not keep proper accounting records have a high risk of predicting the going concern concept as well as making poor and irrelevant economic decisions. In addition to uncertainty about the firm's profitability, inaccurate financial records prevent educated economic choices from being made (O'Neil and

Rajaram, 2009). For money investors, financial knowledge must be dependable. The failures of multinational giants such as Lehman Brothers, WorldCom and Enron underscored some significance of precise and reliable financial information.

2.2 The effects of Information Technological systems in boosting the implementation of IFRS in SMEs.

According to Staubus (2004), accounting reports are a vital component in a company's operations because they provide the users of financial statements with useful information which assist in decision making. Shareholders, governments, financial organizations, and current and investors or entrepreneurs are among the primary users of financial statements, and the financial details must be understandable in order for users to make appropriate decisions. Domestic stakeholders who are familiar with a company's local accounting regulations can understand financial records based on the national principles, but this knowledge is limited when one attempts to understand the financial statements of a foreign corporation. Shazia (2018) found that when various firms from many countries employ local GAAP procedures to create financial reports, their comparability suffers.

The IASB is responsible for creating a structure for reliable and pertinent financial information. According to Service, (2015), the accounting framework should ensure the understandability, reliability and integrity of the financial reports by accomplishing the adoption of IFRS in all sectors of the economy. Prior to IFRS, each country had its own unique national GAAP, making global dialogue and financial statement comparison challenging. According to the New York Times (1994) cited by Shazia (2018), national GAAP can lead to misunderstandings, such as when Daimler Benz, a significant German corporation, decided to offer its shares on the New York Stock Exchange for the first time in 1993. Mercedes-Benz was anticipated to earn a three hundred million dollar profit under German GAAP but a one billion dollars loss under United States GAAP. Shazia (2018) discovered that using distinct local GAAPs can result in different economical outcomes.

The world-wide integration of accounting standards provided a unified collection of regulations that different nations use in improving the comparison and comprehension of financial reports. The IASB creates high-quality worldwide standards to enable financial statement comparability. IFRS was followed by 149 nations worldwide in the year 2016. (IFRS foundation, 2016).

2.3 Adoption of IFRS on the accessibility of SMEs to capital markets.

IFRS are described as a unique set of excellent, clear, applicable, and generally accepted accounting laws (IFRS, 2018a). These guidelines seek to support the objectivity, integrity, and effectiveness of the world's financial markets (IFRS, 2018a). The IASB's work benefits the general public by promoting trust, growth and long-term financial stability throughout the world (IFRS, 2018a). Around the world, an increasing number of countries, especially emerging economies, are implementing IFRS (IFRS, 2018b). Adoption is expected to increase financial access and draw foreign investment, which several nations anticipate will lead to economic growth and development.

According to Shazia (2018), acquisition of finances is one of the most difficult problems that SMEs encounter in order to grow. The adoption of IFRS in SMEs aims to provide valuable information about a company's viability, liquidity, and currency movements to investors and other users of SME financial records (Sanders et al, 2013). Furthermore, he stated that due to the intricacy needed, many SMEs lack the people or resources required to guarantee full IFRS conformance. As a result, implementation of IFRS in SMEs lowers the intricacy of identifying and evaluation, easing the reporting burden. (Uddin; Toha and Faraq, 2019; Sanders et al, 2013).

Furthermore, a focal point for money from entrepreneurs, accounts payables, and financial organizations on a local and worldwide scale was necessary for the expansion of existing firms as well as the establishment of the emerging ones. Prior to the implementation of IFRS, each country set its own national accounting standards or recognised other nations' norms. According to Fosbre, Kraft, and Fosbre (2009), the corporate propensity about a world economy has expedited the need to move towards universal accounting standards. The ICAZ, the top authority for accounting advancement, has been working hard to promote implementation of accounting standards since the world is moving fast towards computerised systems.

A significant barrier to SMEs acquiring funds is a dearth of accounting competencies to produce outstanding financial reports (O'Neil and Rajaram, 2009). According to Shazia (2018), IFRS for SMEs assists in making financial reports much similar in international level, increasing financial statement credibility and minimising the costs of development as well as upholding the regulations (IFRS foundation, 2012).

SMEs are urged to conform to IFRS for SMEs so as to simplify financial statement preparation, which can contribute to economic and other long-term advantages. (SAICA, 2014). IFRS for SMEs was developed to meet the specific needs of SMEs, such as simpler reporting requirements, more cost effective and time efficient resources (Lubbe et al, 2014), and providing pertinent, valuable information to the users of financial statements hence enabling informed decision making (Shazia, 2018) and the understandability of the reports (Seifert, 2013). Financial statement comparability can ease worldwide trade and investment, enhance credibility, and make it simpler for SMEs to access financial resources (Sava, Marza and Esanu, 2013).

2.4 The significance of SMEs in a global economy.

According to Ardic et al (2011), SMEs are the primary drivers of economic growth due to their importance in the economy by creating employment opportunities in most countries, therefore, it is critical that they produce high-quality financial statements that are globally understandable and comparable. This can help to encourage worldwide commerce and investment, as well as the growth of these firms.

SMEs are expected to account for more than 95% of all entities, incorporating towards production and creating employment opportunities. Taiwan has been the most effective developing country in the fifty previous years, and SMEs have played an important part in Taiwan's economic development. According to Nyoni (2012), he highlighted that SMEs in Zimbabwe contribute for more than sixty percent of the country's employment opportunities. According to Kanu, Onuoha, Egwu and Gabriel (2014), they suggested that SMEs would have greater impact on the economy than their current contribution if they get appropriate support sources from different sectors. SMEs are the offspring of big corporations. Most big companies began tiny and then expanded, therefore, these growing firms represent a picture on how big corporations emerged and from which their future competitors will emerge (Savlovschi and Robu, 2011).

The SME sector, which accounts for 95% of the global economy, is becoming increasingly important in solving economic issues (Savlovschi and Robu, 2011; Edinborough Group, 2012). SMEs, according to Ardic et al (2011), are closely linked to economic development because they have a major impact on GDP and add to employment creation, output, and revenue. Pandya (2012) discovered that a country's economic growth is inextricably connected to the development of SMEs, and that the SME market can be attributed to the economic growth of many countries, this is in concurrence with the view of Khan (2014) cited by Shazia (2018).

2.5 Contribution of SMEs to the global economy

According to research conducted by Shazia (2018) discovered that, SMEs create the major opportunities of employment in many nations and are critical for economies to recoup from the 2008 financial crisis. SMEs are regarded as the largest contributors to creation of employment opportunities because of the proportion of the population they hire (Ardic et al, 2011). Smaller companies have expanded their share of total employment, and the proportion of small company employment in 2010 was three times higher than it was in 1998 (Shazia, 2018).

According to The United Kingdom, (2013) cited by Shazia (2018) found that, exports are a significant driver to economic development because they allow for the acquiring of skills and expertise that can be incorporated into a firm's commerce. According to research done by the Edinburgh Group, when SMEs export, they boost their input to their economy.

In terms of the three innovation metrics of process innovation, product innovation, and broader innovation, the development rates of innovative firms are greater than those of non-innovative firms. Emerging business have provided a significant force behind invention because they promote economic expansion. The productivity rate of businesses that regularly engage in research and development is 13% greater than that of businesses that do not. A broader variety of consumer goods and services are provided, the standard of the products supplied improves, and new marketplaces are entered. SMEs contribute to economic development by supporting invention and escalating rivalry. Innovation generates numerous employment, and fresh insights help launch new businesses. (Savlovschi and Robu, 2011).

SMEs stimulate economic development by increasing productivity and fostering rivalry. To support wise economic choices, SMEs must create pertinent and reliable financial reporting. SMEs now account for 22% of South Africa's Gross Value Added (GVA), up from 10% in the second quarter of 2015 (Bureau for Economic Research, 2016). This will facilitate the creation and expansion of a thriving and long-lasting SME industry in South Africa.

The importance of SMEs in the global economy is well understood, and it is critical that financial reports from firms be documented with honesty to enhance the usefulness and dependability of financial reports and the manner in which it is given to stakeholders (Shazia, 2018). It is expected that as more nations implement IFRS, it will become more attractive to those who have yet to consider doing so (Iyoha and Jimoh, 2011). The adoption of IFRS has been divided into two groups: those who favor the standard and those who resist it. Barth (2007) asserts that implementation of IFRS lowers the cost of data processing and increases auditors' familiarity with a single body of common international accounting standards by creating a shared benchmark in financial information across national boundaries. This gives economic growth more momentum.

2.6 Practical problems that SMEs confront in preparing financial reports that meet IFRS criteria.

According to Faraj and Firjani (2014) cited by Edeigba (2017), financial statement preparers were perplexed by the discrepancy between IFRS standards and additional transparency requirements from various government agencies. Furthermore, problems with IFRS adoption in Libyan companies were recognized as a lack of accountant training, insufficient accounting skills, a shortage of knowledge about IFRS implementation, and a lack of training schemes for upcoming IFRS changes. Jones and Higgins (2006) discovered that these findings contrasted with previous observations of IFRS implementation problems in Australia, where most businesses were unprepared for IFRS implementation and had internal control issues linked to the management accounting system. According to Mande (2014) and Osemeke and Adegbite (2016) cited by Edeigba (2017), the key distinctions between the legal framework and IFRS may suggest how enterprises will probably to face issues with many different laws when adopting IFRS.

Long periods of preparation and transition are common in industrialized countries. Jermakowicz, Reinstein and Churyk, (2014) cited by Edegba, (2017) focused on compiling US financial statements in preparation for IFRS adoption. According to Isa (2014), there were no efforts in Nigeria to increase awareness about the transition from SAS to IFRS. Language differences are a cultural symbol, and they can vary greatly even within similar companies. According to Istrate (2015) cited by Edeigba (2017), following the adoption of EU IFRS in Romania, a study showed discrepancies in the translation of IFRS originally written in English version to the vernacular language.

Language is closely connected to translation problems in Romanian IFRS variations as a cultural semiotic and social identifier. (Andre, Aylett, Hofstede and Pava, 2014; Cao, 2016).

Language was used as an explanatory variable in this instance, but not as a societal norm for conservatism, transparency, and confidentiality, as described in Borker, (2013b) cited by Edeigba (2017). Language is less of an issue in nations where English is the primary means of communication, such as Nigeria, Zimbabwe, and South Africa.

Saidu and Dauda (2014) investigated the degree to which Nigerian banks had implemented IFRS. They discovered that partial IFRS adoption is in conflict with Nigeria's IFRS regulation. For Nigerian firms, the aim of IFRS adoption is to fully apply all IFRS rules and regulations. Partial acceptance is linked to a lack of understanding of IFRS standards.

According to Nobes (2014) and Thompson (2016), the most important details in this text are the practical obstacles in IFRS implementation, such as the high cost of adoption, the financial expense of training workers, restructuring internal control systems, and a rise in the cost of auditing due to ignorance among audit firms. According Laux and Leuz, (2009); Quagli and Avallone, (2010) cited by Edeigba (2017), they discovered that scarcity of credible markets for determining the fair values of assets and liabilities, incompatibility, judgment prejudice, a lack of comprehension of IFRS, particularly for bonds and swaps, and a scarcity of IFRS-certified accounting professionals. These practical difficulties are intended to demonstrate the difficulties and varied challenges that many businesses experience when adopting IFRS.

According to some research, businesses react differently to changes in bookkeeping systems, as well as shifts within a company component or sector. Ibrahim (2014) found that implementing IFRS for some businesses has no economic advantages, but rather raises concerns about the industry's identity, measurement, and openness. According to Zakari (2013) cited by Edeigba (2017) discovered that lack of consistency in accounting practices across various sectors and industries, which differentiates some companies in terms of accounting standard approval. This was not the case in prior research on Australian firms conducted by Jone and Higgins, 2006.

2.7 The effects of the skills and experience of SMEs' personnel in application of IFRS in their sector.

According to Altarawneh (2015), SMEs encounter more difficulties because of their unique characteristics even though businesses of all sizes encounter obstacles when adopting IFRS. SMEs are characterised by a dearth of; managerial expertise, professional competency, skilled personnel, and experience, which lead to inadequate paperwork and documentation (Okpara and Kabongo, 2009; Soundararajan, 2014). As a consequence, businesses that must abide by these regulations may run into problems if standards are implemented.

Numerous media studies on the barriers to IFRS adoption have produced conflicting findings. As a consequence, it is unclear what obstacles SMEs encounter when implementing IFRS. Perceived barriers to IFRS implementation, according to Adetoso and Oladejo (2013), include a scarcity of trained experts, confidentiality among financial reporting, inconsistency with business accounting systems, and a dearth of standards proficiency.

The media has raised concerns about societal effects on transparency and image, such as obscurity and conservatism, due to ignorance of the repercussions of failure to implement accounting standards (Bakre and Lauwo, 2016). Ball (2016) did not discuss the difficulties of using IFRS rather than GAAPs, as well as the difficulties that may arise from using IFRS due to professionals' views of accounting value.

IFRS implementation roadblocks focus on organisational factors (Shammari, Brown, and Tarca, 2008), market impacts (Ibrahim, 2014), theoretical basis (Borker, 2013b), and practical issues (Ibrahim, 2014; Jones and Higgins, 2006) in applying accounting principles to financial reports. Accounting professors recognize these factors as impediments to applying accounting standards, and the present investigation is based on these factors.

2.8 Empirical reviews on previous researches on the adoption of IFRS.

(i) IFRS and SMEs sustainability in Nigeria Fuoye, (2021) by Daniel, Kareem, Oluyinka, Omolade and Mustapha.

The research looked at the impact of IFRS on the long-term viability of SMEs in Nigeria. The data was examined using the Ordinary Least Squares (OLS) approach and descriptive statistics after a structured questionnaire was issued to 36 accounting professionals and 68 entrepreneurs. The findings revealed that while IFRS for SMEs had little influence on the sustainability of SMEs in Nigeria, its application was advantageous in analysing the sustainability of SMEs. The researchers discovered that IFRS and SMEs sustainability might be expensive to execute, but it would enhance the comparability of financial statements and the viability of SMEs in Nigeria.

According to the study, IFRS was less effective in establishing the sustainability of SMEs. The researchers advised that SMEs adopt IFRS and recruit accounting experts with the appropriate skills and expertise in order to increase decision usefulness, accountability, transparency, and financial reporting quality. Government help was also required to enable the deployment of IFRS for SMEs.

The researchers recommended that future study should focus on identifying the reporting needs of SMEs, developing a simplified version of IFRS for SMEs, exploring the perspectives of main consumers of SMEs financial statements, and determining the applicability of IFRS for SMEs to specific industries within Nigerian SMEs.

(ii) The adoption of IFRS for SMEs in Saudi Arabia, (2020) by Bakr.

The study looked at SMEs' attitudes and views of IFRS adoption before and during the implementation period. Interviews were carried out with company owners, administrators, accountants and auditors. The researcher found that IFRS for SMEs was not yet fully adopted in Saudi Arabia because it was viewed as mimetic isomorphism, like that of the other Gulf Cooperation Council and G20 countries.

The researcher also discovered that, the uncommon global practice resulted in the implementation of IFRS for SMEs because it was viewed as a normative isomorphism. However, it was perceived as imposed rather than voluntarily accepted, leading to explanations based on coercive isomorphism. The standards were implemented as part of a reform package, together with VAT and better business visibility.

The poll found that SMEs in Saudi Arabia accepted IFRS due to a lack of ability to establish high-quality local accounting standards and a desire to maintain a matching framework to complete IFRS for publicly listed firms. IFRS was intended to enhance comparability, standardisation, competitiveness, and access to capital, as well as to increase the visibility of SMEs and give commercial opportunities.

(iii) The adoption of IFRS for SMEs by Muslim Entrepreneurs, (2020) by Muslichah, Sunarto, Anang, Sri and Hariyanto.

A systematic questionnaire was utilised to obtain information from 214 small business owners. According to the findings, just a few Muslim businesses frequently filed financial reports, with revenue statements and statements of financial status being the most prepared. The major reasons for preparing financial statements were tax calculations, obtaining finance, and making decisions. Given that the majority of Muslim owners were unfamiliar with the IFRS for SMEs, the researcher advised Muslim entrepreneurs and managers to prepare financial reports as part of their accountability.

(iv) Issues, Challenges and Prospects of adoption of IFRSs by SMEs in Nigeria, (2020) by Abraham and Adeiza.

The researchers analysed the concerns, obstacles, and prospects of applying IFRSs for SMEs in Sokoto State, Nigeria, using current literature. Accountants, accounting clerks, analysts, and executives/business owners were given 75 questionnaires, 60 of which were fully completed for data analysis. Data was analysed through descriptive statistics, and it was found that the sole problem that influence IFRS adoption was adequate monitoring of Continuous Professional Development Programs (CPDP).

The researchers found that the most significant features are that SMEs should investigate techniques to reduce any complexities experienced during the implementation process, as well as actions to strengthen the system and assure the continuance of the IFRSs implementation process. The researchers advised that; professional bodies should continue to be involved in a rigorous implementation framework for the adoption process, and there must be coordination amongst professional bodies in the field of IFRSs for SMEs adoption. The standard establishing bodies and professional bodies should work together to ensure unity.

(v) Factors Affecting the Adoption of Financial Reporting Standards by Micro, Small and Medium Enterprises (FRSMEs) in Tanzania, (2021) by Lackson and Muba.

Data was collected from 245 participants using a Likert scale questionnaire and statistically analysed using chi-square model for hypothesis testing and descriptive statistics. The findings showed that the majority of Tanzanian MSMEs were unfamiliar with IFRS for SMEs and FRSMEs, meaning that standardisation could not be reached. The researchers found that several studies agreed that MSMEs did not adhere to basic accounting concepts compatible with financial reporting requirements. The research was conducted to assess the elements that impact financial reporting adoption.

The findings revealed that non-adoption of the standards was due to a lack of knowledge, cost, and legislative enforcement strategy, lower applicability of technology, and complexity, which required a skilled accountant. According to the research, the government was recommended to develop an implementation plan to guarantee that MSMEs were to be well-versed in financial reporting requirements. It was also suggested that SMEs should recruit individuals who are qualified for the positions and their skills concur with their academic credentials; and there were encouraged to raise employee understanding of financial reporting requirements through training and seminars.

(vi) The adoption of IFRS for SMEs in Zimbabwe, (2013) by Mazhindu and Mafuba.

The study concentrated on the benefitss of implementing IFRS for SMEs in Zimbabwe, as well as its promotion, the keeping of suitable accounting records, and other associated concerns. Retail SMEs, accounting professional groups, the Zimbabwe Ministry of SMEs, and the Small Enterprise and Development Corporation (SEDCO) were among the participants, as questionnaires and interviews were used in gathering data.

According to the study, eighty percent of SMEs had no proper accounting records, in addition, none had embraced IFRS for SMEs. Twenty percent of those who kept accounting records used IFRS in accordance with GAAP. The researchers discovered that very few common financial statements were prepared by certain SMEs. The researchers found that the non-adoption was triggered by ignorance of personnel, the businesses did not implement the rule of separate legal personality because business activities were not divorced from personal activities of the owners and management, and there was a lack of implementation competence. The study advised that policymakers should push for the use of IFRS in SMEs because it would lead to the betterment of decision-making, accountability, and tax compliance.

(vii) Challenges and difficulties for Micro-Businesses in Adapting IFRS for SMEs requirements in Serbia, (2021) by Durgut and Arifi

The study was carried out through the distribution of questionnaires and interviews. The researchers discovered that the experience of accountants and auditors, as well as continuous IFRS education for SMEs, had a significant impact on the standards applied and the issues faced by SMEs. This necessitated the hiring of extra professional employees, which raised the financial expense. Accountants and auditors voiced anxiety about the continual changes to IFRS, which required them to continue their professional education. The Covid-19 epidemic also forced these groups to physically attend training and professional education, adding to their psychological strain.

Policymakers, according to the researchers, should place equal and greater emphasis on the requirements set by the Council of Financial Reporting for SMEs and micro-businesses, providing them with more flexibility and encouraging policies that would drive the growth of these micro-businesses and Serbia economy as a whole by boosting the GDP of the country. The researchers recommended the implementation of policies that would promote advantageous conditions, such as those governing the legal and judicial systems, the financial system, taxation, labour relations, investment processes, and customs administration.

(viii) Accounting practices of SMEs in Zimbabwe: An investigative study of record keeping for performance measurement in Bindura, (2011) by Nelson and Onias.

The study explored accounting record keeping procedures used by SMEs in Zimbabwe. They used questionnaires to yield information from the respondents and analysis was utilised through descriptive statistics presented in tables and graphs. The findings indicated that SMEs recorded revenues and costs of sales, but little accounting information on operating expenses was presented. Retail and industrial SMEs kept sales day books, while industrial SMEs kept non-current asset records. Record keeping was done for security and control, not performance assessment.

The researchers found that SMEs were more comfortable with cash basis accounting, validating Walhlstedt's (1996) arguments for adoption. The respondents said that cash accounting was simpler and more straightforward than accruals accounting, which required knowledge of double-entry bookkeeping and accounting processes. Many SMEs were found to be ignorant about accounting.

The researcher discovered that, owner-managers in SMEs did not value the use of profitability in gauging performance but were required to compute profits for tax purposes. As a result, the researchers advised that companies compute profit as a measure to safeguard their capital from being exhausted, and that cash should not be confused with profit because an organisation might have large cash balances while having its asset base or productive capacity drained by losses.

The researchers recommended national authorities to provide accounting norms and training programs for entrepreneurs, and mandatory record keeping was advocated to strengthen the accounting procedures of Zimbabwe's SMEs.

(ix) IFRS for SMEs and its impact on reporting quality in Bangladesh, (2019) by Uddin et al.

A comprehensive questionnaire was developed, and 105 representative samples were drawn at random. Frequency tables, descriptive data, and bar graphs were employed to portray the overall picture of the SME sector. Two hypotheses were constructed and tested using the chi-square test. The first model was founded on IFRS adoption, accountability, and transparency, whereas the second model was founded on IFRS adaptation and comparability, as well as worldwide best practices.

The study found that IFRS for SMEs was developed in response to international demand for a single set of accounting rules for SMEs. They advocated for the view that the adoption of IFRS in SMEs would increase financial statement comparability for users, boost SMEs' reporting trust, and cut expenses. In addition, they discovered that potential net advantages of private business financial transparency differ by jurisdiction, and IFRS for SMEs would create some regulatory competition, eventually leading to national financial reporting standards that are more appropriate for the various economies.

The researchers advised all SMEs to embrace IFRS for SMEs in order to boost investment prospects and efficiency. They encouraged SMEs to adopt IFRS so as to boost accountability, transparency and comparability of financial reports internationally in all business sectors. They advocated that implementation of IFRS in SMEs would improve overall reporting quality. However, they feared that SMEs' resource constraints would impede the adoption process, resulting in numerous issues with IFRS adoption.

(x) Assessment of the adoption and implementation of IFRS for SMEs in Ghana, (2019) by Mawutor, Williams and Oduwaa.

The researcher conducted a qualitative research study, guiding the design of the data collecting instrument with a conceptual and theoretical framework. The researcher gathered field data by the use of interviews with twenty respondents and selecting the businesses using intentional sampling procedures. The information was transcribed and entered into the Nvivo software. According to the survey, 60% of small and medium-sized businesses in Madina lacked awareness of the IFRS for SMEs, and satisfying regulatory obligations and avoiding noncompliance costs were some of the motivations that compelled organisations with minimal knowledge of the standard to embrace it.

The researchers found that, high implementation costs and a lack of competent employees hampered the IASB's long-term aim of assisting SMEs in accessing internationally competitive funding through IFRS for SMEs. They also recommended a further research on the need to understand the standard's significance to micro-entities and other stakeholders, as well as the concepts of recognition and measurement, disclosures, and accounting policy alternatives.

(xi) IFRS Adaptation in Nigeria: Challenges and Prospects, (2015) by Udofia and Ikpantan.

The study was carried out through the utilisation of questionnaire as a research tool and the data was analysed using descriptive statistics. The researchers discovered that Nigeria embraced IFRS to reap the benefits of attracting foreign direct investment and cutting commercialisation costs. It did, however, confront challenges such as the development of a legal and regulatory framework, an awareness campaign, and employee training. In conclusion, the researchers recommended stakeholders to prepare for the transition and obstacles. They also advised that an education system, training, an impartial organisation, and an efficient capacity building program be created.

(xii) The adoption of IFRS in Ethopia: Benefits and key Challenges, (2012) by Fikru.

The study examined the advantages and disadvantages of IFRS adoption in Ethiopia, using descriptive statistics, correlations, and multiple linear regression analysis. The findings showed that IFRS adoption in Ethiopia would result in significant benefits for stakeholders, but was hindered by the high cost of adoption, complexity of the standard, lack of proper instructions from regulatory bodies, and emphasis on fair value accounting.

The researchers advised the government and regulatory authorities, enterprises, and training institutions to engage in an IFRS capacity development program and set a timeline for adopting and implementing all agreed standards. They also encouraged the government to push for IFRS implementation and offer IFRS training, and support its acceptance to attract foreign direct investment and economic growth.

(xiii) An investigation of the challenges in IFRSs' adoption in Nigeria, (2017) by Edeigba.

Data from financial statement preparers was collected using a survey tool, yielding 519 valid questionnaires. To discover variables linked with IFRS adoption, Chi-square, t-test, and Exploratory Factor Analysis (EFA) were utilised. The researcher tested hypotheses using logistic regression models.

Companies' cultural variables were shown to be relevant in explaining IFRS implementation issues. Adoption was found to be hampered by transparency, statutory control, secrecy, flexibility, and professionalism. The model of practical challenges revealed that the expense of adopting IFRS was prohibitively expensive, and the lack of an internal control system was also a key factor.

The researcher found that, high implementation costs and a lack of competent employees hampered the IASB's long-term aim of assisting SMEs in accessing internationally competitive funding through IFRS for SMEs. Recommendation was made on more studies needed to understand the standard's significance to micro-entities and other stakeholders, as well as the concepts of classification, recognition, measurement, presentation, disclosures, and accounting policy alternatives in SMEs accounting system.

(xiv) Effect of IFRS adoption on the quality of financial reporting from perception of professional accountants in Nigeria Stock Exchange (NSE), (2020) by Oluwokayode and Ayodele.

The study collected data from 55 big firms in Nigeria using stratified random sampling. A questionnaire was utilized to collect primary data, and descriptive statistics and percentage analysis were performed using the Statistical Package for Social Sciences (SPSS). According to the study, IFRS adoption had a significant influence on the quality of financial reporting firms listed on the NSE, and the majority of companies had difficulty implementing IFRS. The standards had the potential to increase the acceptability of financial reporting in Nigeria.

According to the researchers, the Nigerian FRC was supposed to launch an active awareness campaign stressing the benefits of IFRS, while regulatory agencies, companies, the government, and other stakeholders offering the necessary training and assistance. The researchers recommended the promotion of the adoption of the standards, and regulatory bodies such as the Securities and Exchange Commission of Nigeria and the Federal Reserve Bank of

Nigeria were supposed to constantly monitor compliance. The government was advised to ensure IFRS adoption by establishing the required legislative framework.

(xv) Challenges and Opportunities the Adoption of IFRS in Ethopia, (2021) by Bahiru.

Primary data was gathered through surveys and interviews, while secondary data was gathered through documents and analysed using descriptive statistics. The researcher discovered the following challenges that influence the adoption of IFRS; exorbitant implementation costs, lack of training institutions, shortage of regulatory bodies, limited competent specialists, higher profits volatility, prior standards' tax-driven character, and IFRS usage of fair value accounting.

The researcher recommended that IFRS should have been introduced sooner in Ethiopia due to its benefits, such as more transparent financial statements and a cheaper cost of capital. The regulatory body was advised to ensure IFRS coherence with existing laws, the Accounting and Auditing Board of Ethiopia was also encouraged to support reporting entities, and the Ministry of Education was recommended to open IFRS training for accountants**.**

2.9 Gap Analysis

This study varies from prior studies in that earlier studies were done in Western and Asian nations, but this study was conducted in Zimbabwe. According to the researcher's results, there were a few similar studies conducted in Zimbabwe on a similar issue to this one. This implies that findings may change owing to variances in the issues encountered by SMEs and regions.

2.1.1 Summary

This chapter discussed the theory of the firm, the effects of Information Technological systems in boosting the implementation of IFRS in SMEs, the adoption of IFRS on the accessibility of SMEs to capital markets, the significance of SMEs in a global market, the contribution of SMEs in the global economy, the practical problems that SMEs confront in preparing financial reports that meet IFRS criteria, the effects of the intellectual skills and experience of SMEs' personnel in application of IFRS in their sector, research gap analysis and summaries of the researches conducted in many different nations.

CHAPTER III

RESEARCH METHODOLOGY

3.0.0 Introduction

The chapter explains the research methods used to collect information. According to Jankowics (1995), research methodology is the systematic collection of targeted data in order to obtain information and address issues. This subject includes contribution of the study, research design, descriptive research design, nature of the research, data collection instruments, questionnaire design, sample frame, sample size, and data analysis using SPSS version 20.

3.0.1 Contribution of the study

This report provides insights regarding IFRS adoption in SMEs, which can assist the IASB in identifying practical barriers and advantages of implementing IFRS in SMEs. This helps the IASB achieve its aim of building a more complicated and cost-effective financial reporting system for the SME sectors.

3.0.2 Research Design

Research design is a comprehensive strategy that defines the major aspects of the investigation and how the study will be carried out to achieve the objectives (Saunders, Lewis and Thornhill, 2003). The study's goal was to explore the difficulties and variables that impact SMEs' perceptions of IFRS adoption and the advantages of adopting IFRS in Kadoma. To obtain relevant data from SMEs in Kadoma, a consistent survey was employed, allowing for comparatively low-cost access to enterprises (Sriwaranun, 2011).

This research sought to cover the following key areas: descriptive research design; nature of the research; data collection instruments; questionnaire design; sample frame; sample size; data analysis and interpretation. The researcher employed a quantitative analysis to verify reliability and validity. According to Best and Kahn (2006), a descriptive study approach is used by a number of researchers because it examines the current perceptions in relation to a specified topic, as the researcher analysed adoption of IFRS by SMEs.

3.1.0 Descriptive Research Design

A descriptive method focuses on the discovery of aspects and characteristics of the phenomenon. The researcher concentrated on the problems that SMEs experience while implementing IFRS, as well as the benefits of doing so. There are various advantages to employing a descriptive study approach, according to Best and Kahn, (2006). The descriptive study strategy was chosen because:

(i) The researcher was able to present the collected data in a variety of useful ways which included pie charts, tables, graphs and descriptive statistics.

(ii) According to Best and Kahn (2006) advocated for the utilisation of descriptive research design because it concentrates on a modern specific topic, such as the researcher's desire to analyse the implementation of IFRS by SMEs in Kadoma.

(iii) The researcher was able to swiftly and efficiently collect standardised data from a large population.

However

(i) The researcher adopted a descriptive study approach, however it was time demanding due to its observational nature (Best and Kahn, 2006).

(ii) Kerlinger (1973) argued that descriptive research methods can be biased due to the risk of sampling error.

Despite the weaknesses of descriptive research design, Kerlinger (1973) argues that, appropriately drawn samples may offer a strikingly realistic portrayal of the understudied population, hence a descriptive study approach was utilised.

3.1.1 Nature of the research

Quantitative (positive) and qualitative (anti-positivist) research approaches are the most common. Quantitative research is a scientific technique based to objectively investigate and measure the topic material, whereas qualitative research opposes the scientific component of the positivist approach (Welman, Kruger, and Mitchell, 2005). In data gathering and analysis, quantitative and qualitative procedures differ, with quantitative methods including more measurement and qualitative methods incorporating observations and narrations (Bryman and Bell, 2011). The researcher conducted a quantitative research study.

3.1.2 Data and Collection Instruments

Primary data was acquired by the utilization of questionnaires and secondary data was obtained through reviewing relevant available documents.

3.2.0 Distribution of Questionnaires.

Questionnaires were physically distributed to the participants by the researcher who included accountants, finance officers, auditors, managers and cashiers of various SMEs that were randomly selected. Questionnaires were collected from the respondents within three days and it took the researcher ten days to complete data analysis and presentation of the results from survey.

3.2.1 Questionnaire

Respondents were chosen because financial authorities and accountants are assumed to be conversant with IFRS and might provide significant insight into its adoption. The responses were expected to help the researcher understand the practical problems faced by SMEs in adopting of IFRS by Zimbabwean firms, as well as the perceived and real benefits and issues associated with IFRS, both for companies and for the country as a whole.

The questions were created in the same way as Iyoha and Faboyede (2011) and Sharif (2010) did. The respondents were requested to score their degree of agreement on a five-point Likert scale as follows: strongly agree (SA-5), agree (A-4), neutral (N-3), disagree (D-2), and severely disagree (SD-1). Respondents were urged to offer open-ended comments to issues that needed an opinion as well as any thoughts they believed the researcher may find useful.

3.2.2 Data Collection

Questionnaires have been identified as an effective method of data collection (Sekaran and Bougie, 2016). Questionnaires with a Likert Scale and closed-ended questions were utilised to gather data, allowing both quantitative and descriptive statistics.

3.3.0 Advantages of questionnaires as a research tool

Greater Validity:

In terms of information validity, questionnaires have certain distinct advantages. Respondents may offer biased and prejudiced information via techniques such as interview and observation; hence, the reliability of replies is dependent on how the investigator records data obtained.

Anonymity:

The questionnaire protects respondents' anonymity, allowing them to express themselves freely without duress or undue influence of their thoughts or beliefs.

Economical:

The questionnaire is a low-cost way of collecting information, saves time, effort, and money of the researcher and the respondent. It requires just paper printing, therefore the research is not too expensive.

3.3.1 Disadvantages

Incomplete Entries:

Respondents frequently fill out surveys improperly, leaving out items or making them difficult to interpret for the investigator. Incomplete surveys can also be caused by language difficulties such as abbreviations and confusing phrases.

Unreliability:

The information acquired by questionnaire cannot be deemed reliable or authentic since the investigator is unable to watch the respondents' actions and expressions, making the reliability of responses in the questionnaire technique weak.

Limited Response:

The questionnaire is only appropriate for individuals with a high level of education since it excludes those who are busy, lethargic, indifferent, need to conceal, easy-going, and have questions about the research worker's aims.

3.3.2 Measures used to overcome the shortcomings of a questionnaire

1. A pilot was done to verify that all relevant questions for testing reliability and validity were answered. The questionnaire was given to a small group of six individuals who helped discover flaws in the original questionnaire. The questionnaire was revised in response to comments from the pilot group.

2. The researcher emphasised the necessity of all respondents returning all surveys on time and accurately completing out the questionnaire. The surveys were returned within three days of being sent.

3.4.0 Questionnaire Design

This study was carried out utilising a questionnaire with open-ended and closed-ended items. Section A was concerned with the respondents' demographic information, Sections B through E were structured to achieve each study purpose as given below, and Section F was concerned with the reasons for firms' failure to adopt IFRS and the problems they face in attempting to implement IFRS.

Section A- The demographical information of respondents which included designation, educational qualification and the work experience.

Section B - Research objective 1: To explore issues and practical problems that SMEs confront in preparing financial reports that meet IFRS criteria.

Section C- Research objective 2: To examine whether SMEs have personnel equipped with knowledge and skills required to apply IFRS.

Section D- Research objective 3: To evaluate significant effects in adopting IFRS on the accessibility of SMEs to capital markets or funding institutions.

Section E- Research objective 4: To examine the effects of adopting modern information technological systems in boosting the implementation of IFRS in SMEs.

Questionnaires are an effective data collection tool when the variables of interest can be accurately quantified and the study objectives can be incorporated (Sekaran and Bougie, 2016).

3.4.1 Sample Frame

Customer confidentiality was recognized as a limitation by O'Neil and Rajaram (2009) cited by Shazia (2018) while using SMEs as a sample. O'Neil and Rajaram (2009) discovered that SMEs lacked financial capabilities, making it difficult for them to respond to the questionnaire's IFRS for SMEs questions. Mutezo (2005) identified a lack of appropriate resources and computer illiteracy of some certain SMEs as a hurdle in using the SME sector as a sample frame because many of the respondents could not have access to questionnaires online.

Collins and Smith (2000) define a sample frame as an exhaustive list of every component or elements in the target population. Cooper and Shindler (2003) revealed that the sample frame is closely tied to the population and that it identifies the elements from which the sample is derived. The sample frame in this respect covers all SMEs accountants, auditors, managers, financial officials, and clerks in Kadoma.

3.4.2 Sample Size

Sample is defined as a portion chosen in accordance with a specific set of procedures. According to Martins and Coviello (1999), the proper sample size is determined by the characteristics of the population and the study purpose. The size of the sample has a positive influence on the accuracy of the results, with bigger samples producing more accurate results. The sample used to determine sample size was utilised.

$$\mathbf{n= N/ [1+N (e)^{2}]} \text{ (Kinyua, 2014)}$$

$$\mathbf{n=100/ [100(0.1)^{2}]}$$

$$\underline{\mathbf{n= 50}}$$

Therefore, the sample size was 50 SMEs.

Where: **n** is size of the sample

N is the size of the population

e is the sampling error (precion level)

Therefore, in this situation, **N** is **100** and **e** is 10%, hence the sample size for the research is **50**. The survey comprised fifty respondents (thirty from micro firms and twenty from medium-sized enterprises from micro and medium-sized enterprises). The sample size of fifty was obtained through the use of stratified and simple random sampling methods.

The Central Limit Theorem advocates for a minimum sample size of thirty being sufficient for statistical analysis if the sample mean has a normal distribution. O'Neil and Rajaram (2009) investigated the financial management abilities of the SME sector in KwaZulu Natal with a sample size of 30. The limited sample size, on the other hand, is a drawback that may be addressed in future study, as the findings are not generalisable.

3.5.0 Survey Design and Questionnaire structure

The survey was carried out between 13 and 23 January 2023. Accountants, managers, and senior cashiers in charge of a company's financial reporting were asked for their voluntary participation in the study, and if so, the researcher would return three days later to collect the completed questionnaires. Sixty questionnaires were distributed, fifty of which were full and valid for analysis and presentation.

3.5.1 Hypotheses

According to Welman et al (2005), define hypotheses as claims that may be empirically evaluated and are generated from the research question.

Details of hypotheses

RESEARCH OBJECTIVE	HYPOTHESES
1. Explore issues and practical problems that SMEs confront in preparing financial reports that meet IFRS criteria.	**Hypothesis 1** H0: Size of the firm does not have an impact on the adoption of IFRS in SMEs. H1: Size of the firm have a significant impact on the adoption of IFRS in SMEs.
2. Examine SMEs have personnel equipped with knowledge and skills required to apply IFRS.	**Hypothesis 2** H0: The level of education and the working experience of the personnel does not have a significant effect in the adoption of IFRS. H1: The level of education and the working experience of the personnel have a significant effect in the adoption of IFRS.
3. Evaluate significant effects in adopting IFRS on the accessibility of SMEs to capital markets or funding institutions.	**Hypothesis 3** H0: Adoption of IFRS does not have significant on the accessibility of SMEs to capital markets or funding institutions. H1: Adoption of IFRS has a significant on the accessibility of SMEs to capital markets or funding institutions.
4. Examine the effects of adopting modern information technological systems in boosting the implementation of IFRS in SMEs.	**Hypothesis 4** H0: Adoption of modern information technological systems does not have an impact in boosting the implementation of IFRS in SMEs. H1: Adoption of modern information technological systems has a significant impact in boosting the implementation of IFRS in SMEs.

Table 3.1

Questionnaire data was utilised to either reject or accept hypotheses.

3.5.2 Dependent Variable

According to Neumann (2007), dependent variable as a change in value of a figure as a result of a change in other (independent) variables, such as the adoption of IFRS in this case.

3.5.2.1 IFRS Adoption

The word "IFRS" refers to IASB-published IFRS, IASC-issued IAS, as well as interpretations supplied by the IASB's SIC and IFRIC. According to Apostolos et al. (2010), IFRS are becoming more popular in international markets because they improve worldwide financial statement comparability, making it viable for investors to analyse international securities and multinational firms to evaluate foreign takeover targets. Implementation of IFRS also reduces the cost of producing global consolidated financial reports and makes it easier for multinational firms to shift accounting personnel to other countries.

3.6.0 Independent Variables

The independent variables are those that identify forces or situations that affect something else (Neumann, 2007). Company size, educational levels, capital markets, professional bodies, and government policies are independent variables in this study.

3.6.0.1 Firm size

Firm size is defined as the totality of the company's assets and liquidity. In a study concerned about accounting practices conducted by Aljifri and Khasharmeh (2006), they discovered that firm size (small-medium-large) influences IFRS adoption. Sharif (2010), discovered that firm size had a considerable impact on IFRS adoption. As a result, the following hypothesis was proposed to consider the relationship of firm size as a factor in the adoption of IFRS.

H1: The size of a company influences IFRS adoption.

3.6.0.2 Level of education

According to Chandler and Holzer (1984), one of the elements influencing emerging nations' accounting systems is accountants' educational level. The research on developing bodies has proven a favorable association between education level and professional ability (Chandler and Holzer, 1984). Adoption of IFRS requires knowledge, skill, and expertise (Zeghal and Mhedhbi 2006). To assure the availability of experienced and highly qualified individuals, universities must update their curriculum to satisfy the need for experienced and skilled workers, such as IFRS for SMEs (Hussain, Chand and Rani, 2012). The undermentioned hypothesis can be deduced:

H2: The degree of education influences IFRS adoption.

3.6.0.3 Working experience

According to O'Neil and Rajaram (2009), job experience is a paid or voluntary activity that assists people who are unable to obtain unsubsidized work in improving their employability. The work environment, beliefs, and technology of the organisation are key aspects of the employee's experience. The experience of the employee in the accounting office influence IFRS adoption. As a result, the following hypothesis can be proposed.

H4: Working experience influence the adoption of IFRS.

3.6.0.4 Information technology system

According to Deloitte (2008) and Awotayo (2020), to embrace IFRS, accounting and other professionals will need to learn new methodologies and adjust processes. Existing plans to install or modify IT systems must be revised to account for the implications of IFRS, which provides a chance to strengthen information technology, financial reporting functions, and controls. Validation of the dependability of new financial statements and management reports must be performed (Caruso and Marchiori, 2003).

H5: Information technology systems influence the adoption of IFRS.

3.6.0.5 Capital Market

Zeghal and Mhedhbi (2006) identified the availability of financial markets as an important factor that determines the adoption of IFRS in underdeveloped countries. The development and openness of capital markets in developing countries has pushed governments to adopt IFRS in order to address the need for more thorough and comparable financial reporting (Al- Shammari et al, 2008). The hypothesis outlined below was developed.

H3: Capital markets influence the adoption of IFRS.

3.6.1 Ethical Considerations.

In the process of conducting the study, the following ethics were considered:

1. The respondents were informed not to reveal information that they thought to be sensitive to them. The questionnaire had no section that required the respondent to reveal his or her personal details. All data collected was strictly kept in a private place.

2. Participation was completely voluntarily and free from any threat or duress.

3. Respondents were told that data collected was only used for educational purposes and once the study is done with them, the use of data will not be extended.

3.6.2 Validity

Leedy and Ormrod (2010) define validity is the degree at which an instrument assesses what it seeks to examine, and it is classified into two sorts.

Construct validity is defined as the degree to which the results of utilizing the instrument match to the study objectives (Sekaran and Bougie, 2016). The questionnaire was to be completed quickly, and input from the supervisor and pilot test participants assisted in removing any ambiguities.

The amount to which the material employed in the instrument will aid in reaching the study objectives is referred to as content validity (Sekaran and Bougie, 2016). The supervisor and pilot study participants reviewed the questionnaire to verify if it met the research objectives.

3.7.0 Reliability

The credibility of the results in study is referred to as reliability (Welman et al., 2005). It also has to do with how consistent the outcomes are (Sekaran and Bougie, 2016). Cronbach's Alpha is a frequently used measure of dependability (Sekaran and Bougie, 2016). This dependability coefficient evaluates how closely things are positively associated with one another. It is graded on a 0 to 1 scale. The closer the metric is to one, the stronger the internal consistency dependability (Sekaran and Bougie, 2016). Cronbach's Alpha was utilised to assess the credibility and validity of the responses.

3.7.1 Pre-test

This refers to the researcher conducting a pilot study (test for reliability) on a small sample of individuals to uncover faults in the questionnaire design before final distribution of the questionnaire to the respondents. Fortunately, a very few alterations were done to the questionnaire, and the respondents were able to interpret it completely.

3.7.2 Data and presentation analysis

Data from numerous respondents was gathered and analyzed in order to create a critical analysis of the findings. Data collected was coded in the descriptive analysis sheet in order to reduce errors, simplifying and evaluating data entry through the software SPSS version 20. The returned questionnaires were tallied and recounted in order to ensure that all respondents had responded and completed the questions. SPSS was used to construct graphs, tables, and pie charts, and variables were utilised to calculate descriptive analyses like frequencies and percentages

3.8.0 Summary

This chapter discussed the research methodologies and strategies used to determine the target population, as well as the sample methods and techniques utilised in data gathering. The strengths and shortcomings of the research technique used was also analysed. The study approach contained the dependability and validity of data acquired as a persuasive agent to the accuracy of gathered data. The chapter addressed data presentation and analysis processes, which were carried out using SPSS software version 20.

CHAPTER IV

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.0.0 Introduction

The goal of this chapter is for data presentation, data analysis, and discussion of findings obtained via questionnaires issued by the researcher to various respondents. The findings are pertinent to the objectives of the study and addresses the issues of the study.

4.0.1 Data Presentation Process

The researcher examined all questionnaires to analyse the response rate from various stakeholders in order to draw conclusions and detect any inaccuracies. The SPSS version 20 was utilised for descriptive analysis and presentation of the findings. Data was presented on pie charts, graphs and tables because they are good at depicting patterns, correlations and regressions.

4.0.2 Analysis of Data Response Rate

The response rate indicates the completed and returned questionnaires by the respondents in order for the assessment and analysis (Saunders et al, 2003). Questionnaires were delivered to various interested players doing business in Kadoma. The researcher was able to get 35 questionnaires from small firms and 25 questionnaires from medium-sized businesses. The following response rate was recorded:

4.1.0 Questionnaires Response Rate

Type of Business	Range: Number of employees	Target sample (Questionnaires distributed)	Questionnaires Returned (Achieved sample)	Response Rate (%)
SMALL	**1-50**	**35**	**30**	**85.71**
MEDIUM	**51-100**	**25**	**20**	**80**
TOTAL	**1-100**	**60**	**50**	**83.33**

Source: Primary data (2022)

Table 4.1.0

Sixty questionnaires were given to focus on the problems that SMEs experience while adopting IFRS and the benefits that come with it in Kadoma firms. Successful questionnaires were 50 out of 60 to 83.33% overall response rate. This response rate was favorable as supported by Saunders et al (2003), they advocated for the response rate to range from 41% to 100% in order to make conclusions from the findings. Participants were offered a little time to respond to the inquiries, yielding in good findings.

The 16.67% of the respondents who failed to attempt the questionnaires pointed raised out the challenge of disclosing confidential information and others were absolutely ignorant respondents, however, the researcher assured everyone to handle all questionnaires completed anonymously. The highest response rate was from small business with 85.71% because they were readily available for disclosing information and ideas about their operations. The highest response rate was 83.33%, which represented the whole population and yielded accurate and useful data. Jackson (2011) found that the satisfaction rate changes depending on how the questions are delivered.

4.1.1 Data Presentation and interpretation.

Data collected from the respondents was presented by the utilisation of SPSS descriptive frequency tables and graphs.

4.1.2 Section A: Demographic information.

Demographic features of the respondents were shown in graph 4.2 and 4.3 and pie chart 4.1 and 4.4. This includes gender, age category, qualification and working experience.

4.1.2.1 Gender

The information about gender of respondents is as follows:

Gender of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	19	38.0	38.0	38.0
	Female	31	62.0	62.0	100.0
	Total	50	100.0	100.0	

Table 4.1.1

Source: Primary data (2023)

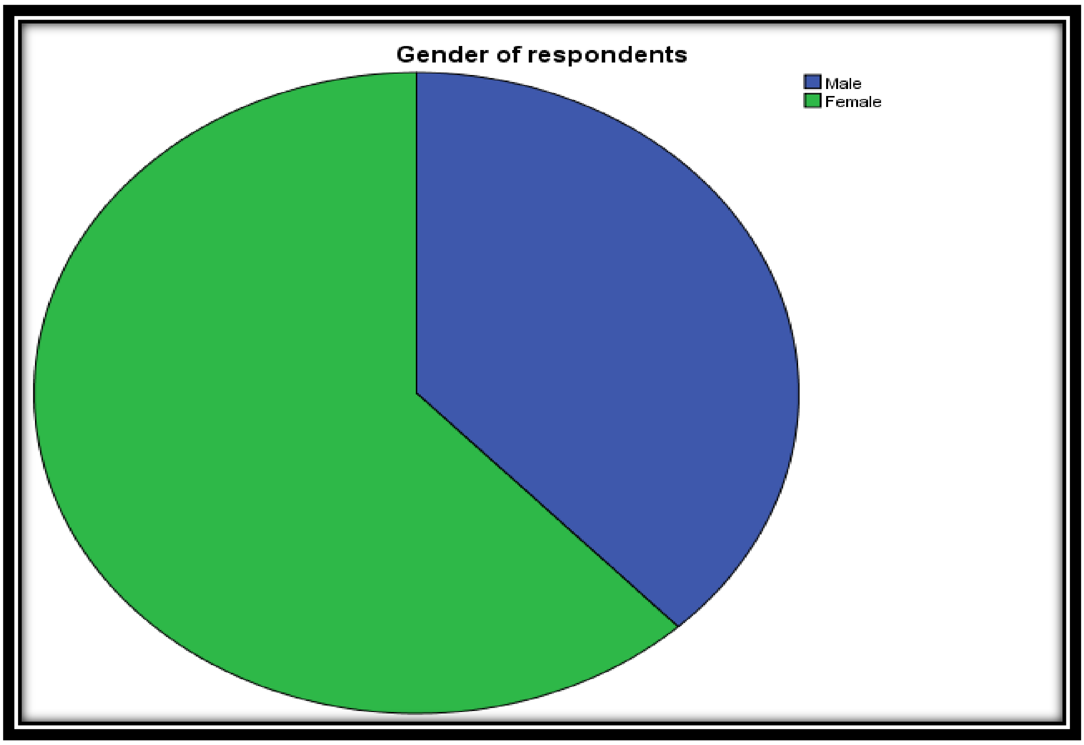

Figure 4.1
Source: SPSS: Primary data (2022)

It was found that most of the participants were females who contributed 62% as compared to the males who accounted just 38% of the research sample. This establishes the fact that women are actively involved in business than men. Most of the owners were believed to have more trust on females than males in handling of their financial assets. However, according to the research carried out by Daniel et al., (2021) about IFRS and SMEs sustainability in Nigeria, they discovered that men were actively involved in business than women, 70% of the respondents were men.

4.1.2.2 Age of the respondents

The data about range of ages of the respondents is presented below.

Range (Age)		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-30	19	38.0	38.0	38.0
	31-40	13	26.0	26.0	64.0
	41-50	9	18.0	18.0	82.0
	51-60	5	10.0	10.0	92.0
	61+	4	8.0	8.0	100.0
	Total	50	100.0	100.0	

Table 4.1.2 SPSS: Primary (2023)

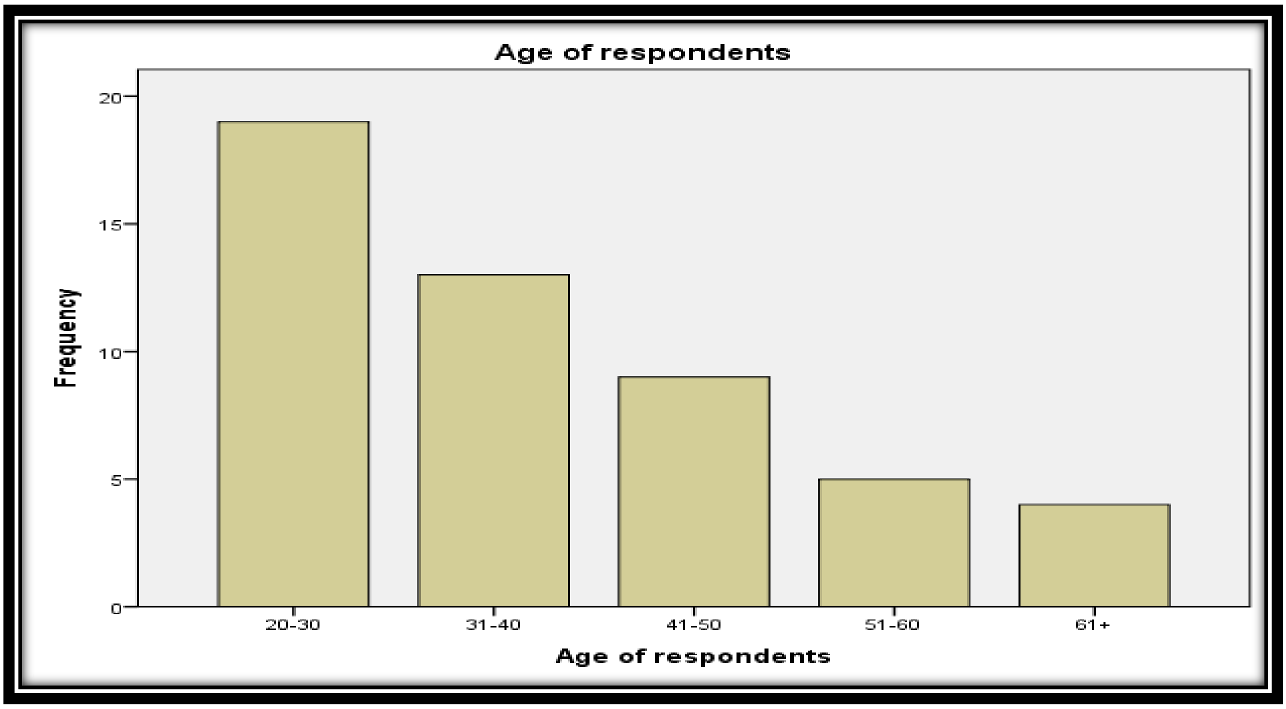

Fig 4.2 SPSS: Primary (2023)

According to the findings of the researcher, 64% of the participants had forty years and below as shown above. The above results concur with the discoveries of Daniel et al., (2021) where they found that 38.3% were aged 40 and below.

4.1.2.3 Designation of the respondents

The information about the designation of the participants is presented below.

Designation		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Accountant	17	34.0	34.0	34.0
	Finance Officer	10	20.0	20.0	54.0
	Auditor	7	14.0	14.0	68.0
	Manager	6	12.0	12.0	80.0
	Clerk	5	10.0	10.0	90.0
	Cashier	5	10.0	10.0	100.0
	Total	50	100.0	100.0	

Table 4.2.0 SPSS (Primary data 2023)

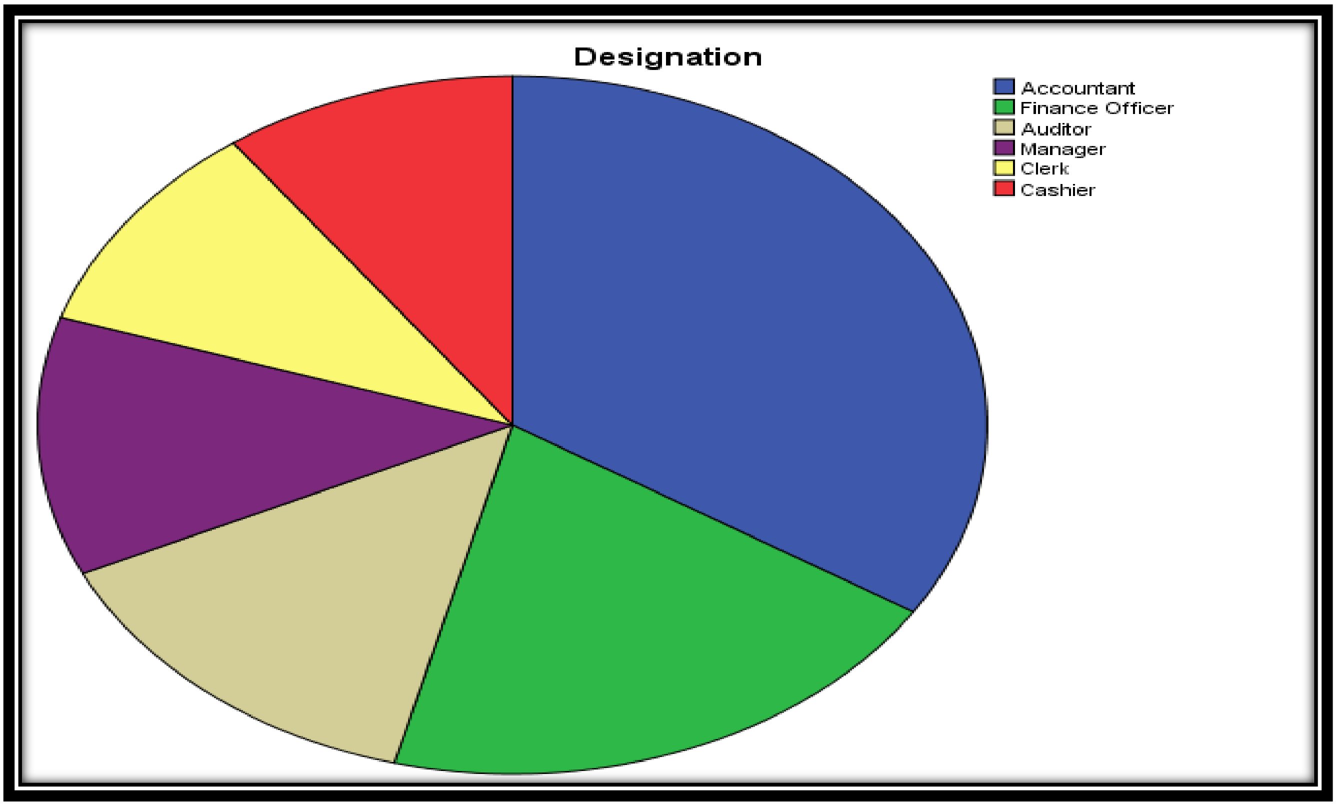

Fig. 4.3 SPSS Primary data (2023)

According to the above the results, the researcher considered the findings to be reliable and valid because a larger number of the respondents were graduates and were qualified for their positions. Out of the total respondents, 12% had only Advanced level certificate, 20% had diploma, 44% had undergraduate certificate, 16% had Master's degree and 8% had accounting professional body certificate. These findings concur with the findings of Abraham and Adeiza (2020), most of their respondents were undergraduates.

4.1.2.4 Working experience of the participants.

The information about the working experience of the participants is presented on the graph below.

Fig. 4.4

Source: SPSS (Primary data, 2023)

It was discovered that many SMEs respondents had six to ten years of experience. The graph above indicates that 15 (30%) of the participants had less than 5 years of experience, therefore these results indicate that many of the workers in SMEs were inexperienced because out of 19(38%) participants 4 had only Advanced level certificate, 12 (24%) of the respondents had 11 to 15 years of working experience, 4(8%) had more than 16 years working experience. The findings partially concur with the study conducted by Abraham and Adeiza (2020) on the challenges of IFRS by SMEs, they discovered that most of the respondents in their research had 6-15 years working experience.

4.3.0 Data Analysis

In subsequence of the collection and presentation of data, an exhaustive analysis data was asserted. Data was analysed through the SPSS version 20. In this investigation, all quantitative methods were used. To identify the links and develop findings and suggestions, quantitative research data from participants was employed. Quantitative analytic techniques were used to demonstrate the findings.

Working experience, business size, technological systems, financing systems, and adoption costs were examined as dependent factors. To examine the responses obtained from the respondents and evaluate the link between the variables, quantitative analytic approaches were used. Regression testing investigates the link between two or more variables, such as training for employees and IFRS adoption in SMEs. Regression analysis, according to Tabachnick and Fidell (1989), is used to either forecast the value of the dependent variable for individuals who have some information about the explanatory variable or to evaluate the influence of an explanatory variable on the dependent variable. Regression analysis demonstrates how the standard measurement of the dependent variable varies when any of the independent variables is changed, ceteris paribus, that is, when all other independent variables remain constant.

Fornell and Larcker (1981) methodologies were used to test discriminant validity, which required comparing the average variance recovered to the squared correlation of two constructs. The ideas of dependability and validity represent two opposing perspectives on study quality (Sproull, 1995). When applying a theory to empirical data, reliability and validity were employed to limit the danger of response bias. According to Saunders et al. (2003), reliability varies from validation due to the fact that reliability involves the generality of the finding, whereas validity is focused on whether the observation reflects reality. Cronbach's Alpha was employed to verify internal uniformity, and the suggested value was more than 0.7.

4.3.1 Descriptive statistics on the practical challenges faced by SMEs in adoption of IFRS.

Challenges	N	Mean		Std. Deviation
	Statistic	Statistic	Std. Error	Statistic
Ignorance about IFRS procedures hinders the adoption of IFRS in SMEs	50	4.20	.111	.782
Misunderstanding of IFRS requirements hinders the implementation of IFRS in SMEs	50	3.84	.112	.792
Management accounting system hinders the implementation of IFRS in SMEs	50	3.72	.086	.607
High costs of adoption hinders the implementation of IFRS in SMEs	50	3.60	.114	.808
Changes in IT system hinders the implementation of IFRS in SMEs	50	3.48	.135	.953
Implementation of IFRS is difficult in SMEs due to lack of skills and training of personnel	50	3.76	.105	.744
Valid N (listwise)	50			

Table 4.2.1
Source: SPSS (Primary data)

The results indicate the views of the respondents in regard to ignorance of the SMEs about IFRS procedures, the standard deviation (SD) was 0.782, which highlighted that most of the participants had the same perception on the challenge and the standard deviation is very low, therefore the responses concentrated around the mean. The standard error (SE) of 0.111, being comparatively small, highlighted that mean was comparatively close to the true mean of the overall respondents. The results above highlighted that most of the respondents agreed that ignorance about IFRS procedures hinders the adoption of IFRS in SMEs. The respondents also had the same view on misunderstanding of IFRS requirements as the hindrance of the adoption of IFRS in SMEs. The SD was 0.792 and the SE was 0.112. The responses were concentrated closely around mean.

On the third challenge, the SD was 0.607 and the SE was 0.086. This indicated that the views of the respondents were close to the mean, therefore the findings indicated that most of the participants concurred on the implementation of management accounting as challenge for their respective entities to implement IFRS for SMEs. In addition, the results from the respondents shown a SD of 0.808 and a SE of 0.114, this highlighted that many of the SMEs faced a challenge of management accounting used mostly by SMEs. Many participants highlighted they prepare financial reports according to the requirements of the owners of the firms. The most challenge that affected most of the firms was treatment of closing inventory as part of the profit for the financial period, the closing inventory was added to the profits instead of being deducted from the cost of sales. This resulted in the profits of many SMEs being overstated. Therefore, management accounting was a hindrances of many SMEs to implement IFRS for SMEs since many of the business management and owners were resistant to change and adopt modern standards.

The SD was 0.808 and the SE was 0.114 on the views of the views of the respondents of the respondents on high costs of adopting IFRS as a challenge of SMEs failing to implement the requirements of the standards. The value of the SD was very low, therefore it indicate that perceptions of the respondents were closely concentrated around the mean. The results shown that high cost of adoption influence SMEs to disengage themselves from implementing IFRS in their financial activities. The respondents had the same view as well about the information technological systems in SMEs and the training of the employees, and they affect the implementation of IFRS by SMEs.

4.3.2 Descriptive statistics on the benefits of adopting IFRS in SMEs.

Benefits of adopting IFRS in SMEs in Kadoma.	N	Mean		Std. Deviation
	Statistic	Statistic	Std. Error	Statistic
The adoption of IFRS improves the effectiveness, transparency and efficiency of the financial reporting	50	3.62	.075	.530
Adoption of IFRS for SMEs will help the micro-entities to access finances from funding institutions and well established organisations	50	3.52	.087	.614
Financial statements prepared with compliance with IFRS are more comparable and reliable	50	3.78	.096	.679
IFRS provides valuable information for decision making by users of financial statements	50	4.20	.118	.833
Adoption of IFRS in SMEs has a significant effect on the quality of financial reporting	50	3.94	.066	.470
Valid N (listwise)	50			

Table 4.2.2
Source: SPSS (Primary data)

There were five questions about the benefits of IFRS implementation by SMEs. Mean response for each question was larger than 3.00, with a standard deviation smaller than 1.00. According to Table 4.2.2, respondents generally agreed on the benefits of utilising IFRS in SMEs. The standard deviation was less than one, indicating that the mean was quite close to the true population mean. This poll's conclusions appear to be similar with the findings of a research done on publicly listed Greek enterprises by Fikru (2012) and Apostolos et al. (2010), which found that respondents considered that adopting IFRS gave numerous benefits to companies on average.

4.4.0 Hypothesis of Independent variables.

Hypothesis Independent Variables	N	Mean		Std. Deviation
	Statistic	Statistic	Std. Error	Statistic
Working experience	50	2.10	.132	.931
Level of education	50	2.61	.215	.751
Size of the firm	50	1.62	.085	.602
Information Technology system	50	3.48	.135	.953
Capital markets.	50	3.52	.087	.614
Valid N (listwise)	50			

Table 4.3.0

In relation to the hypotheses of independent variables above that the adoption IFRS in SMEs is influenced by working experience of personnel, level of education of employees, the size of the firm, the adoption of modern information technological system and the availability of capital markets. The standard deviation of all independent variables was below 1 as well as the standard error, this indicated that most of the respondents agreed on the variables. However respondents partially agreed on working experience and information technological systems, with standard deviation of 0.931 and 0.953, respectively. Some well experienced employees with more than 10 years of experience were ignorant about the modern information technological systems, they had not yet implementing computerised accounting.

4.4.1 Reliability Statistics

Cronbach's Alpha	N of Items
0.814	10

Source: Primary data (SPSS)

Table 4.3.1

The researcher investigated the reliability of measuring scales of working experience, size of the firm, training of personnel, capital markets, comparability and reliability of financial statements, enhance decision making, ignorance of stakeholders about IFRS procedures, management accounting system, information technological system and costs of adoption. The Cronbach's Alpha for the ten variables listed above was 0.814 which indicated that the construct was very good and reliable. Nunnaly (1978) considers Cronbach's Alpha scores of 0.7 and above to be acceptable reliability coefficients, suggesting that all variables in the study are trustworthy.

4.4.2 Validity

Convergent and discriminant validity tests were performed on measures using the methods of Fornell and Lacker (1981) and Chau (1997). The average variance recovered for staff experience, education level, information technology system, capital market availability, and business size was more than 0.5, showing convergent validity.

4.5.2.1 Squared Correlations

	Employee Experience	Level of education	Information technology system	Availability of capital markets	Firm size
Employee experience	1				
Level of education	0.645	1			
Information technology system	0.703	0.603	1		
Availability of capital markets	0.637	0.721	0.718	1	
Firm size	0.737	0.574	0.624	0.815	1

Source: Primary data

Table 4.3.2

The squared correlation for all independent variables was lower than the AVE in Table 4.3.2, showing discriminant validity since the AVE of the two constructs was greater than the squared correlation. According to Fornell and Lacker (1981), discriminant validity arises when the AVE for the two constructs is greater than their squared correlation. The AVE of all constructs exceeded the minimum criterion of 0.5, showing convergent validity.

4.6.0 Hypothesis.

In this part, the hypotheses of this investigation were examined. The proposed hypotheses were investigated using regression analysis by the researcher. This section examined five theories.

4.6.0.1 The size of a company influence IFRS adoption.

In hypothesis one, the table below shows the regression results of the two variables; the adoption of IFRS and the size of the firm.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.851[a]	.674	.669	.405

a. Predictors: (Constant), Size of the firm

Table 4.4.0

The summary of the model indicates that R Square is 0.674, indicating that the size of the business influences 67.4% of the variation in IFRS adoption and other factors affect 32.6%. This demonstrated that there is a positive association between business size and IFRS implementation.

Regression coefficient for the size of the firm and the adoption of IFRS.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.56	.085		.918	.428
	Size of the firm	.850	.105	.851	12.672	.000

a. Dependent Variable: Adoption of IFRS in SMEs

Table 4.4.1

The table 4.4.1 above shows the results of the regression analysis of the size of the firm and the adoption of IFRS. The t-value and p-value for the size of the firm was 12.672 and 0.000, respectively. The results indicated a favourable relationship between the size of the firm and the adoption of IFRS. The results showed that the standard coefficient Beta value is 0.851 with a p-value of 0.000, indicating that increasing the size of the business will increase the rate by a unit in the adoption of IFRS, everything else being equal. This is represented as ($B=0.851$, $P<0.05$). As a result, the aforementioned theory was accepted.

4.6.0.2 The degree of education of employees influence IFRS adoption.

In hypothesis two, the table below shows the regression results of the two variables; the adoption of IFRS and the level of education of employees.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.784[a]	.581	.652	.573

a Predictors: (Constant), Level of education of employees
Table 4.4.2

The model summary indicates that R Square is 0.581, indicating that employee education influences 58.1% of the variation in IFRS adoption and other variables affect 41.9%. This demonstrated that there is a favorable association between staff education and IFRS adoption.

Regression coefficient for the level of education of employees and the adoption of IFRS.

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.66	.225		.865	.612
	Level of education of employees	.781	.341	.784	14.534	.000

a. Dependent Variable: Adoption of IFRS in SMEs
Table 4.5.0

The table 4.5.0 above shows the results of the regression analysis of the level of education of employees and the adoption of IFRS. The t-value and p-value for the level of education of employees was 14.534 and 0.000, respectively. This indicated that there is a positive relationship between the educational level of employees and the adoption of IFRS. The results showed that the standard coefficient Beta value is 0.784 with a p-value of 0.000, indicating that increasing the degree of education of employees will increase the rate by a unit in the adoption of IFRS, everything else being equal. This may be represented as (B=0.784, $P<0.05$). As a result, the preceding theory was adopted.

4.6.0.3 Capital markets influence the adoption of IFRS.

In hypothesis three, the table below shows the regression results of the two variables; the adoption of IFRS and capital markets or the accessibility of SMEs to funding institutions.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.765[a]	.514	.647	.805

a Predictors: (Constant), capital markets.
Table 4.5.1

According to the model summary, R Square is 0.514, which suggests that 51.4% of the variance in IFRS adoption is caused by SMEs' access to capital markets or funding institutions, while the remaining 48.6% is explained by other factors. This suggested that there is a marginally favorable relationship between capital markets and IFRS adoption.

Regression coefficient for the capital markets and the adoption of IFRS.

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.74	.574		.674	.713
	Capital markets	.763	.467	.765	11.437	.000

a. Dependent Variable: Adoption of IFRS in SMEs
Table 4.5.2

The table 4.5.2 above shows the results of the regression analysis of the capital markets and the adoption of IFRS. The t-value and p-value for the capital markets was 11.437 and 0.000, respectively. This indicated that there is a positive relationship between the capital markets and the adoption of IFRS. The results revealed that the standard coefficient Beta value is 0.765 with a p-value of 0.000, indicating that increasing access to capital markets will increase the rate by a unit in the adoption of IFRS, all other factors being constant. This may be represented as ($B=0.765$, $P<0.05$). As a result, the preceding theory was adopted.

4.6.0.4 The relationship between working experience and the adoption of IFRS.

In hypothesis four, the table below shows the regression results of the two variables; the adoption of IFRS and the working experience of employees.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.564[a]	.613	.574	.714

a Predictors: (Constant), Working experience of employees
Table 4.6.0

According to the model summary, R Square is 0.613, indicating that employee working experience influences 61.3% of the variation in IFRS adoption and other factors affect 38.7%. This demonstrated that there is a positive relationship between employee job experience and IFRS adoption.

Regression coefficient for the working experience of employees and the adoption of IFRS.

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.57	.436		.792	.558
	Level of education of employees	.612	.501	.613	10.873	.000

a. Dependent Variable: Adoption of IFRS in SMEs
Table 4.6.1

The table 4.6.1 above shows the results of the regression analysis of the working experience of employees and the adoption of IFRS. The t-value and p-value for the working experience of employees was 10.873 and 0.000, respectively. This indicated that there is a positive relationship between the educational level of employees and the adoption of IFRS. The results demonstrated that the standard coefficient Beta value is 0.613 with a p-value of 0.000, indicating that increasing employee working experience by one unit will end up resulting in a rise in IFRS adoption, everything else being equal. This may be represented as ($B=0.613$, $P<0.05$). As a result, the preceding theory was adopted.

4.6.0.5 Information technology systems influence the adoption of IFRS.

In hypothesis five, the table below shows the regression results of the two variables; the adoption of IFRS and the information technology.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.743[a]	.704	.635	.871

a Predictors: (Constant), Information technology
Table 4.6.2

According to the model summary, R Square is 0.704, indicating that information technology systems influences 70.4% of the variation in IFRS adoption and other factors affect 29.6%. This demonstrated that there is a favorable relationship between information technology systems and IFRS adoption.

Regression coefficient for information technology and the adoption of IFRS.

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.57	.473		.734	.628
	Information technology	.703	.560	.704	13.847	.000

a. Dependent Variable: Adoption of IFRS in SMEs
Table 4.7.0

The table 4.7.0 above shows the results of the regression analysis of information technology and the adoption of IFRS. The t-value and p-value for the information technology was 13.847 and 0.000, respectively. This indicated that there is a positive relationship between information technology and the adoption of IFRS. The results showed that the standard coefficient Beta value is 0.704 with a p-value of 0.000, indicating that a rise in information technology by a single unit will result in an improvement in IFRS adoption, everything else being equal. This is represented as ($B=0.704$, $P<0.05$). As a result, the theory mentioned above was embraced.

4.6.1 Discussion of the findings.

The findings indicated that most of the personnel in SMEs lack professional skills due to lack of trainings and workshops. Most of the respondents were ignorant about Information Technological systems and Accounting Information systems. Almost all respondents were ignorant about the procedures and the requirements of IFRS for SMEs. These findings concur with the findings of the following researchers; lack of training of personnel (Mawutor et al, 2019; Bahiru, 2021), lack of competent employees (Oluwokayode and Ayodele, 2020), lack of modern technological systems (Lackson and Muba, 2021) in SMEs hindered the adoption of IFRS in such businesses. However, Durgut and Arifi (2021) found that Covid-19 pandemic forced SMEs' personnel in Kosovo, Serbia to attend training and professional education. Nelson and Onias (2011) discovered that accounting knowledge was very low and there was a mix up in preparation of financial statements in SMEs, their findings concur with the findings of this research.

The researcher found that the lack of training of employees triggered the non-adoption of IFRS in SMEs. Most of the respondents raised an issue that the owners of the firms were unwilling to fund for workshops or hiring of some experts to educate the employees about IFRS procedures. The findings concur with the view of Mawutor et al (2019), they discovered that the respondents were ignorant about IFRS because of lack of awareness campaigns and training of employees. On the other hand, Edeigba (2017) discovered that the expense of adopting IFRS was prohibitively expensive, and the lack of an internal control system was also a key factor.

The researcher discovered that most respondents' perceptions concurred that their respective firms could not adopt IFRS due to high cost of adoption and their use of management accounting. Most of the firms implement Cash Basis Accounting and book-keeping. Some of the respondents highlighted that they only prepare simple financial statements according to the will of the owners and present in a way that is understandable to them and not according to the requirements of IASB. A study conducted by Nelson and Onias (2011) and Mazhindu and Mafuba (2013) concur with the results of the research, they discovered most of the SMEs had no proper accounting records in order to give a vision that they would adopt IFRS for SMEs in future. The findings of this research agree to the findings of Daniel et al, (2021) when they studied about IFRS and SMEs sustainability in Nigeria. They discovered that the execution of IFRS might be expensive, however, it will enhance the comparability of financial statements and the viability of SMEs in Nigeria.

A large number of respondents concurred with the perception that financial statements prepared with the compliance with IFRS procedures are more reliable and comparable; and the adoption of IFRS would improve the effectiveness, efficiency and transparency of financial reporting. If SMEs adopt IFRS, there would be an increase in opportunities of direct foreign investment because investors and well established financial institutions will access the published financial statements and their investment in SMEs would be secured through the knowledge of the financial performance of the firms. This perceptions is also supported by Bakr (2020), Uddin et al (2019), Udofia and Ikpantan (2015) and Al-Htaybat (2018) that well prepared financial statements in accordance with IFRS requirements enhances decision making in SME businesses and would attract foreign direct investment, cut commercialisation costs thereby boosting economic development and growth. Adoption of IFRS would make it easier for investors to evaluate financial performance, enhance transparency, and increase confidence in financial information (Bakr, 2020).

The findings indicated that size of the firm influenced the adoption of IFRS. The researcher discovered that a large number of respondents from small enterprises were not motivated to adopt IFRS because they were only into cash accounting and book-keeping. However, medium enterprises were partially preparing their financial statements according to the relevant standards although some of them were only doing so for tax purposes. These findings concurred with Nelson and Onias (2011); Mazhindu and Mafuba (2013); and Bahiru (2013), they discovered that am large number of employees were practising cash accounting and book-keeping. However, Edeigba (2017) highlighted that the lack of internal control systems in SMEs was a key factor for the non-adoption of IFRS. In addition, Barkr (2020) said SMEs had attitudes against the adoption of IFRS and this resulted in the adoption of IFRS being based on coercive isomorphism rather than voluntary acceptance.

In addition, the researcher discovered that the adoption of IFRS was influenced by the educational qualification and the working experience of the employees. The results from the respondents indicated that a large number of employees who were ignorant about IFRS for SMEs had irrelevant qualification or a low level qualification for example a diploma and others were lacking experience in the industry. These findings concurred with the findings of Daniel et al (2021); Lackson and Muba (2021); and Abraham and Adeiza (2020) that most of the employees in SMEs were unqualified for their position and were lacking accounting background. On the other hand, Durgut and Arifi (2021) discovered that most of the employees during Covid-19 era physically attended training and professional education in order to improve their IFRS knowledge, this however negatively affected the firms and employees by increase in financial expenses and psychological strain, respectively.

The respondents agreed that there was a positive relationship between the adoption of IFRS and the accessibility to capital markets. The results indicated that SMEs are hindered in their expansion because of shortage of funds. These findings concur with the findings of Muslichah et al (2020) that a large of SMEs adopted IFRS in order to obtain finance from well-established financial institutions. However, Lackson and Muba (2021); and Abraham and Adeiza (2020) advocated for the government intervention in assisting the growth of SMEs by finances and adoption for IFRS for SMEs campaigns since they play a major role in the contributing to the GDP of the economy.

4.6.2 Summary

This chapter was concentered about data presentation, analysis and discussion. Data presentation process was done through the use of SPSS version 20, descriptive statistics were drawn and analysed through the use of tables, graphs and pie charts. The questionnaire was distributed to the respondents and their perceptions were analysed and conclusion drawn from the findings after thorough discussion with previous studies. The conclusions, summary of the findings and recommendations drawn were presented in the next chapter.

CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

In order to help SME owners and management become more familiar with IFRS for SMEs, this chapter condenses the research findings and recommendations. It also offers ideas for further study on IFRS for SMEs.

5.1 Summary of the findings.

The researcher discovered almost all SMEs do not comply with the IFRS requirements, instead they practice cash basis accounting and simple book-keeping. The personnel was discovered to be ignorant about IFRS and they had negative attitudes towards the implementation of IFRS in SMEs due to the complexities that come along with it. Some of the employees were comfortable with their educational qualifications and were not considering to study further in order to pave way for the adoption of IFRS in SMEs by studying the benefits of IFRS implementation in their sectors and national economy.

Almost all SMEs raised an issue that their technological systems was far away behind and a large number of employees were computer illiterate. Some systems that would help SMEs in inventory management were not installed and their accounting was not computerised. Many firms only based on physical management and they were reluctant about possible human errors. There was high risk of overstated or understated profits in firms that recorded most of their transactions manually. In nutshell the researcher found that the adoption of IFRS in SMEs was also hindered by resistance of firms to use modern information technology systems that are beneficial to their day operation and drive the adoption of IFRS.

Implementation of IFRS in SMEs was also hindered by lack of skills and training of personnel. Some of the personnel had qualification on paper for the positions but had no skill for efficient and effective application of relevant strategies for the growth of their respective companies. Many employees never attended any workshop or training since their recruitment, they remained immature and incompetent to meet modern skills of performing job.

SMEs concurred that adoption of IFRS would improve the effectiveness, transparency and efficiency; and the implementation of the standards would increase the comparability and reliability of financial statements. The adoption of SMEs was hindered by the size of some business, many firms had stunted growth because they had no access to well established financial institutions to get funding.

The researcher discovered that the adoption of IFRS in SMEs has a significant effect on the quality of financial reporting and adoption of IFRS provides valuable information for decision making by users of financial statements. Therefore the researcher found that there are multiple benefits of adopting IFRS for SMEs as compared to the challenges and disadvantages faced by firms through the non-adoption of the standards.

According to the study, SME owners and managers were unable to adopt IFRS for SMEs because they lacked essential financial reporting expertise. As a result, they must outsource their financial reporting requirements to independent accountants.

5.2 Conclusions

The study found that many SMEs are ignorant about IFRS for SMEs. They only practice Cash Basis Accounting and Book-keeping. According to the report, micro-entities find IFRS for SMEs to be confusing and difficult to understand for owners and managers of SMEs. The needs of both internal and external users in terms of financial reporting are, nevertheless, thought to be met by it. Meeting the financial reporting requirements of internal and external users is one of IFRS's advantages for SMEs. Improved IFRS skills for SMEs will lower expenses associated with outsourcing accounting.

5.3 Recommendations

The SMEs' owners and management should be flexible for some changes and adopt modern standards like IFRS for SMEs and the sustainability of SMEs in the modern economy. If these firms adopt IFRS for SMEs, it would make their financial statements become more comparable and credible; this would result in SMEs having access to funding from well-established financial institutions and the security of the investment from other giants would be fully guaranteed.

Programs should be implemented to educate SME owners and management about IFRS for SMEs, and useful hands-on workshops should be given to help them with their financial reporting abilities. The SME sector will pay less for outsourced accounting as a result.

SMEs personnel are advised to study further to acquire new skills and be fully equipped to perform all accounting duties efficiently and effectively. Workers should study further to attain professional body certificates like ACCA and CIMA.

5.4 Further studies

Future research of the same study can be done on national level in Zimbabwe and compare the findings with this research.

A future research can be done about the sustainability of SMEs in the modern economy.

In addition, one can also carry out a research about the benefits and challenges faced by SMEs in adoption of IFRS for SMEs in Zimbabwe.

A further research can be done about the implementation of IFRS in the mining and agricultural sectors.

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Appendix 1

BINDURA UNIVERSITY OF SCIENCE EDUCATION

<u>QUESTIONNAIRE INTRODUCTORY LETTER</u>

Bindura University of Science Education

Private Bag 1020, Trojan Rd.

Bindura, Zimbabwe.

Dear: Respondent

I, Sweswe Thabo, a final year student at university named above pursuing Bachelor of Honor's degree in Accounting. I am conducting a research on the adoption of International Financial Reporting Standards (IFRS) in Small and Medium-sized Enterprises (SMEs). The research is required as partial fulfilment of the aforementioned degree. I am kindly asking for your voluntary participation as your contributions are very important in this study.

Please note that your responses will be strictly confidential, your personal details are not required and your responses will only be used for academic purposes.

Your responses are greatly appreciated

Yours faithfully

SWESWE THABO (Mr.)

For each question with answer brackets, please tick the reply that most closely matches your own. Otherwise, please follow the instructions given to respond to the questions. Only summary measures and conclusions from this survey will be reported. Your participation is voluntary and anonymous; all of your answers will be kept strictly confidential.

Appendix 2

Analysis of the adoption of International Financial Reporting Standards (IFRS) by Small and Medium Enterprises (SME).

SECTION A

In this section, kindly indicate by ticking the box where appropriate.

Demographics

1.1 Gender

Female	**Male**

1.2 Age.

20-30 years	**31-40 years**	**41-50 years**	**51-60 years**	**61+ years**

1.3 Designation / Position.

Accountant	Finance Officer	Auditor	Manager	Clerk	Cashier

1.4 Educational qualification.

Secondary level	
Advanced level	
Diploma	
Honors Degree	
Master’s Degree	
Doctorate	
Professional body certificate eg. ACCA, CIMA, CIS etc.	

1.5 Work experience.

0-5 years	6-10 years	11-15 years	16 years and above

1.6 Size of your firm

Small	
Medium	
Large	

SECTION B

Kindly indicate your level of agreement or disagreement with the following statements where appropriate.

Research objective 1.

<u>To explore issues and practical problems that SMEs confront in preparing financial reports that meet IFRS criteria.</u>

2.1 Management accounting system.

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

2.2 Ignorance about procedures in adopting IFRS.

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

2.3 Misunderstanding IFRS requirements.

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

2.4 High costs of adoption.

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

SECTION C

Research objective 2.

<u>To examine whether SMEs have personnel equipped with knowledge and skills required to apply IFRS.</u>

3.1 SMEs have relevant financial reporting skills to apply IFRS for SMEs.

Strongly Disagree	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**

3.2 Adoption of IFRS in SMEs is relevant and very important in micro- entities.

Strongly Disagree	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**

3.3 Adoption of IFRS is difficult in SMEs due to lack of skills and training of personnel.

Strongly Disagree	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**

SECTION D

Research objective 3.

<u>To evaluate significant effects in adopting IFRS on the accessibility of SMEs to capital markets or funding institutions.</u>

4.1 Does the adoption of IFRS have any effect on SMEs' accessibility to capital markets or funding institutions?

Strongly Disagree	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**

4.2 Adoption of IFRS for SMEs will help micro- entities to access finances from funding institutions and well established organisations?

Strongly Disagree	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**

SECTION E

Research Objective 4.

To determine the effects of adopting modern information technological systems in boosting the implementation of IFRS in SMEs.

5.1 Does the adoption of modern information technological systems have any effect in boosting the implementation of IFRS in SMEs?

Strongly Disagree	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**

Tick where applicable about whether the following are the benefits of adopting IFRS or not.

6.1 The adoption of IFRS improves the efficiency and effectiveness of the financial reporting

Strongly Disagree	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**

6.2 Financial statements prepared with compliance with IFRS are more comparable and reliable

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

6.3 IFRS provides valuable information for decision making by users of financial statements e.g. investors.

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

Thank you for your participation in this questionnaire. Your time and effort is sincerely appreciated!