

**AKENTEN APPIAH MENKA UNIVERSITY SKILLS TRAINING AND
ENTREPRENUERIAL DEVELOPMENT**

**THE RELEVANCE OF THE ADOPTION OF INTERNATIONAL
FINANCIAL REPORTING STANDARDS (IFRS) FOR SMALL AND
MEDIUM-SIZED ENTERPRISES (SMES) IN GHANA**

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DEDICATION

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LIST OF ABBREBIATIONS

GAAP	Generally Accepted Accounting Principles
IFRS	International Financial Reporting Standard
SMEs	Small and Medium-Sized Enterprises
IASB	International Accounting Standard Board

ABSTRACT

This study was undertaken with the objective of establishing whether or not the IASB goal of IFRS for SMEs been less complex and more beneficial are met. A survey was conducted with accounting officers, owners and managers of SMEs in Kumasi Metropolis. In all there were 155 respondents made up of 19 SME owners, 37 SME managers and 99 SME accounting officers. In this study, multiple linear regression was utilized to analyse the primary data. From the regression results, the adjusted $R^2 = 78.8\%$. The findings indicated that the independent variables accounted for 78.8% variance in the dependent variable- SMEs financial reporting. It is revealed from the regression results that benefits derived from IFRS for SMEs, challenges of applying IFRS for SMEs, and relevant financial reporting expertise have influence on the adoption IFRS for SMEs by SMEs for their financial reporting. The study established that benefits derived from adopting IFRS for SMEs includes enhancing comparability of financial statements among firms, promoting high quality, transparent, and uniform financial reporting among firms, and meeting external users' needs. However, there are some challenges confronting the SME sector for the adoption of IFRS for SMEs such as difficult to understand by SME owners/management and is therefore difficult to apply by them. Hence, there is the need for the SME sector to outsource their financial reporting requirements to independent accountants, which may prove to be expansive. Improving the financial reporting skills of the SME sector may assist in reducing the outsourced accounting costs. More practical hands on training may prove to be more beneficial. The knowledge generated from this research will benefit the SME sector, as well as assist Government and Accounting Regulatory Bodies to provide the necessary IFRS for SMEs support to the SME sector.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

Small and Medium-Sized Enterprises (SMEs) have been regarded as partners for economic development in both developed and developing countries. They create employment, income for individuals and households, produce different kinds of goods and services for consumption, revenue for the state in the form of taxation, and so on. SMEs have embraced accounting information harmonization to be abreast in today business environment. This study therefore, seeks to assess the relevance of the adoption of International Financial Reporting Standards (IFRS) for Small and Medium-Sized Enterprises (SMEs) in Ghana, specifically, those in Kumasi Metropolis.

1.1 Background to the Study

The reality that the stakeholders of accounting report depend on the accounting statements for an informed decision makes it relevant to have standards to regulate the way these statements are prepared to ensure their consistency. The International Accounting Standards Board (IASB) has the mandate to issue International Accounting Standards (IAS) so as to promote international comparability of financial statements prepared by different companies from diverse part of the globe (Choi *et al.* 2002).

The Institute of Chartered Accountants (ICA) Ghana officially propelled the use of IFRS by all public and private listed firms in Ghana for their financial reporting on 23rd January, 2007 by 31st December in the same year whilst other firms were given two-year period to follow the new directives (UN, 2007). Currently, Ghana, Egypt,

Botswana, Malawi, Kenya, Ethiopia, Lesotho, Uganda, Swaziland, Tanzania, South Africa, Malawi, Mauritius, Mozambique, Namibia, and Sierra Leon are African countries that has adopted IFRS (Zori, 2011; PricewaterhouseCoopers, 2010).

SMEs have embraced accounting information harmonization to be abreast in today business environment. The development of IFRS for SMEs by the IASB was based on this difference in needs of users. Global financial reporting standards for SMEs would make a comparison across borders possible. The IASB's answer is an independent IFRS for SMEs which aims at meeting the needs of external users of financial statements of non-publicly accountable entities.

In view of that, IASB developed special IFRS for SMEs in 2009 to enable quality and international comparability among SMEs worldwide. IFRS for SMEs does not contain an effective date; instead, it comes into effect from the date determined by the national regulator in each jurisdiction. These standards were adopted in Ghana in 2012 (ICAG, 2012).

In Ghana, SMEs are believed to contribute about 70% to GDP accounting for about 92% of all employment in the country. SME's thus having a vital role to play in enhancing growth, creating employment and assisting poverty alleviation in the country and again support the country goal to catch up with the advanced nations in terms of socioeconomic development.

1.2 Problem Statement

According to Simpson (2008), the need for distinct reporting standards for large and small businesses has grown over time as a result of the distinctive characteristics and difficulties faced by SMEs, particularly in the area of financial reporting, as well as the growing importance of their contributions to the economies of most nations. Simpson (2008) went on to say that SMEs require a framework for financial accounting and reporting that is easy to use, grasp, and comprehend.

As a result, the IASB was tasked with creating IFRS for SMEs, which offers a condensed, self-contained set of standards suitable for smaller, unlisted enterprises. Compared to the full IFRS, the draft for SMEs has sparked greater discussion (Shearer & Sleigh-Johnson, 2007). Whether the IFRS for SMEs would meet the demands of SMEs in developing nations, including Ghana, is one question that has yet to be answered.

Although Ghana started using IFRS for SMEs in their financial reporting in 2012, there hasn't been much research done on the topic there to determine whether or not the businesses that fall under the definition of SMEs have adhered to the adoption of the necessary standards for their financial statement reporting or to determine whether the goal of the adoption of IFRS for SMEs has been met.

In order to determine whether or not IFRS for SMEs can be the solution to better reporting by local SMEs, the present study examined the relevance of the adoption of IFRS for SMEs on the financial reporting of SMEs in Ghana in order to determine whether or not IFRS for SMEs can be the answer to better reporting by local SMEs and to make recommendations to policy makers, practitioners, and other stakeholders.

1.3 Research Objectives

The study's main goal is to evaluate the importance of IFRS implementation for SMEs in Ghana. The following objectives are more specific:

1. To determine the advantages of implementing IFRS for SMEs on the financial reporting of SMEs in Ghana;
2. To identify the difficulties encountered by the SME sector in implementing IFRS for SMEs on the financial reporting of SMEs in Ghana;
3. To determine whether SMEs in Ghana have the necessary financial reporting expertise to implement IFRS for SMEs on the financial reporting of SMEs in Ghana; and
4. To assess the opinions of stakeholders regarding the implementation of IFRS for SMEs on the financial reporting of SMEs in Ghana.

1.4 Research Questions

The following questions will be addressed by the study:

1. What advantages does Ghana's adoption of IFRS for SMEs have for the financial reporting of SMEs?
2. What are the difficulties faced by SMEs for applying the IFRS for SMEs to its financial reporting?
3. Do Ghanaian SMEs have the necessary knowledge of financial reporting to apply IFRS for SMEs in their financial reporting?
4. What are the opinions of stakeholders on the financial reporting of SMEs in Ghana following the adoption of IFRS?

1.5 Significance of the Study

This study highlighted some significant policy and practice implications as well as contributes to the theoretical and empirical literatures on IFRS for SMEs. Two important additions to the realm of knowledge will be made by this thesis. This study's first goal is to determine if the Ghanaian economy as a whole and SMEs in Ghana will benefit from the adoption of IFRS for SMEs. The research's results will also be used as a resource by academics and students undertaking related studies in Ghana, Africa, and other parts of the world in the future.

1.6 Scope and Limitation of Study

The focus of the study is on how the financial statements of SMEs in Ghana would change as a result of the adoption of IFRS for SMEs. A questionnaire was used to conduct the research on a sample of SMEs from 2016 to 2022. In other words, the research was conducted over a seven-year period. The researchers will have this time to look at how crucial IFRS's content is for SMEs in Ghana.

Due to the short amount of time available to complete the study, not all IFRS for SMEs-related concerns were covered. Once more, the researchers ran across limitations when formulating the best-fitting research questions. Due to some chosen participants' reluctance to complete the questionnaires, data collection for the study also presented a hurdle. The researchers' ability to travel to numerous locations in quest of the necessary data and other pertinent information also posed financial limitation. In accordance with this, 172 SMEs was chosen for the study. However, the researchers are certain that the chosen participants offered sufficient data to be trusted as a sample for the study.

1.7 Organization of the Thesis

The study is divided into five significant chapters. The first chapter serves as an introduction and contains the following information: background information, the problem statement, study objectives, research questions, significance of the study, scope and limitation of the study, and the organisation of the thesis.

A review of the key studies' literature is provided in Chapter 2. It consists of an empirical analysis and a conceptual examination of IFRS for SMEs.

Chapter three explains the methods employed for the research. This covers the population, sampling strategy, data source, and research design. The data gathered for the study were analyzed and interpreted in chapter four. The important findings, suggestions, and study conclusions were summarized in chapter five.

1.8 Conclusion

Chapter one provided a background to the study and a motivation for conducting this research. The SME sector will benefit from study in this area because of the significant role that SMEs play in the global economy. The purpose of establishing IFRS for SMEs was to make the process of creating less complex and more affordable financial reports easier for the SME sector. This study will help determine whether or whether IFRS for SMEs has succeeded in attaining its objectives, particularly in developing economies like Ghana.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

All entities that lack public accountability must follow the International Financial Reporting Standard for Small and Medium-sized Enterprises (IFRS for SMEs). In response to the expense and difficulty of generating fully compliant IFRS information for relatively small private firms, the IASB created the IFRS for SMEs. The IASB also acknowledged that persons who utilize financial statements for private entities can have different priorities than those who are interested in publicly traded companies.

This research chapter provides a critical examination of the information in IFRS for SMEs through a conceptual review and empirical analyses by various scholars.

2.2 The Concept of SMEs and IFRS

Different scholars have conceptualized the notion of SME from various angles. According to Ward (2018), even if the word "SME" seems to be vague and abstract, people are free to define and grasp the concept however they see fit. According to a number of academics, the definition of a SME differs from nation to nation and industry to industry (World Bank, 2017). According to some authors, determining whether a company qualifies as a SME mostly depends on a variety of factors, including its size, capital, capitalization, workers, and sales value. The number of employees served as the basis for the European Commission's criteria. According to them, companies with 0–9 employees are micro firms, those with 10–99 employees are small firms, and companies with 100–499 employees are medium firms (Amoah & Amoah, 2018). The United Nations Industrial Development Organization used the number of employees as a criterion when defining a SME in developing nations as a

company with between 5 and 19 employees as a small firm and between 20 and 99 employees as a medium firm (Ackah & Vuvor, 2011).

According to different institutions and at different times, SMEs were defined differently in Ghana (Oppong et al., 2014). The criteria for defining SMEs were provided by the National Board for Small Scale Industries (NBSSI). They classified businesses based on the number of employees and the value of their assets. They define a micro firm as one with 1 to 5 employees and an asset value of less than or equal to \$10,000 USD. An employee range of 6 to 29 and an asset worth of up to \$10,000 are considered small enterprises. A medium firm was defined as having 30 to 99 people and an asset basis of \$10,000 USD, whilst a large firm had 100 or more employees and an asset base of \$10,000 USD. The definition according to the NBSSI was also confirmed and conceived by Zaato et al. (2020).

The Ghana Statistical Service (GSS) also assigned a SME a classification based on how many employees it employed. According to GSS, a SME is any business or commercial organization that employs between one and five people as a microenterprise, between six and thirty as a small business, between 31 to one hundred as a medium business, and more than one hundred as a large enterprise. The Venture Capital Fund Act of 2004 (Act 680) and the Registrar General's Department both provided definitions that projected a different picture.

SME has diverse definitions, as can be inferred from the debate above in Ghana and elsewhere in the world. An operational definition is therefore crucial for the study. From the different definitions, it has been determined that the enterprise's personnel count is the principle that is most frequently employed. The idea behind this employee base principle is due to the fact that firms can be easily identified by their employee

count, as well as in part because the process of valuing fixed assets will be challenging given that each enterprise will use a different type of accounting system, and that continuous exchange rate depreciation frequently renders such definitions obsolete. As a result, the operational definition for the study is that of IASB (2009) and NBSSI (2000) based on personnel count. That is, SMEs are organizations with five to one hundred employees that do not answer to the public but instead issue all-purpose financial statements for users outside the organization.

Therefore, NBSSI (2000) based on the number of employees and IASB (2009) serve as the operational definitions for the study. The definition of a small to medium-sized business (SME) is an organization with five to one hundred employees, which does not have to answer to the public but instead publishes financial statements with a general audience in mind.

2.3 Theoretical Review

2.3.1 Institutional Theory

It was decided that the institutional theory was appropriate for this inquiry. The adoption of international accounting standards and international financial reporting standards has been the topic of several studies that aim to explain the institutional theory (Aboagye-Otchere & Agbeibor, 2012; Judge et al., 2010; Mbawuni, 2018). The institutional theory seeks to offer a more thorough, inter-organizational framework for comprehending the methods, causes, and impacts of organizational behavior (Carroll, 2016). The institutional theory was utilized in the study by Judge et al. (2010) to show that businesses must adhere to societal norms of acceptable behavior in order to maintain the support they require from their crucial stakeholders. This widely

accepted theory places a strong emphasis on coherence, legality, and isomorphism. It is also the predominant strategy for comprehending organizations.

The institutional theory of organizations holds that institutions are fundamental to understanding the composition and behavior of organizations.

By probing the solid and profound facets of social structure, the institutional theory investigates how institutions, techniques, norms, and practices produce successful procedures for social activity. These fundamental concepts are adopted and changed over time, as explained by the many components of institutional theory. Accounting experts have underlined that the theory is a great discussion tool for concerns around the adoption of accounting standards. Given that the current study is concerned with SMEs implementing IFRS, it becomes a helpful hypothesis in this scenario. Although John Meyer and Brian Rowan first proposed the theory in the late 1970s, Paul DiMaggio and Walter Powell first proposed the concept of institutionalized fields and identified three isomorphic pressures in an article published in 1983 (Carroll, 2016). These pressures are coercive isomorphism, mimetic isomorphism, and normative isomorphism.

Strong external organizations that pressure one organization or institution to adopt a certain practice are the source of coercive isomorphism. It appears as strong or weak pressure being applied to an institution by other, more powerful institutions that govern it or by the social environment in which it operates. SME adoption of accounting standards and practices may be required by certain entities that provide oversight functions in the accounting industry. SMEs in Ghana are required to submit recurring financial reports to the Ghana Enterprise Agency and the Registrar of Companies. While some of these reports are required for registration procedures,

others are required for tax reasons. The implementation of the IFRS for SMEs standard is necessary since these reports must be written in a certain, standardized manner.

When one organization imitates another that appears to be successful and legitimate in its surroundings, it is said to be under the influence of mimetic isomorphic pressure (DiMaggio & Powell, 1983). Most businesses operate very similarly. As a result, it is simple for new businesses to replicate those that have already succeeded. El-Gazzar et al. (1999) claim that local players may copy international institutions who were early adopters of accounting standards, particularly those who aspire to follow in their footsteps and achieve success. In a similar vein, Foreign Direct Investments (FDI) have significantly impacted how a nation qualifies for international standards. Due to the high likelihood of expansion across several industries, which has caused the emergence of numerous enterprises, Ghana is seeing a substantial influx of multiple international organizations. Particularly in the context of collaboration, which will force the local SMEs to adopt some of these accounting standards to keep up with their collaborators, these enterprises are likely to be persuaded to operate in a specific way.

The final isomorphic pressure has to do with group norms that result in uniformity of thought and behavior in institutional contexts. Normative isomorphic pressure is what is meant by this. It comes about as a result of a profession's members becoming more qualified through formal education and networks of professionals from different organizations. Professionalism demands that practitioners abide by specific moral guidelines and suggestions for best practices. This is frequently done by creating social groups where employees can talk about work-related topics. The ICAG

occasionally plans continuing professional development for chartered accountants in Ghana, which includes exchanging thoughts about current accounting trends. According to Guler et al. (2002), a country's capacity to adapt to accounting standards is positively correlated with its level of professional technical skill. Unfortunately, while many of these top accounting specialists are employed by more eminent institutions, the majority of SMEs cannot brag of having them on staff. However, the accounting staff in these SMEs has a respectable understanding of accounting, so they can see the necessity for the standard.

2.3.2 Theory of the Firm

To determine a firm's existence and underlying goal, numerous researches have been done. The primary goal of any business, according to Meckling and Jensen (1976), is to maximize profits. Anderson and Ross (2005) agreed with them when they came to the conclusion that businesses exist to maximize profits. The firm must make the best use of certain general factors of production in order to reach its desired goal of profit maximization. Spender (1995) lists these elements as capital, labor, and land. This suggests that the components of production have a broader application than only concentrating on capital. Rajaram (2008), who claimed that capital is not only related to the acquisition of funds but also to their effective use, management, and documentation, supports this. Accurate financial data must be present in a business in order to ensure that money are used effectively. This will make it possible for management and other users to make wise economic decisions that will optimize earnings by making the best use of a firm's capital.

According to O'Neil and Rajaram (2009), if entrepreneurs today and in the future have access to reliable financial records, they are more likely to make wise judgments about how to use resources. Financial statements must be prepared using a framework that provides relevance, consistency, and dependability in order to be used as the foundation for credible economic decisions. In businesses that are unable to effectively document their financial performance and financial condition, it is impossible to make wise economic judgments.

Inaccurate financial statements make it difficult to make well-informed economic decisions, in addition to raising questions about the firm's profitability (O'Neil & Rajaram, 2009). For them to make reliable financial decisions, investors need this knowledge. The demise of multinational corporations like Enron, Lehman Brothers, and WorldCom brought attention to the importance of accurate and trustworthy financial data. These incidents led to multibillion-dollar investor losses and emphasize the necessity for a company to deliver accurate and timely financial information (Correia, Flynn, Uliana & Wormald, 2013). These significant worldwide business events served as a reminder of the significance of implementing a more rigorous financial reporting framework that supported financial information integrity. Businesses' adoption of a financial reporting framework will increase the usefulness and dependability of financial data and help users' make better decisions.

2.4 The Need for Financial Reporting Standards

Financial reporting is still a crucial component of a business' operations since it provides the readers of financial statements with information they can use to make decisions. Depending on their needs for making decisions, various users have varying ideas of what constitutes "useful information". Shareholders, the government,

financial institutions, as well as present and potential investors, are some of the main users of financial statements. These users may be regionally or globally based. The financial data supplied must be understandable in order for users to make pertinent judgments.

Local users who are conversant with the local GAAP of a company are able to comprehend financial statements based on the tenets and regulations of the company's national GAAP. However, this comprehension is hampered when attempting to comprehend the financial statements of a foreign company, which have been created in accordance with a different set of accounting standards and norms from those the user may be accustomed to. When various companies from different nations employ different accounting rules and guidelines to create financial statements, the comparability of financial accounts is also hampered. Financial statements must now be more globally comparable and accessible due to the growing importance of international trade and investment in the global economy.

The creation of the International Accounting Standards Board (IASB) was motivated by this necessity. IASB's mission is to "develop in the public interest a single set of high quality, global accounting standards that require transparent and comparable information in general purpose financial statements" (Lubbe, Modack & Watson, 2014). The International Accounting Standards Board (IASB) is responsible for creating a framework for accurate and timely financial information. Establishing a suitable international accounting reporting system is the board's responsibility in order to improve the clarity, accuracy, and applicability of financial data. By implementing IFRS, the IASB hopes to accomplish this goal (Service, 2015).

Each nation used its own unique national Generally Accepted Accounting Practice (GAAP) before the introduction of International Financial Reporting Standards (IFRS). The differences between these many "rules" hampered international communication and prevented things like financial statement comparability between nations. According to Service (2015), the variations in these local GAAP could lead to misunderstandings. The 1993 decision of Daimler Benz, a sizable German corporation, to list its shares on the New York Stock Exchange (NYSE) for the first time is an illustration of this difference. Prior to the offering, according to the New York Times (1994), Daimler Benz was expected to make a \$360 million profit under German GAAP.

2.5 Full IFRS versus IFRS for SMEs

When compared to full IFRS, which is almost 15 000 pages long, IFRS for SMEs has been greatly simplified, as seen by the fact that it is now just about 230 pages long (Sanders, et al., 2013). IFRS for SMEs is a reduced version of complete IFRS designed to give consumers of financial statements less complicated and more pertinent financial information. The following are some of the main distinctions between the two reporting frameworks: (a) where full IFRS offers policy options, IFRS for SMEs only permits the simpler option; (b) simplified recognition and measurement principles in IFRS for SMEs as compared to full IFRS (Stainbank, 2008). It is unfair and impractical to require small enterprises to adhere to general purpose accounting standards, according to Stainbank (2012), who referenced SAICA (2002). This served as one of the impetuses for the creation of IFRS for SMEs (Stainbank, 2008).

Here are five key ways that IFRS for SMEs have been streamlined to help lessen the complexity of complete IFRS:

- Exclusion of subjects unrelated to IFRS for SMEs. Examples include segment reporting, earnings per share, and interim financial reporting.
- Only the simplest technique is accessible when customers have a choice.

For instance, the concepts of recognition and measurement have been streamlined, and property, plant, and equipment do not need to be revalued.

- Expensing borrowed funds, research and development expenses, and goodwill amortization are a few examples.
- Full IFRS requires more than 3000 declarations, but IFRS for SMEs only requires 300 disclosures.
- Simplified reporting facilitates easier comprehension (Sanders et al., 2013).

The procurement of capital is one of the biggest problems SMEs face. According to Sanders et al. (2013), IFRS for SMEs intends to give lenders and other readers of SME financial reports meaningful information regarding a company's solvency, liquidity, and cash flows. Due to the complexity involved, many SMEs lack the staff or resources necessary to enforce compliance with complete IFRS. Because of this, IFRS for SMEs reduces the complexity of identification and measurement, which eases the reporting burden (Sanders et al., 2013).

The application of IFRS for SMEs can have a number of advantages for an entity. The following is a non-exhaustive list of such advantages:

The benefits of applying IFRS for SMEs include:

- Financial statements will be more comparable globally as a result of the application of international standards;

- As was already mentioned, IFRS for SMEs will result in less complex financial reporting than full IFRS; and
- Appropriate financial reporting standards will help evaluate a company's performance as well as enhance its transparency.
- The fact that financial reporting rules are being followed will be appreciated by users of financial statements, adding credibility and improving the quality of financial statements
- Utilizing international accounting standards while preparing financial statements will increase the utility and understanding of financial statements around the world.

The primary goal of IFRS for SMEs was to provide a distinct, less complex set of accounting principles for entities that operate in circumstances where comparability with publicly accountable entities is not a key consideration, have less complex transactions, do not have public accountability, and have limited resources to comply with full IFRS. IFRS for SMEs was developed using full IFRS as a base. Then, this was modified to take into account the cost-benefit dilemmas as well as the various requirements of SME financial statement consumers (IFRS foundation, 2013).

The user's needs and the cost/benefit ratio are the two main considerations when choosing a simpler reporting framework for SMEs (Stainbank, 2008). According to (Litjens, et al., 2012), who hold the same opinion, organizations who continue to utilize complete IFRS but lack public accountability frequently have to deal with high financial reporting costs and financial statements that are not very useful to consumers. It is crucial to highlight that IFRS for SMEs is only applicable to organizations that fit the definition of a "SME" as defined. of SME financial statements (IFRS foundation, 2013).

2.6 Framework of IFRS for SMEs

PricewaterhouseCoopers (PwC, 2010) states that IFRS for SMEs is distinct from full IFRS and is available for adoption in any jurisdiction, regardless of whether it has done so for full IFRS. According to Pacter (2007), the IFRS for SMEs is a condensed version of the full IFRS that eliminates items that are unimportant to smaller organizations and drastically reduces the amount of disclosures that must be made.

According to Pacter (2007), when creating the IFRS for SMEs, the IASB took the core ideas from its conceptual framework and the guiding principles of the IFRS and modified them appropriately in light of the demands of the users and cost-benefit analysis. The first sort of alteration is the removal of several issues from the IFRS for SMEs that were thought to be unimportant for SMEs. The second sort of adjustment is that only the more straightforward options were included in the IFRS for SMEs, but the entire IFRS allows for a variety of accounting policy options. Regarding the third type of adjustment, the IASB took into account the whole IFRS's simplification of the recognition and measurement principles to make them more suitable for SMEs. The IASB contemplated rewriting the IFRS for SMEs in plain English as the fourth type of revision.

2.7 Users of SME Financial Statements

Meeting the needs of the users of financial statements is their primary objective (FERF, 2006). The IASB noted that there are many different types of SME financial statement consumers as well as different information needs when compared to users of financial statements prepared in accordance with complete IFRS (IASB, 2009), despite the fact that the IFRS for SMEs were not established specifically for a particular user group (Lombard, 2008). However, it is still unclear to what extent the

IFRS for SMEs will satisfy the information requirements of any group that uses SME financial statements. The comments to the IASB's early opinions on international accounting standards for small and medium-sized firms did not reveal any statistically significant tendencies, according to Anacoreta and Silva (2005). As a result, they came to the conclusion that the important inherent problems with the IASB questions are not distinctive enough to produce a particular pattern of responses or set of respondents. The European Accounting Association's Financial Reporting Standards Committee responded to the ED on IFRS for SMEs by arguing that user groups for large public interest enterprises and SMEs are not the same and may even differ between larger and smaller SMEs (EAAFRSC, 2008).

Banks, equity investors—whether or not they are also managing the entities, according to Schiebel (2006)—and tax authorities are the primary users of SMEs' financial statements, though venture capitalists, business angels, and grant-giving organizations appear to have joined them more recently. According to Sian and Roberts (2006), banks primarily analyze SME financial statements to assess profitability, security, and liquidity as well as to estimate repayment capacity. Financial reports are used by owners for several purposes, including setting compensation awards. Tax authorities would want to figure out gross profit, evaluate directors' compensation, examine tax provisions, make sure spending are acceptable, and make sure the audit report is unblemished.

Deaconu, Nistor, and Popa (2009) looked at the demands of SME stakeholders and how they interpreted SME financial reports. They identified the following primary user categories of SME financial statements in their research:

Governmental or tax authority;

- Debtors in financial debt (banks);
- Stockholders;
- Management.

Although tax authorities are important users of SME financial statements (Sian & Roberts, 2009), accounting standards aren't designed to satisfy their reporting requirements because there are various tax jurisdictions around the world (IFAC, 2006; IASB, 2009). Owner/managers and financiers are among the groups who consult small business financial reports most frequently, in addition to tax authorities (Saracina, 2005). Banks and investors are examples of those that offer financing, but internal users of financial statements are primarily focused on managing firms.

Financial statements are just one of many considerations examined by banking institutions when extending credit, according to the European Commission (2010). Comparing the adoption of IFRS for SMEs to current national accounting standards, the European Commission (2010) came to the conclusion that banks would not gain any further advantages. Furthermore, banks typically don't rely on published financial statements because they have the authority to request the data they need (EAAFRSC, 2008). Relatively little is known about the real opinions and requirements of owner-managers, despite the fact that bankers want financial statements for accuracy and comparability reasons and that investors like trend lines and year-over-year comparisons (EAAFRSC, 2004).

Schiebel (2008) came to the conclusion that the ED on IFRS for SMEs is biased towards the views of auditors and accountants, suggesting that the IASB did not take the perspectives of internal users of SME financial statements into account. Sian and Roberts (2009) came to the conclusion that many SME owners have little to no formal

accounting training, rely on external accountants to prepare their financial statements, and are frequently confused by the complexity of the information provided. This is true even though Saracina (2005) listed owner-managers as frequent users of SME financial statements.

Additionally, Sian and Roberts (2009) came to the conclusion that SME owners evaluate data for managerial objectives using computerized accounting applications rather than financial statements. The IASB's (2009) declaration that it is not the goal of the IFRS for SMEs to offer information to owner-managers to assist them in making management choices reinforced the omission of the opinions of owner-managers, as internal users of financial statements. Because they lack professional accounting skills and don't utilize financial statements for managerial purposes, internal users of SME financial accounts are likely to have had their opinions overlooked, according to the evidence.

Schiebel (2007) noted that just 8% of respondents to the ED on IFRS for SMEs were external readers of SME financial statements. This is also relevant to internal users. The advantages of the IFRS for SMEs for the various user groups have yet to be evaluated, even though they are designed for non-publicly accountable firms that issue general purpose financial statements for external users.

2.8 Importance of the SME Sector in the Global Economy

The substantial role that SMEs play in the economy can be used to explain the significance of financial reporting for SMEs. Beck et al. (2011), who found a link between the size of the SME sector and economic growth, are quoted by Ardic et al. (2011). According to Ardic et al. (2011), SMEs are the main force behind the creation of jobs in the majority of economies. Given the enormous importance that SMEs play

in the creation of jobs and the expansion of an economy, it is crucial that they produce high-quality financial reports that are comparable and intelligible across borders. By giving SMEs this international advantage, it can encourage international trade and investment and ultimately aid in the expansion of these businesses. The SME sector is becoming more important in addressing global economic issues for a number of reasons (International Finance Corporation: World Bank Group, 2011).

More than 95% of the world's economy is made up of SMEs (Edinburgh Group, 2012). The SME sector in South Africa makes a major contribution to GDP and lowering unemployment (Bureau for Economic Research, 2016). According to research, the expansion of SMEs and the economy are directly related (Ardic et al., 2011). SMEs encourage diversified, long-term growth that is sustainable (Ardic et al., 2011).

According to research by the Edinburgh Group, SMEs are important in both emerging and established nations (Edinburgh Group, 2012). As the "engine" of economic growth, SMEs are frequently referred to (Savlovski & Robu 2011). Gross domestic product (GDP) is greatly influenced by SMEs (Savlovski & Robu, 2011). They support economic growth in terms of employment, output, and income (Edinburgh Group, 2012). The SME market is responsible for the economic prosperity of several nations (Khan, 2014). SMEs are the young branches of big businesses. The majority of large businesses began as small or medium-sized businesses before expanding. According to Savlovski and Robu (2011), SMEs represent the world from which giant corporations originated and from which they will soon face competition.

2.9 Impact of IFRS for SMEs on SMEs

According to PwC (2010), switching from Generally Accepted Accounting Principles (GAAP) or complete IFRS to IFRS for SMEs necessitates a management commitment of focus, resources, and finance. The shift may be expensive, complicated, and time-consuming, and it will have an impact on people, processes, systems, and taxes. According to Pacter (2007), IFRS for SMEs will make it easier for small businesses to prepare their financial reports than it would be if they used the complete IFRS. The application of IFRS for SMEs, he continued, will improve financial statement comparability, corporate transparency, financial reporting quality, and hence benefit investors in the SMEs sector.

2.10 Adoption of IFRS for SMEs in Developing Countries

Users of financial reports may have different needs in emerging economies than in developed ones, and the majority of the literature demonstrates more drawbacks than advantages in adopting IFRS for SMEs. For instance, Devi and Samujh (2015), Coram (2018), and Khlif et al. (2020) contend that emerging economies are portrayed inaccurately in the global context and that the IASB has not sufficiently evaluated several issues. Users who do not participate in forums in a proper manner provide engagement concerns (Richardson and Eberlein, 2011; Pais and Bonito, 2018).

SMEs are the growth engines of any economy, according to research done in Nigeria (Ezeagba, 2017), although the costs and advantages of the standard are debatable. According to a 2019 survey by Slaw and Mawutor in Ghana, the majority of SMEs in Madina are unaware of IFRS for SMEs. However, businesses with minimal awareness of the standard were forced to adopt it in order to comply with regulatory requirements and avoid paying noncompliance costs. These studies show that the

standard's perceived costs are higher than its benefits in developing nations. According to Gonzales and Nagai (2013), accounting professionals also have a tendency to view the implementation of IFRS for SMEs as having little value. According to a survey done by Alves et al. (2013) in accounting firms, the majority of respondents did not believe that their clients needed to implement IFRS for SMEs. Anecdotal information, namely from Brazil, suggests that businesses have been hesitant to put the guideline into practice (Meirelles, 2012). According to empirical data, IFRS implementation for SMEs in Brazil is still in its early stages (Riva and Salotti, 2015).

Simpson (2008) asserts that the IASB failed to take into account the particularities and difficulties faced by SMEs in emerging nations. Small businesses in developing nations that typically lack the developed skills to understand international accounting standards would suffer from inadequate knowledge and interpretation of newer standards, which would then result in unreliable financial reporting and auditing. As a result, even if IFRS for SMEs is accepted in a nation, the benefits are unlikely to follow because of weak and inadequate guarantees of the caliber of its financial reporting. He added that the definition of a SME used in the ED on IFRS for SMEs is consistent with the US definition and is not necessarily applicable to developing nations.

Although the IFRS for SMEs were not designed for a specific user group, only a small number of respondents from Africa and developing nations participated in the Exposure Draft on IFRS for SMEs, while the majority of respondents came from Europe and other industrialized nations (Shutte and Buys, 2011). Furthermore, Schiebel (2007) came to the conclusion that the IASB did not carry out significant global empirical assessments when deciding the contents of the IFRS for SMEs. The

majority of developing countries share business characteristics that could hinder their capacity to reap the anticipated benefits of the adoption, which was likely underestimated by those who advocated for the globalization of IFRS for SMEs.

2.11 Conceptual Framework

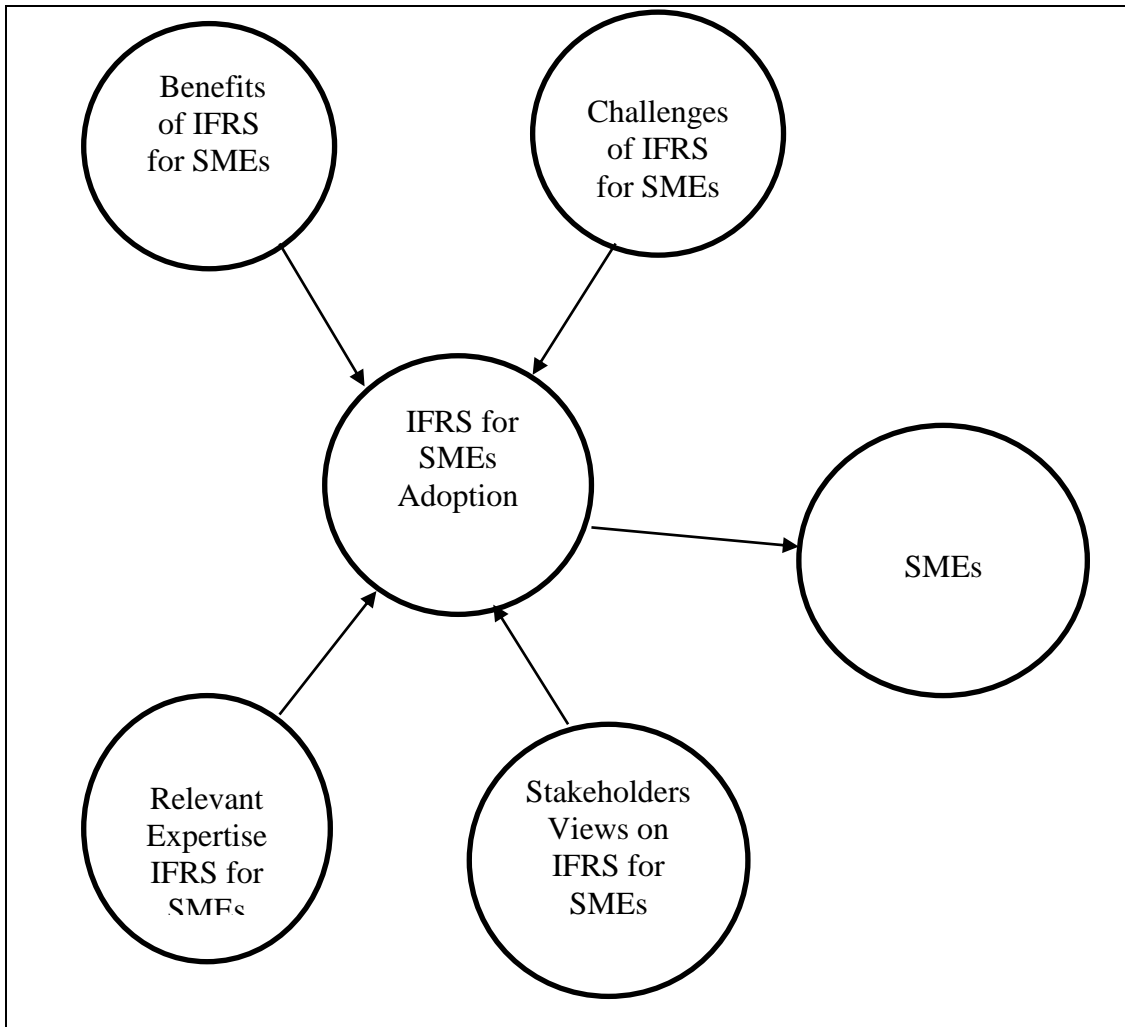


Figure 1: Conceptual Framework

Source: Field Survey, Senyo (2023)

From a conceptual standpoint, the study aims to determine how important IFRS adoption for SMEs will be for financial reporting and how relevant it will be to those who will be using the financial statements. The advantages of IFRS for SMEs include the simplification of financial statements, relevant financial information for users, understandability and utility, comparability, appropriateness, performance evaluation

and transparency, and worldwide business expansion. This new standard comes with its own challenges, such as inadequate accounting staff training, a lack of knowledge of the new standard, higher training costs, the need for expert services to ease the transition, and a lack of resources to organize training on IFRS for SMEs. The adoption of IFRS for SMEs is also facilitated by relevant knowledge in financial reporting. There won't be any opposition to the company adopting IFRS for SMEs if the firm has accounting personnel with the necessary skills, and vice versa. Many users from Africa and other developing nations believe that IFRS for SMEs only applies to SMEs in rich countries and does not benefit SMEs in developing countries in any way. When it comes to the adoption of IFRS for SMEs, this viewpoint is crucial. The study aims to determine whether IFRS for SMEs will satisfy users' needs for financial reporting when it is adopted.

2.12 Conclusion

This chapter offered pertinent research that complemented the study's setting and main themes. The chapter specifically focused on important topics like the concept of SMEs and IFRS, theoretical review, the need for financial reporting standards, development of an accounting reporting standard for SMEs, full IFRS versus IFRS for SMEs, framework of IFRS for SMEs, users of SMEs financial statements, importance of the SME sector in the global economy, impact of IFRS for SMEs on SMEs, and ongoing debate to the application of IFRS for SMEs; IFRS for SMEs adoption in poor countries and post-implementation study on these standards. Numerous researches on the effects of IFRS for SMEs have been carried out abroad but there is dearth of research in Ghana and for that matter emerging countries.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

In order to accomplish the study's aims and research questions, the research methodology will be discussed in this chapter. The following subheadings are used to organize this: research design, research approach, area of study, population, sampling technique, data collection instruments, data collection procedure, data processing, and data analysis.

3.2 Research Design

The research design used in the study is descriptive. According to Fraenkel and Wallen (2008), descriptive study design entails obtaining information about a topic and explaining it without taking the researcher's values and opinions into account. Survey research, according to Kerlinger (1973), is a study of both big and small groups that uses samples taken from the target population to determine relative incidence, distribution, and interrelations. This research design or approach, according to Saunders, Lewis, and Thornhill (2007), is typically used in the business and social sciences because it is devoid of researcher judgment and is more beneficial in situations where a single research study may combine quantitative and qualitative techniques and procedures with primary and secondary data (Zikmund, 2000).

The measurement or ascertainment process can be well controlled with descriptive design, and the accuracy of estimations in subgroups can be more precisely controlled. To be clear, surveys neither intervene in nor have any control over naturally occurring phenomena (Randall & Nielsen, 2010). Additionally, surveying is

a somewhat time-consuming and labor-intensive procedure (Ary, Jacobs, Razavieh, & Sorensen, 2006).

3.3 Research Approach

A variety of methodologies were used in the investigation. In other words, the study used both quantitative and qualitative research methods. The use of descriptive or inferential statistics is often done after data collection based on a hypothesis or theory in the quantitative method (Kumar, 2014). The gathering of data that can be mathematically analyzed and then displayed as statistics, tables, and graphs is what distinguishes quantitative research approaches. This decision is being progressively supported in business and management studies, according to Curran and Blackburn (2001). The quantitative approach is deemed appropriate since it allows for the generation of data through the use of standardized collecting techniques based on highly structured research instrument(s), well-defined study topics, and associated variables (Zickmund, 2000). It facilitates straightforward data analysis (Malhotra, 2007). The first, second, and third research questions were all examined quantitatively.

Words rather than figures are the focus of qualitative research, and the context is established by the word meanings (Bryman and Bell, 2007). Based on the opinions of stakeholders on the adoption of IFRS for SMEs in Ghana, which is provided as research question four, the qualitative approach enabled us to see new possibilities arising in a transition country related to the accounting standards for SMEs. Better results can be achieved by combining the two procedures than by employing only one.

3.4 Area of Study

There are thirty (30) districts in the Ashanti Region, with the Kumasi Metropolis being one of them. It is situated 250 to 300 meters above sea level, between Latitude 6.35°N and 6.40°S, and Longitude 1.30°W and 1.35°E. The Atwima Kwanwoma and Atwima Nwabiagya Districts, Asokore Mampong and Ejisu-Juaben Municipality, Bosomtwe District, and Kwabre East and Afigya Kwabre Districts all share borders with the Metropolis. According to the GSS 2021 census report, there are 3,490,000 people living in Kumasi Metropolis.

In Kumasi, the economic activity of the population is about 86%. According to the Kumasi Metropolitan Assembly (2022) the three main economic sectors that support the lives of the city's citizens are service, industry, and agriculture. According to data that is currently available, of Ghana's 638,234 firms, around 126,662 (19.8%) are small and medium-sized businesses, with the bulk being micro enterprises (Dubbeling, Carey, & Hochberg, 2016). According to some surveys, SMEs make up around 90% of all registered businesses (Asamoah, 2014). So, in each of these economic subsectors, the study's primary focus is on SMEs. The second-largest city in Ghana with a cluster of firms, particularly those in the SMEs bracket, is Kumasi, it was revealed in the composite budget report (2022) of the Kumasi Metropolitan Assembly. Targeted SMEs include those found at the Kumasi Central Market, Bantama Market, Kejetia Terminal, Adum Shopping Centre, Suame and Asafo Magazine, Kaase / Asokwa Industrial Enclave, and Sokoban Wood Village. The Ghana Revenue Authority has registered some of these SMEs, while others have not.

3.5 Population

According to Leedy and Ormrod (2010), the population can be thought of as the target group about which the researcher is interested in learning more and forming conclusions. Additionally, Robson (2002) revealed that the term "population" refers to all of the instances being investigated. Robson included a warning that the term "population" does not necessarily relate to individuals but also to possible interview settings, including dates, times, and places.

Owners/managers of SMEs in Ghana's Kumasi Metropolis and those who generate financial statements made up the study population. The study was aimed at an estimated 300 SMEs in Kumasi Metropolis that benefited from UBA workshops for capacity building (Graphic Business, 2022). The survey included SMEs from several economic sectors, including those in manufacturing, services, agriculture, and commerce. The SMEs targeted were those companies with six to ninety employees.

3.6 Sample and Sampling Procedure

Sampling is done to select a smaller set of instances to analyze in a study because it is typically impractical to deal with the entire population in a survey (Robson, 2002). A sample size of 171 was intended for the study, with 300 SMEs in the Kumasi Metropolis constituting the population.

Based on Yamane's population-sample determination formula (as cited in Riduwn & Kuncoro, 2013), the sample size was chosen. The following formula was given:

$$n = \frac{N}{N(e)^2 + 1}$$

Where: n = sample size

N=Total population

e = margin of error

That is, sample size (n) for the study is given by $300 \div [300 \times (0.05)^2 + 1] = 171$

The target demographic was adequately represented in this sample size, which will serve as the foundation for generalizing the study's conclusions. Any combination of sampling units that does not include the whole set of sampling units that have been specified as the population is considered to be a sample size (Garson, 2012).

The sampling procedure used is the probability sampling technique which ensured that each unit of the population had a chance of being selected. The stratified random sampling technique was used. It involves dividing the population into homogeneous subgroups and then taking a random sample from each. This sampling technique was preferred because the population is divided into several strata, which comprises of the different sectors that most SMEs operate in. For the objective of our study, we considered SMEs from various sectors in Kumasi Metropolis.

Table 1 summarizes the sectors, number of SMEs per the particular sector and the rate of effected for sampling purposes and the sample size for the study.

Table 1: SMEs in various sector which were sampled for the study

Type of Industry	No. of SMEs per industry	Sampling rate (%)	Sample size
Manufacturing	60	57	34
Agriculture	100	57	57
Retail	70	57	40
Construction	40	57	23
Others	30	57	17
Total	300	100	171

Source: Field survey, Senyo (2023)

3.7 Model Specification and Estimation Techniques

3.7.1 Model Specification

The probit model can be specified as follows:

$$\text{SME Financial Reporting} = \beta_0 + \beta_1(\text{Benefits}) + \beta_2(\text{Challenges}) + \beta_3(\text{Relevant skill}) + \beta_4(\text{Control Variables}) + \varepsilon$$

Where:

- SMEs financial reporting: Binary dependent variable (0 or 1).
- Benefits of IFRS for SMEs, challenges of IFRS for SMEs, and relevant financial reporting skill constitute the independent variables.
- Control Variables: Other relevant control variables.
- $\beta_0, \beta_1, \beta_2, \beta_3, \beta_4$: Coefficients to be estimated.
- ε : Error term representing unobserved factors.

Estimation Technique

Dependent variable:

- SMEs financial reporting: This variable represents whether the firm prepares financial reports or not.

Independent variables:

- Benefits of IFRS for SMEs: This variable represents the benefits to be derived by the firm for adopting IFRS for SMEs. This includes provide relevant financial information to users; understandable and useful to stakeholders; promote high level of quality, enhances comparability among firms within the same industry, transparent, and uniform financial reporting; meet users' needs; and expansion of business to the globally.

- **Challenges of IFRS for SMEs:** This variable deals with the constraints faced by the firm for adopting the IFRS for SMEs. This includes awareness of the existence of IFRS for SMEs; additional training cost of staff; use of expert services to facilitate the transition; and the need of adequate resources to organize training on the IFRS for SMEs.
- **Relevant Financial Reporting Expertise:** This variable deals with whether the firm has people with the required skill to apply the IFRS for SMEs. This includes qualification; Accounting officers have the necessary financial reporting expertise; adequately trained the accounting staff on IFRS for SMEs implementation; accounting staff goes for professional training and workshops.

3.8 Data Collection Instrument

Questionnaire-based surveys may be the most popular method for gathering data in research and can be used to gauge important aspects of business management and growth (Malhotra & Birks, 2007). Questionnaires was the research instrument utilized to gather data. "A form used in a survey design that participants in a study complete and return to the researcher" is what a questionnaire, according to Creswell (2012), is. The questionnaires will contain both open-ended and closed-ended questions.

The open-ended questions allowed the respondents to answer the questions using their words as well as allowing the researcher to explore ideas that would not otherwise be heard. They are also helpful when more information is needed but the researcher has sufficient expertise to provide precise possibilities for responses (Salant, Dillman, & Don, 1994). Open ended inquiries are more challenging to respond and analyze, which is one of its downsides. As a result, it is not recommended to utilize it when

data from a large sample size is required since analysis issues may arise (Hoepfl, 1997).

The closed-ended questions demand that respondents select from a predetermined range of answers and evaluate each potential solution independently of the other options. The researcher used a checklist of behaviors, traits, or other things to fill out the close-ended items. They also used a Likert scale, which is better suited for evaluating behaviors, attitudes, or other phenomena of interest along a continuum (Leedy & Ormrod, 2010). In general, McColl (2005) asserts that using questionnaires as opposed to interview methodology has clear advantages. One of these benefits is that surveys are more affordable and simpler to execute than in-person interviews.

There are five sections to the questionnaire. These divisions were consistent with the particular goals of this investigation. Section "A" dealt with the demographic information about the respondents; Section "B" evaluated the advantages of IFRS for SMEs adoption for SMEs in Ghana; Section "C" evaluated the difficulties the SME sector faced in implementing IFRS for SMEs in Ghana; Section "D" examined whether SMEs in Ghana have the necessary financial reporting expertise to implement IFRS; and Section "E" evaluated the opinions of stakeholders on the adoption of IFRS for SMEs. Section A to Section D were analysed using quantitative approach whilst Section E was analysed using qualitative approach.

3.9 Hypotheses

Based on the above literature the researcher hypothesized that:

H₀: Benefits derived from IFRS for SMEs has no impact on the adoption of the standard by SMEs in Kumasi Metropolis.

H₁: Benefits derived from IFRS for SMEs has impact on the adoption of the standard by SMEs in Kumasi Metropolis.

H₀: Challenges of applying IFRS for SMEs has no influence on the adoption of the standard by SMEs in Kumasi Metropolis.

H₁: Challenges of applying IFRS for SMEs has influence on the adoption of the standard by SMEs in Kumasi Metropolis.

H₀: Relevant accounting skill has no effect on the adoption of IFRS for SMEs by firms within the ambit of SMEs in Kumasi Metropolis.

H₁: Relevant accounting skill has effect on the adoption of IFRS for SMEs by firms within the ambit of SMEs in Kumasi Metropolis.

3.10 Reliability and Validity

Before the necessary data could be collected, the research instrument required to be reliable and valid. The credibility of the study's findings is referred to as reliability (Welman et al., 2005). It also has to do with how consistent the outcomes are (Sekaran & Bougie, 2003). The Cronbach's Alpha is a commonly used metric to evaluate dependability (Sekaran & Bougie, 2003). This reliability coefficient gauges how strongly variables are positively associated with one another. It is rated from 0 to 1 on a scale. The metric is more closely related to 1 the better the internal consistency dependability (Sekaran & Bougie, 2003). The reliability and consistency of the survey results were evaluated using the Cronbach's Alpha.

A close examination of the reliability results in Table 1 reveals that all the study's constructs (The costs and benefits of adopting IFRS for SMEs; The challenges faced by the SME sector in applying IFRS for SMEs in Ghana; The extent to which SMEs

in Ghana have the necessary financial reporting expertise to do so; The opinions of stakeholders on the adoption of IFRS for SMEs) have high reliability.

Table 2: Reliability Results

Construct	Cronbach's Alpha
The benefits associated with the adoption of IFRS for SMEs in Ghana	0.959
The challenges faced by the SME sector in applying IFRS for SMEs in Ghana	0.906
SMEs in Ghana have the relevant financial reporting expertise to apply IFRS for SMEs	0.936
Views of stakeholders on the adoption of IFRS for SMEs in Ghana	0.963
Overall scale	0.983

Source: Field survey, Senyo (2023)

On the other side, an instrument's validity refers to how well it captures the specific notion that it is meant to measure (Khalid, Abdullah, & Kumar, 2012). Additionally, they contend that an instrument must be trustworthy before it can be legitimate, which implies that it must be continuously repeatable. Once this has been accomplished, the instrument may then be examined to determine whether it is what it claims to be. The researcher investigated additional pertinent but related literature that served as support for the responses obtained using the questionnaire in order to ensure the validity of the questionnaires; relevance was defined by the specifics of their research topic and their own judgment (Saunders, et al., 2009).

Before being given to the respondents, the prepared questionnaire was also given to the project manager for review, approval, and modification.

3.11 Data Collection Procedure

After management of each of the SMEs has formally approved the data collection, the goal of the study was presented to the respondents, which made it possible to issue and retrieve the questionnaires from respondents without trouble. Additionally, this assisted the researcher in getting answers to the queries. The questionnaires was self-administered in order to build rapport with the respondents and ensure a greater recovery rate by clarifying any technical issues that may be related to answering the questions (Leedy & Ormrod, 2010). The survey was given out on August 1st, 2023, and results obtained on August 7th, 2023. Each participant received a questionnaire along with some background information on the study.

3.12 Data Processing and Analysis

Editing, cleansing, transforming, and modeling data is the process of data analysis (Adèr, 2008). The method's objectives are to highlight pertinent facts, make recommendations, draw conclusions, and assist in decision-making. Statistical Package for Social Science (SPSS) version 22.0 was used to edit, code, and analyze the questionnaire results. Studies in the social sciences are encouraged to use this statistical software, according to Zickmund (2000).

3.13 Conclusion

The methodological technique for gathering, processing, and analyzing the primary data was described in this chapter. The section included details on the research design, research methodology, field of study, intended audience, sampling strategy, sample size, data collection instrument, validity and reliability, data collection process, and data processing and analysis.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This chapter gives information on the findings following the statistical analysis of the primary data. In Ghana, specifically among SMEs in Kumasi Metropolis, the research intended to determine the applicability of the adoption of IFRS for financial reporting by SMEs. The study specifically aimed to determine the advantages and disadvantages of adopting IFRS for SMEs, the difficulties the SME sector in Ghana faced in doing so, whether or not SMEs have the necessary expertise in financial reporting, and whether or not stakeholders support the adoption of IFRS for SMEs in Ghana. Tables and charts are used as needed to illustrate the results chronologically. One hundred and fifty-five (155) completed questionnaires representing 90.12% of the total of 172 sent to the various respondents.

4.2 Section A: Demographic Information of Respondents

Information about the demographics of the study's respondents is provided in this section. The researcher has reason to value the insight offered by the respondents given the demographic information about the respondents. In table 2, these are displayed.

Table 3: Demographic Information of Respondents

Item	Options	Frequency	Percentage
Age	25-35years	20	12.9
	36-45years	30	19.4
	46-55years	80	51.6
	56years & above	25	16.1
	Total	155	100.0
Gender	Male	105	67.7
	Female	50	32.3
	Total	155	100.0
Level of Education	SHS/Equivalent	12	7.7
	Diploma	82	52.9
	First Degree	59	38.1
	Masters	2	1.3
	Total	155	100.0
Area of specialisation	Accounting/Auditor	43	27.7
	Academic	112	72.3
	Total	155	100.0
Position	Owner	19	12.3
	Manager	37	23.9
	Accounting Officer	99	63.8
	Total	155	100.0
Number of years' experience in the Ghanaian SME sector	1-4years	15	9.7
	5-8years	30	19.4
	9-12years	37	23.9
	13-16years	20	12.9
	17years & above	53	34.2
	Total	155	100.0
Type of business	Agric	50	32.3
	Retail	20	12.9
	Construction	17	11.0
	Manufacturing	15	9.7
	Service	48	31.0
	Others	5	3.2
	Total	155	100.0
Number of employees in the company	1-10	25	16.1
	11-20	33	21.3
	21-50	53	34.2
	51 & above	44	28.4
	Total	155	100.0
Legal status	Sole proprietorship	112	72.3
	Partnership	11	7.1
	Private company	32	20.6
	Total	155	100.0

Source: Field Survey, Senyo (2023)

From table 3, eighty of the respondents (51.6%) were within the age group of 46-55years. Thirty respondents (19.4%) were within the age group of 36-45years, twenty-five people (16.1%) were within the age group of 56years and above, whilst the remaining twenty respondents (12.9%) were within age 25-35years. It is evidenced that majority of the respondents were mature people (age 46 and above). It was further noted that accounting staff, managers/owners of SMEs in Kumasi Metropolis were mature and near to retirement age. This seems to be problematic since more youth are not venturing into SMEs which is the main engine for economic growth. If more youth are not encouraged to engage in SMEs, the future prospect of the country will be in danger.

Table 3 again reveals the gender of the respondents. Out of the total number of one hundred and fifty-five respondents, one hundred and five of them represented 67.7% were male whilst the remaining fifty respondents represented 32.3% were female. This implies that there were more male accounting officers, managers and owners of SMEs in Kumasi Metropolis than female. Therefore, more female ought to be encouraged to be involved in SMEs.

It can also be observed from Table 1 the level of education of the respondents for the study. Eighty-two of the respondents (52.9%) had diploma education. Fifty-nine (38.1%) of them had first degree. Twelve (7.7%) had SHS/equivalent qualification. Whilst the remaining two (1.3%) were masters holders. This implies that the majority of the respondents were educated which will boost their confidence level of answering the main research question in relation to the study without any difficulty.

The survey reveals the respondents area of specialisation. One hundred and twelve of them representing 72.3% were academic whilst the remaining 43 respondents

representing 27.7% were Accountants/Auditors. This suggests that majority will lack accounting expertise which is relevant for IFRS for SMEs implementation.

Regarding the position of the respondents of SMEs in Kumasi Metropolis, ninety-nine representing 63.8% of the respondents were accounting officers. Thirty-seven representing 23.9% were managers, whilst the remaining nineteen representing 12.3% were SMEs owners. This implies that majority of the respondents were accounting officers. In each organisation, the owner, manager or accounting officer who has knowledge of accounting were asked to answer the questionnaire. It is evidenced from the response rate that only few owners and managers have accounting background.

Table 3 reveals again the number of years the respondents have engaged in the SMEs sector of Ghana. Fifty-three (34.2%) have spent seventeen and above years in the SME sector of Ghana. Thirty-seven (23.9%) of the respondents have nine to twelve years' experience in the SME sector. Thirty respondents (19.4%) have five to eight years' experience in the Ghanaian SME sector. Twenty (12.9%) of them have thirteen to sixteen years of experience; whilst the remaining fifteen people (9.7%) had a maximum of four years' experience in the SME sector. This revealed that large number of them have more than ten years' experience in the SME sector of Ghana. This will play a key role in their response to the substantive questions to the research.

It is observed from Table 3 the type of businesses engaged by the SMEs of the respondents. Fifty respondents (32.3%) engaged in all sorts of Agric businesses ranging animal farming to crop farming. Forty-eight (31.0%) operated in the service sector. Twenty (12.9%) of the respondents had their businesses within the retail sector. Seventeen of the respondents (11.0%) were found within the construction sector. Whilst fifteen (9.7%) and five (3.2%) of them were in the manufacturing and

other sectors respectively. This implies that Agric, Service and retail constitute the main sectors of the SMEs operation within the Kumasi Metropolis.

It is revealed from Table 3 the number of employees in each participated firm. Out of the total number of one hundred and fifty-five respondents, fifty-three of them representing 34.2% contacted for the research had twenty-one to fifty employees. Forty-four of them representing 28.4% had fifty-one to ninety-nine employees. Whilst thirty-three representing 21.3% and twenty-five representing 16.1% had eleven to twenty and one to ten employees respectively. This suggest that majority of the firms registered with the registrar general department were medium sized enterprises. Finally, Table 3 depicts the legal status of SMEs within Kumasi Metropolis. One hundred and twelve of the respondents representing 72.3% indicated that their firms were sole proprietorship. Thirty-two of them representing 20.6% had a status of private company, whilst the remaining eleven representing 7.1% were partnership. It is evidenced that the main form of SMEs in Kumasi Metropolis is sole proprietorship. This confirms Awotwe (2018).

4.3 Section B: Benefits Derived from the Adoption of IFRS for SMEs

Section B deals with the analysis of the questionnaires obtained from the respondents in relation to the benefits to be derived from the adoption of IFRS for SME among firms in Kumasi Metropolis.

Table 4: IFRS for SMEs is simplified for the financial reporting of the company

Response	Frequency	Percent
Agree	47	30.3
Disagree	29	18.7
Undecided	79	51.0
Total	155	100.0

Source: Field Survey, Senyo (2023)

From Table 4, majority of the respondents seventy-nine representing 51.0% were not sure whether IFRS for SMEs was simplified for the financial reporting. This response indicates that majority of the firms were not using the IFRS for SMEs for their financial reporting. Forty-seven of them representing 30.3% noted that IFRS for SMEs is simplified for their financial reporting. Whilst the remaining twenty-nine representing 18.7% indicated that IFRS for SMEs was not simplified for their financial reporting.

Table 5: IFRS of SMEs provide relevant financial information to users

Response	Frequency	Percent
Agree	91	58.7
Disagree	36	23.2
Undecided	28	18.1
Total	155	100.0

Source: Field Survey, Senyo (2023)

From Table 5, ninety-one of the participants representing 58.7% believed that the IFRS for SMEs provide relevant financial reporting information to users. This response clearly shows that majority of the respondents have read about the IFRS for the SMEs and are of the conviction that it would provide the needed information to stakeholders. Thirty-six of them representing 23.2% noted that IFRS for SMEs provide no relevant financial information to users. And the remaining twenty-eight representing 18.1% were undecided whether the IFRS for SMEs provide significant financial information to users.

Table 6: IFRS for SMEs is understandable and useful to stakeholders

Response	Frequency	Percent
Agree	121	78.1
Disagree	24	15.5
Undecided	10	6.4
Total	155	100.0

Source: Field Survey, Senyo (2023)

Table 6 presents the analysis of the results of the question IFRS for SMEs is understandable and useful to the stakeholders. Out of the total number of one hundred and fifty-five responses obtained, one hundred and twenty-one representing 78.1% indicated that IFRS for SMEs is understandable and useful to stakeholders. Twenty-four representing 15.5% responded negatively to the question; whilst the remaining ten representing 6.4% were undecided whether the IFRS for the SMEs is understandable and useful to the stakeholders. This result clearly shows that majority of the respondents believe that the content of the IFRS for SMEs is understandable and useful to stakeholders compared to the full IFRS.

Table 7: IFRS for SMEs enhance comparability of financial statements among firms within the same industry.

Response	Frequency	Percent
Valid Agree	121	78.1
Disagree	24	15.5
Undecided	10	6.4
Total	155	100.0

Source: Field Survey, Senyo (2023)

It can be observed from Table 7 that one hundred and thirty-four of the respondents representing 86.5% believe the adoption of IFRS for SMEs will enhance comparability of financial statements of SMEs firms within the same industry. Thirty of the respondents representing 8.4% responded in negative affirmation that IFRS for

SMEs enhances comparability among firms in the same industry. Whilst the remaining eight respondents, representing 5.1% were not sure the new standards for SMEs would boost comparability among firms in the same industry.

Table 8: Adoption of IFRS for SMEs will promote high level of quality, transparent, and uniform financial reporting for SMEs in Ghana

Response	Frequency	Percent
Agree	98	63.2
Disagree	43	27.7
Undecided	14	9.8
Total	155	100.0

Source: Field Survey, Senyo (2023)

From Table 8, ninety-eight of the responses representing 63.2% noted that the adoption of IFRS for SMEs will promote high level of quality, transparent and uniform financial reporting for SMEs in Ghana. Forty-three of the responses representing 27.7% disagreed that the IFRS for SMEs adoption will promote high level of quality, transparent and uniform financial reporting for SMEs in Ghana. And fourteen of them representing 9.8% were undecided. It is clear from the analysis that majority of the participants believe that when any firm adopts IFRS for SMEs on the financial statement it will promote high level of quality, transparent, and uniform financial reporting for SMEs in Ghana.

Table 9: Adoption of IFRS for SMEs leads to expansion of business globally

Response	Frequency	Percent
Agree	75	48.4
Disagree	53	34.2
Undecided	27	17.4
Total	155	100.0

Source: Field Survey, Senyo (2023)

Table 9 presents the analysis of the data obtained for the question 'Adoption of IFRS for SMEs leads to expansion of business globally'. Seventy-five of the respondents representing 48.4% were of the view that IFRS for SMEs do lead to expansion of businesses globally. Fifty-three responses representing 34.2% noted that the adoption of IFRS for SMEs will bring no expansion of businesses globally; whilst the remaining twenty-seven of them representing 17.4% were undecided whether IFRS for SMEs adoption will expand businesses globally.

Table 10: *IFRS for SMEs meets internal users' needs*

Response	Frequency	Percent
Agree	53	34.2
Disagree	86	55.5
Undecided	16	10.3
Total	155	100.0

Source: Field Survey, Senyo (2023)

Table 10 presents the analysis of the data retrieved for the question IFRS for SMEs meets internal users' need. Eighty-six of the respondents representing 55.5% disagreed that IFRS for SMEs meets internal users' needs. Fifty-three of the respondents representing 34.2% agreed that IFRS for SMEs meets internal users' needs. And sixteen of the respondents representing 10.3% were undecided in their responses. It can be observed from the results that majority of the respondents disagreed that when IFRS for SMEs is adopted by the firm for the preparation of the financial state, it will make the financial statements meet the needs of the internal users' of the statements. This clearly shows that large number of the participants do not trust the adoption of IFRS for SMEs as guide for the preparation of the financial reports to be a remedy of their needs.

Table 11: IFRS for SMEs meets external user' needs

Response	Frequency	Percent
Agree	97	62.6
Disagree	52	33.5
Undecided	6	3.9
Total	155	100.0

Source: Field Survey, Senyo (2023)

From Table 11, it can be observed that ninety-seven of the respondents representing 62.6% believed that IFRS for SMEs meet external users' need. Fifty-two of the respondents representing 33.5% disagreed that IFRS for SMEs meets external users' needs. And the six respondents representing 3.9% were undecided in their response. It is evidenced from the responses that majority of the participants believed that when the firm utilise the IFRS for SMEs as a guide for the financial reports preparation, the reports will meet the needs of the external users as tax authority, banks etc.

4.4 Section C: Challenges Faced by the SME sector in Applying IFRS for SMEs in Ghana

Section C deals with the analysis of data obtained related to the question 'challenges confronted by the SME sector in attempt to apply the IFRS for SMEs in Ghana particularly, Kumasi Metropolis. In all, six questions were asked under this sub heading which are analysed in Tables 12 - 17 below.

Table 12: Awareness of IFRS for SMEs

Response	Frequency	Percent
Agree	93	60.0
Disagree	53	34.2
Undecided	9	5.8
Total	155	100.0

Source: Field Survey, Senyo (2023)

From Table 12, ninety-three of the total respondents representing 60% indicated their awareness of the existence of IFRS for SMEs; fifty-two of the total respondents representing 34.2% stated their lack of awareness of the IFRS for SMEs; whilst the remaining nine respondents representing 5.8% were undecided concerning the awareness of IFRS for SME. Since the majority of the respondents were already aware of its existence IFRS for SMEs, is a good move. And when the required training is provided, its implementation will become easier.

Table 13: Adoption of IFRS of SMEs brings additional training cost of staff

Response	Frequency	Percent
Agree	128	82.6
Disagree	17	11.0
Undecided	10	6.5
Total	155	100.0

Source: Field Survey, Senyo (2023)

It is observed from table 13 that one hundred and twenty-eight of the respondents representing 82.6% stated that the adoption of IFRS for SMEs brings additional training cost of staff to the firm. Seventeen of the respondents representing 11% inferred that IFRS for SMEs adoption bring no additional training cost of staff to the company. Whilst the rest, ten of them representing 6.5% were uncertain as to whether the adoption of IFRS for SMEs brings additional training cost of staff.

Table 14: Adoption of IFRS of SMEs requires the use of experts' service to facilitate the transition

Response	Frequency	Percent
Agree	130	83.9
Disagree	13	11.0
Undecided	10	6.5
Total	155	100.0

Source: Field Survey, Senyo (2023)

From given Table 14, one hundred and thirty of the respondents representing 83.9% said that the adoption of IFRS for SMEs require the use of expert service to facilitate the transition. Some further stated that since the standard is new to the users and preparers of the financial statements, it is normal for some people to oppose it adoption. However, when experts are engaged for training and workshop, the adoption becomes smooth. Thirteen people representing 8.4% were not certain that IFRS for SMEs adoption requires the use of expert service to expedite the process; and the remaining twelve persons noted that implementation of IFRS for SMEs will not result the need of expert service to facilitate the transition.

Table 15: Adoption of IFRS of SMEs requires outsourcing the financial reporting to external accountants

Response	Frequency	Percent
Agree	126	81.3
Disagree	17	11.0
Undecided	11	7.1
Total	155	100.0

Source: Field Survey, Senyo (2023)

Table 15 shows that, one hundred and twenty-six of the respondents representing 81.3% noted that the adoption of IFRS for SMEs will require outsourcing the financial reporting of the firm to competent external accountants. Seventeen individuals representing 11% inferred that IFRS for SMEs adoption does not require outsourcing the financial reporting to external accountants because the existing accounting staff are capable of meeting the financial reporting standard required by the new standard. Eleven of the remaining respondents representing 7.1% revealed that they do not know whether the adoption of IFRS for SMEs requires outsourcing the financial reporting to external accountants. It becomes evidence from the analysis

that for the SMEs to be in better position to adopt the IFRS for the SMEs, the financial reporting must be given to competent external chartered accountants to handle it since the internal accounts officers lack expertise to do that so that the firms' financial reporting will be handled by experts so that the total benefit would be derived.

Table 16: SMEs Accounting officers do not have the necessary financial reporting expertise

Response	Frequency	Percent
Agree	82	52.9
Disagree	52	33.5
Undecided	21	13.6
Total	155	100.0

Source: Field Survey, Senyo (2023)

From Table 16, majority of the respondents showed that SMEs accounting officers do not have the necessary financial reporting Expertise. Out of the total number of one hundred and fifty-five responses obtained, eighty-two of them representing 52.9% agreed that the SMEs accounting officers do not have the necessary financial reporting expertise. Fifty-two representing 33.5% disagreed that SMEs accounting officers do not have the necessary financial reporting expertise; whilst the remaining twenty-one persons representing 13.6% were not sure whether the accounting officers of the SMEs have the necessary financial reporting expertise. This finding confirms Sitole (2015) who stated lack of financial reporting expert as challenge for SMEs. Lack of accounting officers with the requisite financial reporting expertise will cause delay or objection of the implementation of IFRS for SMEs in those firms. Therefore, immediate action needs to be taken to address the situation.

Table 17: Company has adequate resources to organise training on IFRS for SMEs

Response	Frequency	Percent
Agree	45	29.0
Disagree	86	55.5
Undecided	24	15.5
Total	155	100.0

Source: Field Survey, Senyo (2023)

From Table 17, Seventy-six of the respondents representing 55.5% stated that their companies have no sufficient resources to organise training on the IFRS for SMEs. Forty-five of them representing 29% noted that their firms have sufficient resources to organise training on IFRs for SMEs; whilst twenty-four respondents representing 15.5% were not sure whether their companies have adequate resources to organise training on IFRS for SMEs. It can be observed from this analysis that majority of the SMEs do not have adequate resources to organise training on the IFRS for SMEs. This is in support of Sithole (2015) who noted lack of resources for training on IFRS for SMEs. Sufficient training on IFRS for SMEs is required for its implementation in any entity.

4.5 Section D: SMEs in Ghana have the Relevant Financial Reporting Expertise to Apply IFRS for SMEs

Section D deals with the analysis of data retrieved related to the question ‘SMEs in Ghana particularly Kumasi Metropolis, have the relevant financial reporting expertise to apply IFRS for SMEs’.

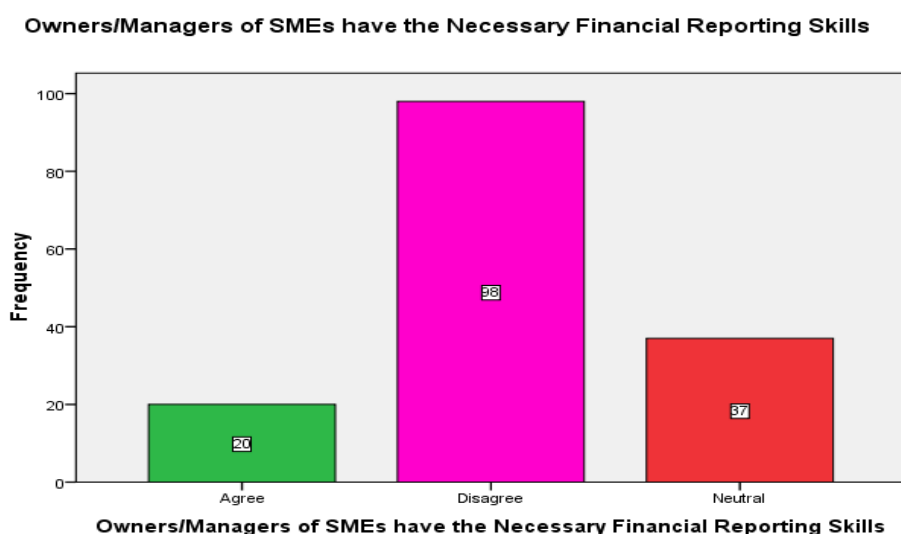
Table 18 Accounting Staff Undergo Training and Workshop Concerning their Field of Operation

Response	Frequency	Percent
Agree	35	22.6
Disagree	97	62.6
Undecided	23	14.8
Total	155	100.0

Source: Field Survey, Senyo (2023)

From table 18, ninety-seven of the respondents representing 62.6% stated that their firms accounting staff do not undergo training and workshop concerning their field of operation. Thirty-five of the respondents representing 22.6% noted that their firms accounting staff undergo training and workshop concerning their field of operation. And the remaining twenty-three of them representing 14.8% did not know whether their firms accounting staff from time to time go for professional training and workshop. Since the majority (62.9%) does not undergo training and workshops concerning their field of operation, it will mean that if there is an introduction of new standards such as IFRS for SMEs, it would be difficult to implement them.

Figure 2: Owners/Managers of SMEs have the necessary financial reporting skills



Source: Field Survey, Senyo (2023)

From figure 2, ninety-eight of the total respondents representing 63.2% revealed that owners/managers of the various SMEs in Kumasi Metropolis lack the necessary financial reporting skills. Thirty-seven of the respondents representing 23.9% were uncertain whether owner/managers of SMEs have the necessary financial reporting skills; whilst the remaining twenty individuals representing 12.9% noted that managers and owners of the SMEs have the appropriate financial reporting skills. It is observed that the majority of owner/managers of SMEs in Kumasi Metropolis lack financial reporting skills which can have a serious repercussion on the management and prospect of the firms.

Table 19: Have gone for IFRS for SMEs training before

Response	Frequency	Percent
Agree	27	17.4
Disagree	116	74.8
Undecided	12	7.7
Total	155	100.0

Source: Field Survey, Senyo (2023)

From Table 19, one hundred and sixteen of the respondents representing 74.8% indicated that they have not gone for any IFRS for SMEs training before. Twenty-seven of the respondents representing 17.4% stated that they have gone for IFRS for SMEs training. And twelve of the remaining representing 7.7% were not certain in their response whether they have gone for IFRS for SMEs training at any point in time. Since the majority of the respondents have no training on IFRS for SMEs, it will be difficult for them to implement the standard in their respective firms.

Table 20: The SME Sector is Aware of on-line IFRS for SMEs Training Available

Response	Frequency	Percent
Agree	27	17.4
Disagree	121	78.1
Undecided	7	4.5
Total	155	100.0

Source: Field Survey, Senyo (2023)

From Table 20, one hundred and twenty-one of the responses obtained representing 78.1% revealed that the SME sector is not aware of an on-line training available on IFRS for SMEs. Twenty-seven of the responses representing 17.4% indicated their awareness of the on-line training available on IFRS for SMEs; whilst seven of the responses representing 4.5% were undecided about the SME sector been aware of on-line IFRS for SMEs training available. From the given analysis, one can say that majority of them are not aware of an on-line training available on IFRS for SMEs. This confirms Essa (2018) who stated that the SME sector is unaware of the on-line IFRS for SMEs training.

Table 21: The SME sector of Ghana will benefit from hands on IFRS for SMEs Training

Response	Frequency	Percent
Agree	132	85.2
Disagree	18	11.6
Undecided	5	3.2
Total	155	100.0

Source: Field Survey, Senyo (2023)

Table 21 presents the analysis of the data obtained from the respondents about the question ‘The IFRS for SMEs sector of Ghana will benefit from hands on IFRS for SMEs training’. One hundred and thirty-two participants representing 85.2% agreed that Ghanaian SME sector will benefit from hands on IFRS for SMEs training.

Eighteen of the respondents representing 11.6% disagreed that on hands training on IFRS for SMEs will benefit the SME sector of Ghana; whilst five of the remaining respondents representing 3.2% were undecided in their response. It is evidenced from the analysis that majority of the people believed that Ghanaian SME sector will benefit from hands on IFRS for SMEs training. This is consistent with the study conducted by Hussain et al., (2012) when respondents felts that even tough on-line training was available on IFRS for SMEs, more practical training was needed due to the practical nature of accounting, and online training was considered insufficient.

4.6 Section E: Views of Stakeholders on the Adoption of IFRS for SMEs in

Ghana

Section E presents the views of stakeholders on the adoption of IFRS for SMEs in Kumasi Metropolis the Ashanti Regional Capital of Ghana.

It was noted from the questionnaire that majority of the participants affirmed that their firms prepare financial statements. However, it was further observed from the responses by the majority that their firms have not adopted the IFRS for SMEs for the financial reporting. Only about fifty-seven of the participants noted that their firms are currently using IFRS for SMEs in the financial reporting. It can be deduced from the large number of firms currently not applying IFRS for SMEs in their financial reporting is because there is no law currently mandating all SMEs in the country to prepare their financial reports following the requirement of IFRS for SMEs since no firm's financial reports have been rejected by tax authorities and banks on grounds that they do not meet the IFRS for SMEs requirement. As a result, majority follow the GAAP which is outmoded but seen as posing less challenge when preparing financial reports.

With regards to users of the financial reports, it was revealed that tax authority, and banks are the main users of SMEs financial reports in Kumasi Metropolis. Other groups such as venture capitalists and business angels also make a little use of the financial statements. The tax authority uses the financial statements to determine the amount of tax the company must pay to the government; whilst the banks need the financial statements to determine credit worthiness and liquidity position of the firm to make an informed decision about any loan application. This is in line with Popa (2009) and Schibel (2006) who identified tax authority, banks, and managers as the main users of the financial statements of SMEs.

The majority of the respondents believed that the IFRS for SMEs is applicable in the context of Ghana. Out of the total number of one hundred and fifty-five responses retrieved, eighty-nine agreed that the IFRS for SMEs is applicable in the context of Ghana. It was further stated by some respondents that the country has come of age therefore all SMEs must apply the IFRS for SMEs in their financial reportage to enable global comparability.

It was observed that majority of the participants believed that IFRS for SMEs is difficult to use. Therefore, they resort to the use of GAAP in their financial reporting. This confirms the study conducted by Essa (2018) who noted that IFRS for SMEs is difficult to apply. The reason is believed to be lack of adequate training on the standards.

The majority of the respondents agreed to the assertion that the adoption of IFRS for SMEs will require greater need for financial reporting expertise. That is, one hundred and twenty-five out of the total number of one hundred and fifty-five respondents were in support that IFRS for SMEs adoption will require greater need for financial

reporting expertise. Some stated that any SME which do not have qualified and professional accountant and manager who are abreast with the standard will find it difficult to implement the IFRS for SMEs. Only few of the respondents opposed this view.

On the issue of SMEs outsourcing the financial reporting needs to independent accountants, one hundred and twenty-seven respondents agreed that for SMEs to adopt IFRS for SMEs in the financial reporting, they have to engage chartered accountants outside their firms who are more competent to handle their financial reporting needs which the internal accounting staff lack competence to do. This finding is in support of Essa (2018) who stated that the firm should outsource the financial reporting to independent chartered accountant outside the firm to handle it properly since there is lack of internal personnel to handle it.

4.7 Impact of IFRS for SMEs on SMEs financial Reporting

The study sought to assess the effect of IFRS for SMEs on SMEs financial reporting.

A multiple regression was conducted. The results are presented in Tables 21 – 23.

Table 22: Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.887 ^a	0.788	0.776	16.686

Source: Field Survey, Senyo (2023)

According to a close examination of the R, there was a significant positive correlation between the independent variables (IFRS for SMEs provides relevant financial information to users, IFRS for SMEs is understandable and useful to stakeholders, IFRS for SMEs enhances comparability

of financial statements among firms within the same industry, IFRS for SMES promotes high level of quality, transparent & uniform financial reporting, IFRS for SMEs meet external users' needs, aware of the IFRS for SMEs, there is the need for SMEs to outsource their financial reporting needs to independent accountants, adoption of IFRS for SMEs requires the use of experts services to facilitate the transition) and the dependent variable – SMEs financial reports. This relation is established from this ($R= 0.887$; $n= 155$). The findings indicated that the independent variables accounted for 78.8% variance in the dependent variable- financial statements.

Table 23: ANOVA^a

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15.070	8	1.884	67.656	0.000 ^b
	Residual	4.065	146	0.028		
	Total	19.135	154			

Source: Field Survey, Senyo (2023)

The ANOVA result indicated that the predictor variables made statistically significant prediction for the positive variance in financial statement ($R^2= 78.8\%$) owing to the fact that a significant value of 0.000 was obtained to that effect ($p<0.05$). This means that the SMEs financial statements could be enhance if the independent variables are manipulated as proposed in this study.

Table 24: Coefficient

Model	Standardized		
	Beta	T	Sig.
1 Constant		9.476	0.000
IFRS for SMEs provides relevant financial information to users	0.070	0.630	0.043
IFRS for SMEs is understandable and useful to stakeholders	0.051	0.188	0.378
IFRS for SMEs enhances comparability of financial statements among firms	0.808	9.135	0.000
IFRS for SMES promotes high level of quality, transparent & uniform financial reporting	0.159	0.980	0.029
IFRS for SMEs meet external users' needs	0.437	2.510	0.036
Aware of the IFRS for SMEs	0.078	1.485	0.140
There is the need for SMEs to outsource their financial reporting needs to independent accountants	-0.210	-1.728	0.086
Firms do not have adequate resources to Organize training on IFRS for SMEs	0.374	1.872	0.022
The SMEs sector will benefit from hands on IFRS for SMEs training	0.431	0.986	0.000
Adoption of IFRS for SMEs requires the use of experts services to facilitate the transition	-0.314	-2.576	0.011
Accounting staff do not have the necessary financial reporting expertise	0.521	1.653	0.014

Source: Field Survey, Senyo (2023)

On the individual contribution of the independent variables on the 78.8% variance in financial statements, it was discovered that IFRS for SMEs enhance comparability of financial statements among firms within the same industry made a statistically significant contribution to the variance in financial statements ($Beta=0.808$; $p=0.000$,

$p < 0.05$) when the effect of other independent variables in the model were statistically controlled for. It can be said that among predictor variables, IFRS for SMEs enhance comparability of financial statements among firms within the same industry contributes immensely to the adoption of IFRS for SMEs financial reporting. Therefore, more emphasis could be made on comparability of financial statements among firms in the same industry if the IFRS for SMEs is adopted for the preparation of the financial statements of SMEs. Also, IFRS for SMEs provides useful information to users made statistically significant contribution to the dependent variable ($Beta = 0.070$, $p = 0.043$, $p < 0.05$). IFRS for SMEs promotes high level of quality, transparent & uniform financial reporting has statistically significant contribution on the dependent variable ($Beta = 0.159$, $p = 0.029$, $p < 0.05$) when the effect of other independent variables in the model were controlled for. This means that when the IFRS for SMEs is adopted by SMEs within Kumasi Metropolis, it will lead to promoting high quality, transparent, and uniform financial reporting. Again, IFRS for SMEs Meets external users needs made statistically significant contribution to the variance in SME financial statements ($Beta = 0.437$, $p = 0.036$, $p < 0.05$) when the effect of other independent variables in the model were statistically controlled for. It can be inferred that among the independent variables, IFRS for SMEs will meet external users' needs contributed immensely for the adoption of IFRS for SMEs for the purpose of financial reporting. This means that, when IFRS for SMEs is adopted by SMEs in Kumasi Metropolis, their financial statements will meet the needs of external users of the reports such as tax authorities, banks and what have you. The adoption of IFRS for SMEs will require the use of experts services to facilitate the transition has statistically significant contribution to the dependent variable ($Beta = 0.314$, $p = 0.011$, $p < 0.05$) when the effect of other independent variables in the model

were statistically controlled for. By implication, if SMEs in Kumasi Metropolis want to adopt the IFRS for SMEs, then they should be ready to engage the service of experts in order to facilitate the transition.

Further, the accounting staff of SMEs in Kumasi Metropolis do not have the necessary financial reporting skills have statistically significant effect on the adoption of IFRS for SMEs on their financial reporting ($Beta=.0521$, $p=0.014$, $p>0.05$). This implies that if the firm has personnel with the necessary expertise, there are more possibility of adopting the IFRS for SME by the firm and vice versa. What is more, the SME sector will benefit from hands on IFRS for SMEs training ($Beta=0.431$, $p=0.000$, $p>0.05$). This implies that, practical face to face training on IFRS for SMEs will go a long way to enhance their expertise for the adoption of the said standard for financial reporting.

However, other independent variables did not make any significant contribution to the prediction of the dependent variable. IFRS for SMEs is understandable and useful to stakeholders ($Beta=-0.051$, $p= 0.378$, $p>0.05$); Aware of the IFRS for SMEs ($Beta=0.078$, $p=0.140$, $p>0.05$); There is the need for SMEs to outsource their financial reporting needs to independent accountants ($Beta=-0.210$, $p=0.086$, $p>0.05$).

In general, the predictors made some contribution to the prediction of the variance in the financial statements. It could be inferred that this could be attributed to either the manipulation of the variables or by chance hence could not be 100% relied on in this model in order to adopt the IFRS for SMEs as standards for the preparation of the financial reports by SMEs.

Table 25: Correlation between the relevance of IFRS for SMEs on the SMES Financial Reports

		Financial statements
Pearson	SMEs Financial statements	1.000
Correlation	IFRS for SMEs provide relevant financial information to users	0.561
	IFRS for SMEs is understandable to stakeholders	0.753
	IFRS for SMEs provides relevance financial information to users	0.552
	IFRS for SMEs enhance comparability of financial statements among firms within the same industry	0.874
	IFRS for SMEs promotes high level of quality, transparent, and uniform financial reporting for SMEs in Ghana	0.760
	IFRS for SMEs meets external users' needs	0.550
	There is the need for SMEs to outsource their financial reporting needs to independent accountants	0.793
	SMEs accounting staff do not have the necessary financial reporting expertise	0.682
	Adoption of IFRS for SMEs requires the use of experts services to facilitate the transition	0.772
	The SME sector will benefit from hands on face to Face training	0.787

Source: Field Survey, Senyo (2023)

The relationship between the independent variables and the dependent variable- SME financial statements was explored with a Pearson product-moment correlation coefficient. Preliminary analyses were performed to ensure no violation of the assumptions of normality, linearity and homoscedasticity. The results are presented in Table 19. It was revealed that there was high positive correlation between IFRS for SMEs enhance comparability of financial statements among firms within the same industry ($r=0.874$); There is the need for SMEs to outsource their financial reporting needs to independent accountants ($r=0.793$); adoption of IFRS for SMEs requires the use of experts services to facilitate the transition ($r=0.772$); IFRS for SMEs is understandable to stakeholders ($r=0.753$); IFRS for SMEs promotes high level of

quality, transparent, and uniform financial reporting for SMEs in Ghana ($r=0.760$). This means that IFRS for SMEs enhance comparability of financial statements among firms within the same industry, there is the need for SMEs to outsource their financial reporting needs to independent accountants, adoption of IFRS for SMEs requires the use of experts services to facilitate the transition, IFRS for SMEs is understandable to stakeholders, and IFRS for SMEs promotes high level of quality, transparent, and uniform financial reporting for SMEs in Ghana play key role in the use of IFRS for SMEs for the SMEs financial reporting.

There was moderate positive relationship between IFRS for SMEs provide relevant financial information to users ($r=0.561$), moderate positive relationship between IFRS for SMEs is understandable and useful to users ($r=0.552$), moderate positive relationship between IFRS for SMEs meets external users' needs ($r= 0.550$) and moderate positive relationship between SMEs accounting staff do not have the necessary financial reporting expertise (0.682). This means that, IFRS for SMEs provide relevant financial information to users, IFRS for SMEs is understandable and useful to users, and IFRS for SMEs meets external users' needs, and SMEs accounting staff do not have the necessary financial reporting expertise are next to consider when it comes to choosing the IFRS for SMEs for small to medium-sized financial reports.

4.8 Conclusion

This chapter provided information relating to the results of the study as guided by the specific research objectives considered in the study. Detailed discussions were held after the findings had been presented. The discussions were done in lieu of the literature review findings.

CHAPTER FIVE

SUMMARY, RECOMMENDATION, AND CONCLUSION

5.1 Introduction

The goal of the study was to evaluate the relevance of IFRS for SMEs implementation on SMEs' financial reporting. Determine the advantages of implementing IFRS for SMEs in the financial reporting of SMEs in Kumasi Metropolis. Identify the difficulties encountered by the SME sector in implementing IFRS for SMEs in their financial reporting. Determine whether SMEs in Ghana have the necessary financial reporting expertise to implement IFRS for SMEs. Evaluate the opinions of stakeholders on the adoption of IFRS for SMEs. Three hundred SMEs were the target population for the descriptive survey design, and from this group, a sample size of one hundred and seventy-two was chosen using the stratified sampling technique. The main instruments for gathering data were questionnaires. Questionnaire was used as primary data collection instruments. One hundred and fifty-five questionnaires were retrieved representing 90.12% which is considered as good response rate. Data analysis was done with the help of SPSS (version 22.0). Tables and figures were used to display the results.

5.2 Summary

Research objective one was to determine the benefits of implementing IFRS for SMEs on the financial reporting of SMEs in Ghana. It was discovered from the regression results that IFRS for SMEs enhance comparability of financial statements among firms within the same industry made a statistically significant contribution to the variance in financial statements ($Beta=0.808$; $p=0.000$, $p<0.05$), IFRS for SMEs provides useful information to users made statistically significant contribution to the

dependent variable ($Beta = 0.441, p=0.012, p<0.05$). Again, IFRS for SMEs Meets external users` needs made statistically significant contribution to the variance in SME financial statements ($Beta = 0.437, p = 0.036, p<0.05$). It is therefore evidenced that benefits of applying IFRS for SMEs has significant impact for applying the standard on the financial reporting of SMEs in Kumasi Metropolis. In this regard, that objective can be said to have been achieved. The findings are in line with Pacter (2007) who inferred that IFRS for SMEs will make it easier for small businesses to prepare their financial reports than it would be if they used the complete IFRS. The application of IFRS for SMEs, he continued, will improve financial statement comparability, corporate transparency, financial reporting quality, and hence benefit investors in the SMEs sector. Zegal, Yosra, & Sondra (2011) stated that the adoption of IFRS for SMEs can advance the quality of a firm's financial reporting. The standard from its inception promised, among other things, easy understandability, comparability and the like.

The second objective of the study was to identify the difficulties encountered by the SME sector in implementing IFRS for SMEs on the financial reports of SMEs in Ghana. From the regression results it was found that firms do not have adequate resources to organize training on IFRS for SMEs has significant impact on the financial reporting ($Beta = 0.374, p = 0.022, p<0.05$), use of experts services to facilitate the transition has significant effect on the financial reporting ($Beta = -0.314, p = 0.011, p<0.05$). Awareness of the existence of the standard has weak significant on its adoption (0.086). Hence, it is evidenced that difficulties encountered by SMEs for applying IFRS for SMEs influence the decision to adopt the standard which impacts the financial reporting of the SMEs in Kumasi Metropolis. This is in line with the study carried out by Samugh and Devi (2015) who stated in their findings that, the

low patronage of the standard by SMEs is due to its complex nature and the low level of technical knowledge among SMEs.

The third research objective was to determine whether relevant financial reporting expertise influence SMEs in Ghana to apply IFRS for SMEs on the financial reporting. From the regression results, the SMEs sector will benefit from hands on IFRS for SMEs training has a significant impact for applying IFRS for SMEs on the financial reporting ($Beta = 0.521, p = 0.014, p < 0.05$), Accounting staff do not have the necessary financial reporting expertise ($Beta = 0.431, p = 0.000, p < 0.05$) has significant impact for adopting the standard for financial reporting by SMEs in Kumasi Metropolis. It is evidenced from the regression analyses that relevant financial reporting skill plays important role for the adoption of IFRs for SMEs in Kumasi Metropolis. That is, without the relevant expertise it become difficult for any SME to apply the standard. This confirms why majority (only fifty-seven out of the one hundred and fifty-five respondents have adopted IFRS for SMEs) of the SMEs in Kumasi Metropolis have not adopted the standard. We can therefore state that our objective (relevant financial reporting expertise influence the adoption of IFRS for SMEs by SMEs in Kumasi Metropolis) is achieved.

The fourth objective of the study was to assess the opinion of stakeholders on the adoption of IFRS for SMEs by SMEs for their financial reporting. From the qualitative analysis, it was noted that the majority of SMEs in Kumasi Metropolis have not adopted the standard created for SMEs instead utilise GAAP which is outmoded but considered to be less complex and easy to follow compared to the IFRS for SMEs in their financial reporting because there is currently no law requiring every SME to follow IFRS for SMEs in their financial reporting. It was also mentioned that

the primary users of SMEs financial statements are tax authorities and banks. Despite being viewed as challenging by some, the majority of respondents said the IFRS for SMEs is applicable in the Ghanaian context. Therefore, the fourth objective of the research is achieved.

The model showed that the independent variables (IFRS for SMEs enhance comparability of financial statements among firms within the same industry; there is the need for SMEs to outsource their financial reporting needs to independent accountants; adoption of IFRS for SMEs requires the use of experts services to facilitate the transition; IFRS for SMEs is understandable to stakeholders; IFRS for SMEs promotes high level of quality, transparent and uniform financial reporting for SMEs in Ghana; IFRS for SMEs provide relevant financial information to users; IFRS for SMEs is understandable and useful to users; and IFRS for SMEs meets external users' needs) accounted for 78.8% variance in the dependent variable- financial statements of SMEs ($R^2=0.788$). The model has statistically significant predictive power (*ANOVA*; $p=0.000$; $p<0.05$). Regarding the relationship between the predictor variables and the dependent variable, it was discovered that there was a statistically significant positive correlation ($R=0.887$).

Regarding the advantages associated with the implementation of IFRS for SMEs for SMEs' financial reporting in Kumasi Metropolis, it was discovered that the majority of respondents (57.7%) thought that the IFRS for SMEs provided users with relevant financial information. Again, a sizable portion of the responses indicated that stakeholders believe IFRS for SMEs is clear and valuable (78.1%). SMEs in Kumasi Metropolis feel that IFRS for SMEs financial reporting will improve the

comparability of financial statements among companies in the same industry (78.1%). Additionally, it was decided that the implementation of IFRS for SMEs will support standardized, high-quality financial reporting for SMEs in Kumasi Metropolis (63.2%). Also, IFRS for SMEs is believed to meet external users' needs (62.6%). However, IFRS for SMEs appeared not to meet the internal users' needs (55.5%).

Once more, the study aimed to investigate the difficulties encountered by Ghana's SME sector particularly, those in Kumasi in implementing IFRS for SMEs. The introduction of IFRS for SMEs was found to increase staff training costs by 82.6%. For the transition to the IFRS for SMEs in financial reporting to be smooth, expert services are needed (83.9%). Additionally, the use of IFRS for SMEs on financial reports necessitates outsourcing financial reporting to qualified outside accountants. However, it was discovered that 52.9% of SME accounting officers lacked the required knowledge of financial reporting. Since the majority of respondents (60.0%) were aware of IFRS, it was not regarded as a challenge for SMEs to be aware of them. It was discovered that the SME sector was aware of the existence of available online IFRS for SMEs training (78.1) when it came to the question of whether SMEs in Ghana have the necessary financial reporting knowledge to apply the IFRS for SMEs on the financial reporting. The accounting staff of SMEs, however, does not participate in training or workshops, which are essential for effectively and efficiently carrying out their key mandates (62.6%). Small business owners and managers (63.0%) lack the necessary skills for financial reporting.

5.3 Recommendations

Based on the study's findings, some doable suggestions are provided to address the issues so that the advantages of implementing IFRS for SMEs might be realized. First and foremost, workshops or courses that offer hands-on, practical training should be used to give SME owners and management the necessary financial reporting abilities. This attempt to grow Ghana's SME sector, which considerably boosts the country's economy by lowering unemployment and raising GDP, should be supported financially by grants from the government of Ghana and NGOs. By doing this, the conditions will be set for all SMEs to adopt IFRS for SMEs in their financial reporting. Second, a regulation should be passed that forbids SMEs from creating their financial statements without adhering to IFRS for SMEs. The country would then be able to take full use of IFRS for SMEs. Again, as many students may eventually start their own SME or work in one, colleges should incorporate IFRS for SMEs into their curricula to better prepare students on the subject. Last but not least, there is a requirement for auditors to educate clients during audit meetings where they share their assessment of business operations about international reporting frameworks like IFRS for SMEs.

The following areas can be investigated by upcoming researchers on the issue of the IFRS for SMEs:

- Further study should be conducted on the perception of IFRS for SMEs from the view point of Accounting lecturers and regulatory body.
- The perception of IFRS for SMEs from the view point of auditors.
- The effect of the adoption of IFRS for SMEs on the growth of SMEs in Ghana.

5.4 Conclusion

In conclusion, the IFRS for SMEs were created to give the SME sector a less expensive and complicated financial reporting framework than complete IFRS. Even though it was still at the exposure draft stage, Ghana accepted the IFRS for SMEs in 2012. This study contains an empirical investigation into how Kumasi Metropolis SMEs disclose their financial information in light of the applicability of IFRS for SMEs. The advantages of implementing IFRS for SMEs include meeting the needs of external users, delivering financial information that is relevant to users, being understandable and practical to stakeholders, improving the comparability of financial statements among businesses operating in the same sector.

The SME sector still faces significant difficulties, nonetheless, in implementing IFRS for SMEs. The primary issues identified by the study are: SME owners' and management's lack of expertise in financial reporting; and the necessity of outsourcing financial reporting to accountants, which could be expensive for the SME sector.

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APPENDIX

AKENTEN APPIAH MENKA UNIVERSITY OF SKILL TRAINING AND ENTREPRENEURIAL DEVELOPMENT

QUESTIONNAIRE FOR MBA ACCOUNTING PROGRAMME

To the respondents:

This study is aimed at “The Relevance of International Financial Reporting Standards (IFRS) for Small and Medium-Sized Enterprises (SMEs) in Ghana. Information gathered will solely be used for the purposes of this research and high level of confidentiality shall be maintained over the data.

Your honesty and objectivity will go a long way in enhancing an accurate analysis of data and the credibility of the results.

Your cooperation is greatly appreciated and you are kindly requested to answer this questionnaire with utmost good faith.

Thank you,

Juliana Senyo.

Instructions on Responding to the Questions

1. Please tick (✓) the appropriate response for close-ended questions.
2. Please fill out the respective spaces for open-ended questions.

Section A: Demographic Information of Respondents

1. Your age group
 - 25 - 35years
 - 36-45years
 - 46 - 55years
 - 56years and above
2. Gender
 - Male
 - Female
3. Level of education
 - SHS/Equivalent
 - Diploma
 - First degree
 - Masters
4. Position in the company
 - Owner
 - Manager
 - Accounting officer
5. Number of years' experience in the Ghanaian SME sector.
 - 1-3years
 - 4-6years
 - 7-9years
 - 10 and above years
6. Type of business.
 - Agriculture

- Retail
- Construction
- Manufacturing
- Service
- Other (specify) _____

7. Number of employees in your company.

- 1-10
- 11-20
- 21-50
- 51 and above

8. Legal status of business

- sole proprietorship
- partnership
- private company

Section B: Benefits derived from the Adoption of IFRS for SMEs

9. IFRS for SMEs is simplified for the financial reporting of your company.

- Agree
- Disagree
- Undecided

10. IFRS for SMEs provide relevant financial information to users.

- Agree
- Disagree
- Undecided

11. IFRS for SMEs is understandable and useful to stakeholders.

Agree

Disagree

Undecided

12. IFRS for SMEs enhance comparability of financial statements among firms within the same industry.

Agree

Disagree

Undecided

13. Adoption of IFRS for SMEs will promote high level of quality, transparent, and uniform financial reporting for SMEs in Ghana.

Agree

Disagree

Undecided

14. Adoption of IFRS for SMEs leads to expansion of business globally.

Agree

Disagree

Undecided

15. Other benefits derived from the adoption of IFRS for SME _____

16. IFRS for SMEs meet internal users' needs.

Agree

Disagree

Undecided

17. IFRS for SMEs meet external users' needs.

- Agree
- Disagree
- Undecided

Section C: Challenges Faced by the SME sector in Applying IFRS for SMEs in

Ghana

18. Aware of the existence of IFRS for SMEs.

- Agree
- Disagree
- Undecided

19. Adoption of IFRS for SMEs brings additional training cost of staff.

- Agree
- Disagree
- Undecided

20. Adoption of IFRS for SMEs requires the use of expert services to facilitate the transition.

- Agree
- Disagree
- Undecided

21. The company has adequate resources to organize training on the IFRS for SMEs.

- Agree
- Disagree
- Undecided

22. Adoption of IFRS of SMEs requires outsourcing the financial reporting to external accountants

Agree

Disagree

Undecided

23. SMEs Accounting officers have the necessary financial reporting expertise

Agree

Disagree

Undecided

24. Company has adequate resources to organise training on IFRS for SMEs

Agree

Disagree

Undecided

Section D: SMEs in Ghana have the Relevant Financial Reporting Expertise to

Apply IFRS for SMEs

25. The company has adequately trained the accounting staff on IFRS for SMEs implementation.

Agree

Disagree

Undecided

26. SMEs accounting officers have the necessary financial reporting expertise.

Agree

Disagree

Undecided

27. The company's accounting staff goes for professional training and workshops.

- Agree
- Disagree
- Undecided

28. The SME sector is aware of on-line IFRS for SMEs training available.

- Agree
- Disagree
- Undecided

29. The on-line IFRS for SMEs training available is considered useful.

- Agree
- Disagree
- Undecided

Section E: Views of Stakeholders on the Adoption of IFRS for SMEs in Ghana

30. The company prepares financial statements

- Agree
- Disagree
- Undecided

31. Type of financial reporting framework follows by the company.

- GAAP
- IFRS for SMEs
- Full IFRS

32. IFRS for SMEs is applicable in the Ghanaian context.

- Agree
- Disagree
- Undecided

33. Please state your reason(s) for the answer to question 31.

34. IFRS for SMEs is difficult to understand and apply. State reasons for your answer.

35. IFRS for SMEs does not meet the financial reporting needs of SMEs.

- Agree
- Disagree
- Undecided

36. There is the need for SMEs to outsource their financial reporting needs to independent accountants.

- Agree
- Disagree
- Undecided

37. Adoption of IFRS for SMEs by SMEs in Ghana will open doors for financial access in the international market.

- Agree
- Disagree
- Undecided

38. IFRS for SMEs will improve financial reporting for SMEs in Ghana.

Agree

Disagree

Undecided

Thank you for your cooperation.