UNIVERSITY OF CAPE COAST

CORPORATE COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS): A CASE STUDY OF SELECTED SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs) IN THE CAPE COAST METROPOLIS

ERIC YAW ABAKAH

2017

UNIVERSITY OF CAPE COAST

CORPORATE COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS): A CASE STUDY OF SELECTED SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs) IN THE CAPE COAST METROPOLIS

BY

ERIC YAW ABAKAH

Dissertation submitted to the Department of Business Studies, College of Distance Education, University of Cape Coast, in partial fulfilment of the requirements for the award of Master of Business Administration degree in Accounting

JANUARY 2017

DECLARATION

Candidate's Declaration

I hereby declare that this dissertation is the result of my own original work and that no part of it has been presented for another degree in this university or elsewhere.

Candidate's Signature: …………………………. Date: …………………….

Name: Eric Yaw Abakah

Supervisor's Declaration

I hereby declare that the preparation and presentation of the dissertation was supervised in accordance with the guidelines on supervision of dissertation laid down by the University of Cape Coast.

Supervisor's Signature: …………………………. Date: …………………….

Name: Dr. Joseph Tufour Kwarteng

ABSTRACT

The purpose of the study was to explore the extent to which Small and Medium Enterprises (SMEs) in the Cape Coast Metropolis comply with International Financial Reporting Standards (IFRSs). The study further looked at firm attributes (size, profitability, audit type, internationality, type of SME, and leverage) that relate and also influence the level of SMEs' compliance with IFRSs. The descriptive design was adopted for this study. The study sampled 89 SMEs within the metropolis, however, data were collected from 67 medium scale enterprises. A self-constructed compliance index (CINDEX) checklist and an interview guide were the instruments used. Both descriptive and inferential statistics were used in analysing the data. The findings of the study revealed that medium scale enterprises in the metropolis average level of compliance of IFRSs is 77.9%. Also, enterprise's attributes such as types, profitability, and audit type are able to influence 70.6% of the variance in the level of enterprise's compliance with IFRSs disclosure requirements. The study recommended that the National Board for Small Scale Industries (NBSSI) and the owners/managers of the various SMEs in the metropolis should liaise with Institute of chartered Accountant Ghana (ICAG) to organise regular training programmes, for accountants within the sector, intended to provide practical guide for compliance with the International Accounting Standard Board (IASB) standards since the IFRSs receive continuous amendment.

ACKNOWLEDGEMENTS

I am happy to take this opportunity to express my gratitude to those who have been helpful to me in completing this project. My deepest appreciation goes to my supervisor, Dr. Joseph Tufour Kwarteng, for his guidance towards the completion of this dissertation. I also thank the managers/owners of the various SMSEs in the Cape Coast Metropolis for giving the necessary information that I needed.

My appreciation also goes to my brother, Evans Kobina Abakah, for his immense support towards the successful completion of my post-graduate study. Finally, to all my friends whose encouragement motivated me to make the dissertation a success, I say thank you.

DEDICATION

To my mother, Esi Eduama, and late father, Kobina Abakah.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

CHAPTER ONE

INTRODUCTION

Background to the Study

The ever increasing role and focus on financial accounting among Small and Medium-Sized Enterprises (SMEs) cannot be overemphasised because of its vital end products. Most SMEs performances are usually assessed using their financial statements (Alexander & Britton, 2001). Through financial accounting, SMEs are able to identify, measure, classify and communicate their financial information to owners and other stakeholders which permit users to make informed judgment and decisions (Wood & Sangster, 2008). Financial accounting information is oriented primarily toward those parties external to the business enterprise who provide capital to it. Those who have funds to invest or lend may decide where to place resources based on the financial reports.

Providers of capital provide resources to business enterprises who are required to put the provided resources into productive use to maximise the interest of resource providers, and because ownership is separated from managing the business, management owe the responsibilities of providing a feedback in the form of financial accounting information to resource providers to determine how their investment has been maximised (Addo, 2010). This establishes a fundamental relationship between resource providers and business enterprises.

Most organisations use accounting and reporting as a mechanism to monitor contractual performance (Weetman, 2006). Accounting exists because it satisfies a need - in particular, a need for information. In order to be relevant to the owners of capital, accounting information must be responsive to their needs. The reliability on financial statement especially of SMEs by users for economic decisions called for standards to regulate the preparation of such statements to enhance it reliability. Such standards are called accounting standards. Several customised accounting standards were developed by different countries to regulate the accounting system peculiar to their business environment.

However, there were different similarities of accounting standards among countries all over the world with regard to SMEs which Mueller, Gernon and Meek (2007) classify into four clusters: British-American Model, continental Model, South American Model and Mixed Economy Model. Ghana developed Ghana National Accounting Standards in 1993 (GNAS) which shared the features of the British-American Model that provided basis for entities within the confines of Ghana for the preparation of financial reports.

Due to increasing integration of international markets, SMEs around the world are in need of accomplishing their business in a manner to coincide with international corporate activities (Beier, 2008), which results in multinational investors and other stakeholders than only domestic. In other words, the investors and stakeholders are no longer limited in their selection of SMEs and investment opportunities when searching for best portfolio (Tafara, 2008).

As the forces of globalisation grow/increase momentum, more and more countries are now opening their doors to foreign investment and as business themselves expand across borders, both the public and private sectors are increasingly recognising the benefits of having a uniform financial reporting frame work supported by strong globally accepted accounting standards (Zorklui & Barbie, 2003). Attempt towards harmonisation led to the establishment of International Accounting Standards Committee (IASC) in 1973 which released a series of standards called International Accounting Standards (IAS) in a numerical sequence that began with IAS One (1) and ended with IAS 41 between the years 1973 to 2000 which was published in December, 2000 (Institute of Charted Accountants England and Wales, 2010).

From April 2001, the International Accounting Standard Board (IASB) assumed accounting standard setting responsibilities from its predecessor body IASC with the authority of making the standards mandatory among all it members (Addo, 2010). The IASB adopted the body of standard issued by IASC which will continue to be designated 'IAS' but any new standards would be published in series called International Financial Reporting Standards (IFRS). The long awaited globally accepted accounting Standard has become a success with the development of IFRS by IASB with over 120 countries synchronising their standards to IFRS including Ghana (American Institute of Certified Public Accountants, 2011).

Statement of the Problem

A financial reporting system supported by strong governance, high quality standards and sound regulatory frame work is key to economic development (Abban, Asmah, Awity & Ofori, 2009; Wong, 2004). High quality standards of financial reporting underpin the trust that investors place in financial information and thus, play an integral role in contributing to a countries economic growth and financial stability. In view of this IASB has developed in the public interest a single set of high quality, understandable and enforceable accounting standards that require transparent and comparable information in general purpose financial statement (Chakrabarty, 2011).

Ghana in its quest to promote accelerated growth of the economy through private sector-led growth converge its out-dated Ghana Accounting Standards (GAS) to IFRS effective 1st January, 2007 (Addo, 2010). The council of the ICAG, resolved to migrate from using the GAS as the financial reporting framework to the IFRS. The adoption formally launched on 23rd January, 2007 required all enterprises including SMEs, public entities, banks, and insurance SMEs to comply with the IFRS as at 31st December, 2007 and other entities were given an additional transition period of two years to comply (United Nations , 2007). At present Ghana is among fifteen countries in Africa to have adopted or converged to IFRS (Zori, 2011).

However, anecdotal study by Chatham (2008) revealed that SMEs within the financial sector have frequently noted in annual reports that they are in full compliance with IFRS, when in fact there are material deviations from IFRS. Similarly, the International Federation of Accountants (IFAC) has observed auditors asserting that financial statements comply with IASs when the accounting policies and notes indicate otherwise (Holt, 2010). Given these findings, the activity and effectiveness of enforcement bodies that are responsible for promoting compliance with IFRSs among SMEs in most developing countries such as Ghana has been questioned.

Previous research focus mainly on SMEs domiciled in developed countries and also large scale enterprises. Developing countries and SMEs have been somewhat neglected. Eight years after IFRS adoption in Ghana, few studies have been carried out in the area of IFRS compliance among SMEs. It is this gap that the study seeks to narrow by inquiring the extent of compliance with IFRS by some selected SMEs in the Cape Coast Metropolis.

Objectives of the Study

The general objective of the study was to explore the extent to which SMEs in the Cape Coast Metropolis comply with the International Financial Reporting Standards (IFRSs). The specific objectives of the study were to:

1. Examine the extent and level of compliance with IFRSs by SMEs in the Cape Coast Metropolis?
2. Find out whether certain firm attributes influence the level of SMEs compliance with IFRSs?
3. Ascertain the relationship between the size of SMEs, profitability, SMEs audited by one of the big four, SMEs with multinational affiliations, type of SME, Leverage of SMEs and the level of compliance with IFRSs presentation and disclosure requirement.

Research Questions

In order to address the objectives of the study, answers were sought for the following research questions and hypotheses.

1. What is the extent and level of compliance with IFRSs by SMEs in the Cape Coast Metropolis?
2. Does certain firm attributes influence the level of SMEs compliance with IFRSs?

Research Hypotheses

$H^1{}_0$: The size of SMEs in the Cape Coast Metropolis does not have statistically significant positive relationship with the level of compliance with IFRSs presentation and disclosure requirement.

$H^2{}_0$: There is no statistically significant positive relationship between SME's profitability and their level of compliance with IFRSs presentation and disclosure requirement.

$H^3{}_0$: SMEs audited by one of the big four do not have higher level of compliance with IFRSs presentation and disclosure requirement.

$H^4{}_0$: SMEs in the Cape Coast Metropolis with multinational affiliations do not have higher level of compliance with IFRSs presentation and disclosure requirement.

$H^5{}_0$: The type of SME one operates in the Cape Coast Metropolis does not have statistically significant association with the firm's level of compliance with IFRSs disclosure and presentation requirement.

$H^6{}_0$: Leverage of SMEs in the Cape Coast Metropolis does not have statistically significant association with their level of compliance with IFRSs Presentation and disclosure requirement.

Significance of the Study

The study will contribute immensely to literature in the area of accounting standards and IFRS compliance in Ghana. The study will further provide information on the extent to which SMEs comply with IFRSs and factors accounting for differences in compliance. The study will also provide appropriate basis to conduct future research in the area of IFRS compliance in Ghana.

Delimitation

The population of interest to the study was some selected SMEs in the Cape Coast Metropolis. Due to the numerous numbers of IFRs the study was restrict to a number of standards that in the researchers view are more relevant and applicable to SMEs in Ghana and for that matter Cape Coast, thus: IAS I – Presentation of Financial Statements, IAS 7 – Statement of Cash Flows, IAS 12 – Income Tax, IAS 16 – Property Plant and Equipment, IAS 18 – Revenues, and IAS 19 – Employee Benefit. Furthermore, the study was delimited to certain attributes of SMEs such as size, profits, multinational affiliations, and leverage. Only registered, recognised and active SMEs in the metropolis were considered.

Limitations

Though the results of the study are valuable, there is one obvious threat to the validity and generalisability of the findings. As the measure used for the study relied upon annual financial report which dealt with the financial statements of SMEs, one needs to consider how valid the data is with regard to construct and content validities. Due to the sensitive nature of the issues, the owners/managers of the various SMEs selected may have provided data that in a way does not reflect the true picture of their business or enterprise.

Furthermore, the researcher was constrained by time factor considering the period for the writing and submission of the research report. Also, because the researcher is a worker before embarking on the academic work, his necessary busy schedules could not allow him to review the literature optimally as desired by him. In addition, the researcher was also faced with limited access to literature information on the study institutions due to unavailability of well-resourced data management system among SMEs in Ghana. Despite these possible limitations, it is hoped that the findings of the study could be fairly generalised to SMEs in the Cape Coast Metropolis.

Organisation of the Study

The study is organised into five chapters. The first chapter deals with the general introduction which embody the background to the study, statement of the problem, objective of the study, research questions, research hypotheses, significance, delimitation and limitations of the study. Chapter two deals with the review of related literature which covers such areas like: the meaning, evolution, and importance of accounting standards, global harmonisation of accounting standards, theories influencing financial reporting and disclosure compliance as well as empirical studies on IFRS compliance and the relationship between compliance and certain enterprise attributes.

Chapter three, deals with the methodology which covers: research design, population, sample and sampling procedure, research instrument, data collection procedure, as well as data analysis. Chapter four, deals with the presentation of results of the study. Finally, chapter five is devoted to the summary, conclusions and recommendations as well as areas of further research.

CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter explains theoretical and empirical literature related to the development and compliance with International Financial Reporting Standards (IFRS). Among the issues discussed are the concept of SMEs, the meaning, evolution, and importance of accounting standards; global harmonisation of accounting standards and its pros and cons; development of international accounting standards and related issues; theories influencing financial reporting and disclosure compliance; the use of IFRSs and financial reporting outcomes. Finally it examines IFRSs compliance and SME attributes influencing IFRSs compliance.

The Concept of Small and Medium Enterprises

There are various definitions to what constitutes a small or medium sized firm (Abor & Biekpe, 2006). Mensah (2006) defines small or medium sized firms as the non-subsidiary and independent firms which employs less than a given number of employees. Cook and Nixon (2007) also define small or medium sized firms as firms with less than 100 employees and less than a turnover of EUR 15 million. In February 1996, the European Commission adopted the definition for SMEs as firms with less than 250 employees, less than EUR 40 million turnovers and less than EUR 27 million total assets (Abor & Quartey, 2010). However, some countries set the limit of 200 employees, while the United States considers

SMEs to include firms with fewer than 500 employees. Gole (2011) also defines small and medium sized firms by using financial assets and state that:

The turnover of medium-sized enterprises (50-249 employees) should not exceed EUR 50 million; that of small enterprises (10-49 employees) should not exceed EUR 10 million while that of micro firms (less than 10 employees) should not exceed EUR 2 million. Alternatively, balance sheets for medium, small and micro enterprises should not exceed EUR 43 million, EUR 10 million and EUR 2 million, respectively. SMEs is any enterprise with a total capital employed of not less than N1.5 million, but not exceeding N 200 million (including working capital but excluding cost of land) and with the staff strength of not less than 10 and not more than 300 workers (Iopev & Kwanum, 2012). SMEs all over the world play important role in the process of industrialisation, economic growth, and sustainable development of any economy (Padachi, 2012; Pandey, 2010). According to Shin and Soenen (2008), SMEs are critical to the development of any economy, as they possess great potentials for employment generation, improvement of local technology, output diversification, development of indigenous entrepreneurship and forward integration with large-scale industries. Shin and Soenen (2008) further stressed that SMEs are the engine room for economic growth.

In Ghana and other developing countries, there has been gross under performance of SMEs sub- sector and this has undermined its contribution to economic growth and development. The major challenges of SMEs in these countries are: unfriendly business environment, poor funding, low managerial skills and lack of access to modern technology. Among these, shortage of finance occupies a very central position which may be due to the risky nature of SMEs. According to Abor and Quartey (2010), the shortage of finance to SMEs in Ghana, Nigeria and other African countries is due to the perceived risk and uncertainties associated with SMEs. Van Horne (2011) asserted that SMEs are more opaque in terms of information, that is, the Information asymmetry, which is a situation where business owners or managers know more about their business prospects and risk than lenders.

Information asymmetry between SMEs and banks arise from SMEs' lack of accounting records, poorly prepared financial statements and length of business plans which makes it difficult for creditors and investors to assess the credit-worthiness of potential SME proposals (Abor & Quartey, 2010; Mutungi, 2010). The ability of SMEs to maintain proper accounting records and at the same time take an insurance cover will help in reducing information problem, improving availability of funds and covering their business against risk.

Definition and Classification of Small and Medium Enterprises (SMEs) in Ghanaian Context

Definitions of SME's vary from country to country, depending on one or more of thresholds lay down in respect of investment, employment, turnover, and so on. The issue of what constitutes a small or micro enterprise is a major concern in the literature. Different writers have usually given different definitions to this category of business. SME's have indeed not been spared with the definition problem that is usually associated with concepts which have many components.

The definition of firms by size varies among researchers as well as writers. Others define SME's in terms of their legal status and method of production. Some attempt to use the capital assets while others use labour and turnover level. Bolton Committee (1971) first formulated an "economic" and "statistical" definition of a small firm. Under the "economic" definition, a firm is said to be small if it meets the following three criteria:

- It has a relatively small share of their market place;
- It is managed by owners or part owners in a personalised way, and not through the medium of a formalized management structure;
- It is independent, in the sense of not forming part of a large enterprise.

Under the "statistical" definition, the Committee proposed the following criteria:

- The size of the small firm sector and its contribution to GDP, employment, exports, and so on;
- The extent to which the small firm sector's economic contribution has changed over time;
- Applying the statistical definition in a cross-country comparison of the small firms' economic contribution.

The Bolton Committee applied different definitions of the small firm to different sectors. Whereas firms in manufacturing, construction and mining were defined in terms of number of employees (in which case, 200 or less qualified the firm to be a small firm), those in the retail, services, wholesale, etc. were defined in terms of monetary turnover (in which case the range is 50,000-200,000 British

Pounds to be classified as small firm). Firms in the road transport industry are classified as small if they have five or fewer vehicles. There have been criticisms of the Bolton definitions. These centre mainly on the apparent inconsistencies between defining characteristics based on number of employees and those based on managerial approach.

In Ghana various definitions have been given for Micro, Small and Medium scale enterprises but the most commonly used criterion is the number of employees of the enterprise (Kayanula & Quartey, 2005). In using this definition, confusion often arises in respect of the unpredictability and cut off points used by the various official sources. According to the National Board for Small Scale Industries (NBSSI, 1990) SME's is defined in Ghana by applying both the "fixed asset and number of employees" criteria. It defines a small-scale enterprise as a firm with not more than 9 workers, and has plant and machinery (excluding land, buildings and vehicles) not exceeding 10 million Ghanaian cedis and micro with employee less than five.

As espoused by the Ghana Statistical Service (GSS), firms less than 10 employees as small-scale enterprises and their counterparts with more than 10 employees as medium and large-sized enterprises. Ironically, the GSS in its national accounts considered companies with up to nine employees as SME's (Kayanula & Quartey, 2005). The value of fixed assets in the firm has also been used as an alternative criterion for defining SME's. The Ghana Enterprise Development Commission (GEDC), on the other hand, uses a 10 million Ghanaian cedis upper limit definition for plant and machinery. It is important to caution that the process of valuing fixed assets poses a problem. Secondly, the continuous depreciation of the local currency as against major trading currencies often makes such definitions out-dated (Kayanula & Quartey, 2005).

In defining small-scale enterprises in Ghana, Osei, Baah-Nuakoh, Tutu and Sowa (1993) used an employment cut-off point of 30 employees. However, they classified small-scale enterprises into three categories. These are:

(i) Micro - employing less than 6 people;

(ii) Very small - employing 6-9 people;

(iii) Small - between 10 and 29 employees.

The discussion so far shows that there are variations in the definitions of micro, small and medium enterprises. However, the most commonly used criterion is the number of employees of the enterprise. SME's in Ghana tend to have few employees who tend also to be mostly relatives of the owner hence there is often lack of separation between ownership and control. In relation to Ghana and other countries, it can be concluded that Micro and Small-Scale Enterprises has different definitions. As a result, an operational definition is important for the study.

The most commonly used principle which has been identified from the various definitions is the number of employees of the enterprise. As contained in its Industrial Statistics, the Ghana Statistical Service (GSS) considers firms with less than 10 employees as Small Scale Enterprises (Kayanula & Quartey, 2005) and it is this definition that has been adopted and used in the course of the study. The employee principle which has been considered in this study is also in line with the definition of Small-Scale Enterprises adopted by the NBSSI. The idea behind this employee base principle is due to the fact that firms can easily be identified by their number of employees and in part because the process of valuing fixed assets, will poses a problem since the nature of accounting system used by one enterprise will vary from one to other as well as continuous depreciation in the exchange rate often makes such definitions obsolete

Meaning of Accounting Standards

Several definitions have been given by different authors with regards to accounting standards; however the definitions complement each other. According to Kam (1990) accounting standards are methodologies and disclosure requirements for the preparation and presentation of financial statements. Kam (1990) posit that accounting standards are usually developed within the institutional and professional accountancy bodies. Standards can also be backed by ethical rules issued by an accountancy body that provides for professional sanctions against members in the event of non-compliance. Accounting standards is viewed as an authoritative statement of how particular types of transactions and other events should be reflected in financial statements. Belkaoui (2000) confirms the view of Kam by defining accounting standards as generally accepted rules that guide the practices and conduct of the accountants work and are backed by sanctions for non-conformity.

Glynn, Murphy, Perrin, and Abraham (2003) further define accounting standards as a generic name given to statements issued by professional bodies in an attempt to regulate the preparation of financial statements by corporate institutions and SMEs. Wood and Sangster (2008) also define accounting standards as the rules and procedures relating to the measurement, valuation, and disclosure of accounting transaction. Weetman (2006) summarises accounting standards as definitive statements of best practices issued by a body having appropriate authority.

In considering the subject matter of standards, Edey (as cited in Belkaoui, 2000), divides requirements under standards into four main types:

- Disclosure of accounting policies. This requires accountants to inform users what they are doing by disclosing methods and assumption adopted by them.
- Layout and presentation standards. This requires accountants to make conscious efforts to achieve some level of uniformity of financial statement presentation.
- Disclosure standards. This implies that full disclosure must be made on specific matters that would require users to exercise self-informed judgment.
- Measurement standards. This means that the standard must provide a basis for absolute decisions to be made about approved asset valuation and income measurement.

According to Belkaoui (2000), accounting as a language communicates economic information about a business by medium of financial statement to various users for crucial decision making. This makes it imperative for accounting practices to be regulated by standards to enhance reliability and reduce subjectivity.

The Evolution of Accounting Standards

According to the American Institute of Certified Public Accountant (2011), in the modern financial era, self-regulation by the accounting profession can be traced to just after the United States Securities and Exchange Commission (SEC) was established by the Securities Act of 1933 and Securities Exchanges Act of 1934. These new laws were passed by congress in the United States (US) in response to the vast sums lost by investors in the stock market crash of 1929 and the subsequent financial depression. At the outset, there were serious discussions in Washington about whether the federal government should establish standards for preparing and auditing financial statements of publicly held corporations and micro firms. The US SEC was given statutory authority to set accounting standards and oversight over the activities of auditors.

In recognition of the expertise and resources of the accounting profession, the US SEC looked to the private sector standards-setting bodies to provide leadership in establishing and improving accounting principles and reporting standards. Between 1938 and 1959, AICPA's Committee on Accounting Procedure (CAP) issued fifty one authoritative pronouncements known as Accounting Research Bulletins that formed the basis of what has become known as Generally Accepted Accounting Principles (GAAP). According to Kieso, Weygandt and Warfield (2004), in the US, GAAP are accounting rules used to prepare, present, and report financial statements for a wide variety of entities, including publicly-traded and privately-held SMEs, non-profit organizations, and governments. The term is usually confined to the U.S; hence it is commonly abbreviated as US GAAP or simply GAAP. However, in the theoretical sense, GAAP encompass the entire industry of accounting and not only the United States.

As stated by Schroeder, Clark and Cathey (2005) and Zeff (2011), in the late 1960s, there was a growing recognition that in an increasingly complex business environment, a part-time committee did not have the resources necessary to develop high-quality standards in a timely manner. It was also determined that a more independent body was needed to make investors, creditors, and prepares all part of the process. As a result, in 1972 primary responsibility for setting accounting standard in the US was moved from the AICPA to a full-time independent body called the Financial Accounting Standards Board (FASB), which today sets the ground rules for measuring, reporting and disclosing information in financial statements of non-government entities. The FASB's accounting standards are officially recognized as authoritative by the SEC.

The development of GAAP provided the platform and led to the establishment of various national standards - setters in various counties across the world that developed accounting standards peculiar to their accounting environment. As noted by Blake (2009), in the United Kingdom, the ICAEW was responsible for the development of accounting standards and developed accounting standards known as statements of Standard Accounting Practice (SSAPs).

According to ICAEW (2010), the ICAEW established the Accounting Standards Steering Committee (ASSC) in 1970 with the aim of developing definitive standards for financial reporting. The Irish and Scottish institutes followed by the Association of Chartered Accountants (ACCA) and the Institute of Cost and Management Accountants (CIMA) became members of the ASSC. The first SSAP on Accounting for the results of associated SMEs (SSAP1) was issued in 1971 and a total of thirty four statements including revised statements were released between 1971 and 1990. According to Amoako-Kwabena (2010), the Institute of Chartered Accountants Ghana (ICAG) acted as Standard-Setters in Ghana and developed Ghana National Accounting Standards (GAS).

Overview of Accounting System in Ghana

Ghana, a former British colony for over a century, was among the first countries to be introduced to British educational system in Africa. According to Wijewardena and Yapa (1998*),* during the early years of the colonial period, most of the sizable businesses in developing countries such as Ghana were set up by British investors. The managerial personnel, including accountants for these enterprises were generally brought from the UK. At that time a person could obtain the status of professional accountant only by admission to one of the British professional accounting bodies. Only the small number of local people who could bear the cost of education and training abroad proceeded to England to obtain professional qualifications. In effect, the Ghanaian Accounting System was tailored to the British Accounting System. More so, the import of professional personnel into the country to a larger extent meant that, all major businesses in the country had to be managed in accordance to the British system (Antwi, 2010).

According to Johnson and Caygill (as cited in Wijewardena & Yapa, 1998) development of accounting in a country largely depends on the existence of professional accounting bodies especially in a country where the common law system of accounting is employed. In this view, some British accounting bodies set up examination centres in a few major cities in developing countries including Ghana allowing local people to obtain British professional accounting qualifications while working in their own countries. In effect a number of Ghanaian accounting students excelled in both the accounting examination and practical training requirements of these professional bodies and therefore eventually became British qualified accountants. These locally trained accountants occupied prominent positions in Ghana even after the independence in 1957 (Amoako-Kwabena, 2010).

After Ghana attained independence, there was the need to achieve optimum development in every facet of the Ghanaian human life. At the time, there was a general yearning by the average Ghanaian to develop local capacity. The training of accountants was experiencing severe difficulties due to inadequate local practical experience for accountancy trainees. This eventually led to the establishment of a local accountancy professional body which was later incorporated on 19th April, 1963 as the Institute of Chartered Accountants Ghana (ICAG) by an Act of parliament Act 170. The ICAG collaborated with the English Institute of Chartered Accountants in performing it task until 1978 when it gained full autonomy (ICAG, 2010).

Antwi, (2010) noted that, the primary objective of the institute was to train local accountants in order to reduce the country's reliance on foreign accountants especially from the United Kingdom. Other functions of the Institute of Chartered Accountants (ICAG) include:

- To conduct qualifying examinations for membership of the institute and approval of courses of study for such examinations.
- To maintain and publish a register of chartered accountants as well as practicing accountants.
- To secure the maintenance of professional standards among persons who are members of the institute and to ensure that members are abreast with the professional code of ethics of the accountancy profession in Ghana.
- To maintain a library of books and periodicals relating to accountancy and to encourage the publications of such books (ICAG, 2010).

According to the World Bank (2004), corporate Code, Act 179 (1963) provides basic requirements for accounting and reporting applicable to all private and public companies and SMEs in Ghana. The code prescribes the formats for presentation of financial statements and requirements on disclosures but does not deal with preparing financial statements in accordance with prescribed standards. Though the ICAG did not have a clear legal mandate to set national accounting standards, it issued Ghana National Accounting Standards in the late 1990s, some of which became effective in1997 and others in 1999.

In all, twenty eight standards were developed and were based on IASs effective in mid 1990s. However, the ICAG did not update any national standards since it original adaption from IASs (World Bank, 2004) prior to its adoption of IFRS in 2007. The international equivalents of certain GAS were withdrawn from IASs and ten active international standards did not reflect in GAS. Key among them was the absence of IAS 41 – Agriculture, since Ghana is an agriculture dominant country. Follow up to the gaps in the GAS was observance of significant non-compliance with GAS (World Bank, 2004).

The development of national standards by various countries resulted in the proliferation of accounting standards with similarities among countries that share similar accounting environment which Mueller et al. (2007) classifies into four accounting clusters: British-American Model, Continental Model, Mixed Economy Model and South American Model. Doupnik and Salter (1995) noted that differences in standards has come about as a result of differences among countries in factors such as culture, legal systems, providers of finance, taxation, accounting profession, and inflation. The ICAG recognised the importance of adopting IFRSs in 2005 and resolved to migrate from using the Ghana National Accounting Standards as framework to IFRSs. Ghana finally adopted IFRSs in January 2007 requiring all surviving and prosperous medium scale enterprises to comply by December 2007 (Amoako-Kwabena, 2010).

Importance of Accounting Standards

Accounting standards provides significant number of benefits to the accounting profession. Petryni (2011) concludes that investor protection is the key importance accounting standards provide. According to Petrni, accounting standards protect the interest of investors and ensure that the financial documents investors review is accurate and effective. Investors usually want to know that the money they put into an enterprise will result in a return on investment and build shareholder value. Accounting standards; therefore, helps SMEs provide confidence to a greater number of investors and increase the reliability of the financial statements. Furthermore, Adu (2013) asserted that high quality accounting standards result in greater investor confidence which improves liquidity, reduces capital costs, and makes fair market prices possible.

Gupta and Radhaswany (2004) provide a more detailed importance of accounting standards. According to Gupta and Radhaswamy, accounting standards play a vital role in ensuring that users of accounting information are provided with information about the financial position, performance, and conduct of the accountant's work. It ensures that such information are adequate in disclosure, transparent without being shrouded in mystery, consistent year after year, comparable between periods and firms, and are reliable. Moreover, the importance of accounting standards can be examined by reference to the basic qualities of financial statements: relevance, reliability, comparability, and understandability. These qualities enable investors to make decisions about investment opportunities offered by different firms and make comparison of results and stewardship between different firms.

Gupta and Radhaswamy (2004) further indicated that accounting standards provide public accountants with guidelines and rules of action to enable them to exercise due care and independence in selling their expertise and integrity in opinion statements or reports and in attesting to the validity of financial statements prepared by firms. This importance is in respect of auditors. Standards also help to provide the government with databases on various variables that are deemed essential to the conduct of taxation, regulation of enterprises, planning and regulation of the economy and enhancement of economic efficiency and other social goals. In many countries, tax authorities have made it mandatory on the part of firms to comply with the prescribed accounting standards to ensure that profits are correctly ascertained. Standards generate interest in principles and theories among all those interested in accounting disciplines.

The Concept of IFRS and IASB Framework for the Preparation and Presentation of Financial Statement

Technically IFRS is an acronym for International Financial Reporting Standards which are set of accounting standards developed by independent, not-for-profit organisations called the IASC and IASB. The goal of IFRS is to provide a global framework for new public SMEs to prepare and disclose their financial statements. Listed SMEs, and sometimes unlisted SMEs, are required to use the standards in their financial statements in those countries which have adopted them (ICAEW, 2010). Deliotte (2011) emphasizes that IFRS has both narrow and broad meaning. Narrowly, IFRS refers to the new numbered series of pronouncements that the IASB is issuing as distinct from the IAS series issued by its predecessor. More broadly, IFRS refers to the entire body of IASB pronouncement, including standards, interpretations approved by the IASB; and IASs and SIC interpretations approved by the predecessors IASC.

While not a standard, the IASB framework serves as a guide to resolving accounting issues that are not addressed directly in a standard. In the absence of a standard or an interpretation that specifically applies to a transaction, IAS 8 requires that an entity must use its judgment in developing and applying an accounting policy that results in relevant and reliable information. In making that judgment, IAS 8 paragraph 11 requires management to consider the definitions, recognition criteria, and measurement concepts for assets, liabilities, income and expenses in the framework. The IASB adopted the frame work in April 2001 which was originally issued by IASC in 1989. Over the periods after the adoption by the IASB, the IASB has been working on a project to revise the framework which has resulted in a revised framework called the IFRS frame work or conceptual framework (Deliotte, 2011).

On the 28 September 2010, the IASB and the US FASB announced the completion of the first phase of their joint project to develop an improved conceptual framework for IFRS and US GAAP. The objective of the conceptual framework project is to create a sound foundation for future accounting standards that are internally consistent, principled-based and internationally converged. The new framework builds on existing IASB and FASB framework (Amoako-Kwabena, 2010).

According to Deloitte (2011), the IFRS framework outlines the basic concepts that underlie the preparation and presentation of financial statement for external users. The IFRS framework serves as a guide to the board in developing future IFRSs and as a guide to resolving issues that are not addressed directly in an IAS or IFRS or interpretations. The IFRS framework addresses the objective of financial reporting; the qualitative characteristics of useful financial information; the reporting entity; the definition, recognition and measurement of the elements from which financial statements are constructed; and the concepts of capital and capital maintenance (Amoako-Kwabena, 2010; Deloitte, 2011).

Furthermore, financial statement of enterprises are used to provide information about the financial position, performance and changes in financial position of the entity that is useful to a wide range of users in making economic decisions (Addo, 2010). The IFRS framework notes that financial statements prepared for this purpose meet the common needs of most users, however financial statements do not provide all this information that users may need to make economic decisions since they largely portray the financial effects of past events and do not necessarily provide non-financial information. Financial statement also show the results of the stewardship of management or the accountability of management for the resources entrusted to them (Deloitte, 2011).

Theories Influencing Financial Reporting and Disclosure Compliance

The agency theory and capital need theory are the two main theories that underpin the argument of this study with regard to financial reporting and disclosure compliance among various corporate organisations and SMEs. Setyadi, Rusmin, Tower, and Brown (2011) posit that, there has been a proliferation of literature on agency theory since Jensen and Meckling's (1976) first ground-breaking study related to the theory of the firm. The main issue behind agency theory is the information asymmetry between agents and principals. According to Jensen and Meckling, agency theory in the context of asymmetric information between managers and providers of capitals, has been used to understand managers' incentives for disclosure.

An agency relationship arises from the contract between an SME's shareholders (the principals) and its managers (the agents). Under this contract, the shareholders delegate decision-making authority to the managers. In this situation, characterized by a separation of ownership and control, a conflict of interest can arise between the shareholders and managers. Both parties are presumed to be utility maximisers, and there is no reason to believe that the managers will always act in the shareholders' best interest. This conflict of interest gives rise to an "agency problem" whose resolution incurs agency costs.

To reduce the cost of this conflict, the enterprise incurs monitoring costs (e.g. managerial compensation plans, audits budget restriction, and operating rules) to monitor, observe and ensure that the managers' behaviour is suitably aligned with the shareholders' interests. Shareholders can price protect themselves against the cost of managers' actions. Since the managers, who are the entrepreneurs in this model, will ultimately bear the monitoring costs, they incur bonding cost (including the cost of preparing financial report to the shareholders) to assure the shareholders that they will act in accordance with their agreements. Managers therefore have an incentive to reduce agency costs. One way of reducing these agency costs is through the preparation of financial reports and disclosing more information in the financial statements and having those statements audited so that the shareholders can assess the decision made by the managers.

Jensen and Meckling (1976) further suggested that agency costs may vary with the extent of separation of ownership and control. That is when an enterprise's shares are widely held, there is a greater separation between the managers and their shareholders than when an enterprise has closely held shares. Hence, in the case of SME with widely held shares, the potential for conflict between the shareholders and managers is greater (and thus agency cost is greater). To control such conflicts and reduce agency costs, SMEs with widely held share ownership are likely to disclose more information than SMEs with closely held share ownership. This allows shareholders to monitor their interests more efficiently, and the managers can signal that they act in the interests of the shareholders as well.

Jensen and Meckling (1976) also described an agency relationship as another set of relationship between the enterprise's debt holders and managers who act on behalf of the shareholders. In this relationship, a conflict of interest between the debt holders and managers gives rise to another "agency problem" which leads to additional agency costs of debt. Agency problems stem from the possibility that managers would take opportunistic actions that would transfer wealth away from debt holders. As a result, debt holders who want to protect their interests include restrictive covenants in the debt contract to limit the opportunity for managers to behave this way. Monitoring costs encompass the cost involved in writing those restrictive covenants and enforcing them. Debts holders will price protect via interest rates or restricting their funding, and ultimately the mangers will bear these monitoring costs as well.

Therefore, to reduce these costs, managers have an incentive to incur bonding costs (more information disclosure in the financial statement) to facilitate debt holders assessment of the enterprise's ability to meets its debts and to assure debt holders that their interest are properly protected. It has been further argued by Watts (as cited in Amoako-Kwabena, 2010) that, the more leveraged the enterprise, the greater the need for monitoring of the agency relationship between managers and debt holders and the greater the disclosure of information to satisfy this need.

In relation to capital need theory, one explanation is that disclosure of financial information satisfies a demand by investors when making valuation and investment decisions. Al-Shammari (2005) presented the "capital need theory", which links SME's level of disclosure to its cost of capital. The theory suggests that, SMEs disclose more information to reduce investors' uncertainty with respect to the SME's present and future affairs allowing them to accept a lower rate of return and thereby, yielding a lower cost of capital for the SME.

Foster (2013) summarizes how capital markets can influence the contents of financial reports. As SMEs try to raise capital at the lowest possible cost, they compete with each other in capital markets on the type of security offered and on the issue terms and future returns. There may be uncertainty about the quality of an enterprise and its securities. In such cases, investors will demand information to help evaluate the timing and the risk of existing and future cash flows. This enables them to value SMEs and to make other investment decisions such as choosing a portfolio of securities. As a result, SMEs are motivated to disclose information in their financial reports that will reduce undiversifiable information risk. This allows them to raise capital at a lower cost.

IFRS Compliance among Small and Medium Scale Enterprises

Generally, the use of IAS compliance as a variable in studies has evolved considerably in the past years (Chatham, 2008). Chatham emphasize that, earlier research on IAS compliance now IFRS, assumed that an enterprise attestations regarding its use of IAS in the financial statement were sufficient to presume that the firms were fully complying with IASC standards, making IAS compliance a dichotomous measure. Some of these authors warn of tenuous nature of firm's degree of compliance, while others do not. These examinations often apply an event-study methodology to assess the effects of or reasons for initially adopting IAS.

Ashbaugh and Pincus (2001) assessed IAS compliance with a dichotomous measure, just like this study, using non-US SMEs that adopted IAS during the 1990 - 1993 period, to investigate the impact of countries accounting measurement and disclosure standards on the ability of analysts to accurately forecast earnings including whether the adopting of IAS improves this ability. They posited that the analysts' task is easier if a country's accounting standards are consistent with IAS. Ashbaugh and Pincus compare domestic measurement and disclosure practices to IAS using a self-constructed index that numerically depicts the differences between thirteen countries domestic GAAPs and IAS.

They determined that the French, Swedish and Swiss domestic requirements differ substantially from IAS. They ultimately concluded that the adoption of IAS improves the analysts' ability to forecast earning as it secures a reduction in the absolute value of analysts forecast errors.

However, the evaluation of the IAS adoption event in Ashbaugh and Pincus (2001) is based simply on lists of adopters obtained from the IASC website in 1992. Although they examined many of their sample firms annual reports to confirm the year of adoption, annual reports claims does not provide enough evidence of compliance with IAS, as subsequent research conducted that measured the degree of compliance discovered significant degree of non-compliance with IAS whiles disclosing full compliance in their annual reports.

Furthermore, Street and Bryant (2002) examined the extent to which SMEs from seventeen countries that claimed to have adopted IASs, in fact complied with or exceeded IAS disclosure requirements. They sought to identify whether there were significance differences between SMEs with (1) a US listing, (2) a US filing, and (3) no US listing or filing, with regard to compliance with IAS disclosure (including both mandatory and voluntary disclosure items). They also attempted to identify the determinants of the level of compliance and disclosure.

Street and Bryant (2000) used analysis of variance (ANOVA) to test for any overall group differences between the three groups. OLS regression models were fitted to determine which attributes were associated with the level of compliance or the level of disclosure. The ANOVA results suggested there were differences between the three groups with respect to the level of compliance and the level of disclosure. The study also provided evidence that the extent of voluntary compliance with IAS disclosure requirements was greater for SMEs with a US listing or filing with an index mean of (0.84) than for SMEs without a US listing or filing with an index mean of (0.77). For SMEs without a US listing or filing, they found that non-compliance was significant with respect to IAS 8, 12, 17, 19, 23 and 33. They also reported that, for the entire sample, the overall level of compliance was less than or equal to 0.75 for several IAS, such as IAS 14, 17, 18, 23 and 29.

Glaum and Street (2003) also investigated the extent to which SMEs listed on the German "Neuer Markt" comply with IASs and US GAAP disclosure requirements for the financial year 2000. The study also related the level of mandatory disclosure compliance to a number of SMEs attributes. The sample consisted of annual reports from 100 SMEs that prepared their financial reports based on IASs and 100 SMEs that prepared their financial reports based on US GAAP. The investigation revealed that, the average mandatory compliance level for SMEs that applied IASs was 0.81 with a minimum of 0.42 and a maximum of 1.00. An average of 0.87 with a minimum of 0.52 and a maximum of 0.99 was obtained for those that applied US GAAP. Using OLS regression, it was found that the level of compliance was positively associated with SMEs audited by Big Five audit firms while other attributes were insignificant.

Chatham (2008) measured degree of IAS compliance in SMEs domiciled in France, Sweden, and Switzerland. Two percentage compliance score were computed by Chatham (2008). The first score equally weights each of the forty six check list he developed. The second compliance score weights each question based on its perceived important to users of financial statement. Chatham discovered that, IAS compliance range from 70.25% to 95.31% compliance. Switzerland firms had the highest average percentage IAS compliance score of 85.3%, while the firms from Sweden had the lowest average compliance rate of 75.8%. Chatham also viewed the audit opinion on financial reports of firms as crucial in determining whether firms compliance or non-compliance with IAS are being affirmed by auditors in their blessings to the financial reports. The study revealed that out of the ninety one firms studied which claim compliance with IAS; only forty eight representing 52.7% had auditor confirmation of compliance.

Alfaraih (2009) undertook an empirical study of compliance with IFRS and value relevance of accounting information in emerging stock markets in Kuwait. Alfaraih measured compliance by a self-constructed checklist focusing on the mandatory disclosures found in the financial statements and footnotes of the 163 firms 2006 annual reports. The findings revealed significant variations in compliance levels among the selected IFRSs with majority of the selected standards having intermediate compliance between 60% and 80%.

The results of Alfaraiah (2009) showed that 10% of Kuwaiti Stock Exchange – listed firms achieved a compliance score 49% and 59%, 27% of firms achieved a compliance score between 60% and 69% while 38% of firms achieved scores between 70% and 79%. Only 25% of firms achieved scores above 79% and overall mean compliance of all firms being 72.6%. According to Alfaraih a possible reason for this variation is the degree of difficulty associated with the application of these standards. The study further revealed that profitability, auditor type, leverage, and industry type significantly influenced the rate of compliance between SMEs.

Mutawaa and Hawaidy (2010) empirically investigated the extent of compliance of Kuwaiti listed SMEs (KSE) with IFRSs disclosure requirements. They further examined the factors associated with the level of compliance. 2006 annual report of 48 non-financial SMEs were randomly sampled from 121 Kuwaiti SMEs listed on KSE and carefully scrutinized for compliance with IFRSs disclosure compliance. Standards examined were IAS 1, 10, 14, 16, 18, 21, 23, 24, 27, 28, 32 and 34. Mutawaa and Hawaidy measured compliance with a self-developed checklist based on IASB required disclosures and reference to checklist used in prior research as well as checklist published by Deloitte and KPMG.

Mutawaa and Hawaidy (2010) computed disclosure index for each SME by dividing the number of items disclosed in the SME's annual report by applicable items. The study revealed an overall average compliance rate of 70%, 75% of sampled SMEs had a disclosure level between 60% and 79%, 12% of sampled SMEs had a compliance level of more than 80% and 54% as a minimum compliance rate. IAS 18 was reported as the standard with the highest mean compliance score of 95% which is in line with that of Al-Shammari (2011) who reported IAS 18 as the most simple standard to comply with. Furthermore, 79.3% was reported as the highest overall compliance scored by an industry (investment SMEs) with 96.7% and 64% being the maximum within the industry.

Al-Shammari (2011) extends the study of IFRS compliance by investigating the extent to which 168 SMEs listed on KSE comply with the disclosure requirements of IFRSs. The annual reports of 2008 were examined using a self-constructed checklist based on 21 selected standards. Each disclosure item on the checklist was assigned the value of one if it was disclosed and zero if the item obviously applied but was not disclosed while items obviously not applicable to the report were coded as not applicable (NA). Disclosure index which was consistent with prior research (Ballas & Tzovas, 2010; Mutawaa & Hawaidy, 2010) was computed by dividing the total number of disclosure provided in SME's annual reports by the total applicable score.

The study of Al-Shammari (2011) revealed compliance mean of 82% which was lower than that observed in developed countries such as Australia 94% and Germany 81% (Glaum & Street, 2003). The study therefore concluded that incentives for compliance are less in Kuwait than developed countries. The study further determined whether certain corporate attributes influence compliance level among SMEs. The study revealed that size, auditor type, liquidity, industry type, and internationality influenced the level of compliance among firms. Al-Shammari reported an adjusted R^2 of 0.407.

Conceptual Framework of the Study

The conceptual framework of this study is illustrated in Figure 1 and based on the works of prior research. The characteristics of a firm that affect its compliance rate which the conceptual framework is based on include: its size, profitability, auditor type, internationality, leverage, and industry type. Figure 1 illustrates the relationship between IFRSs compliance and attributes of SMEs. The attributes considered are size, profitability, auditor type, internationality, industry type, and leverage.

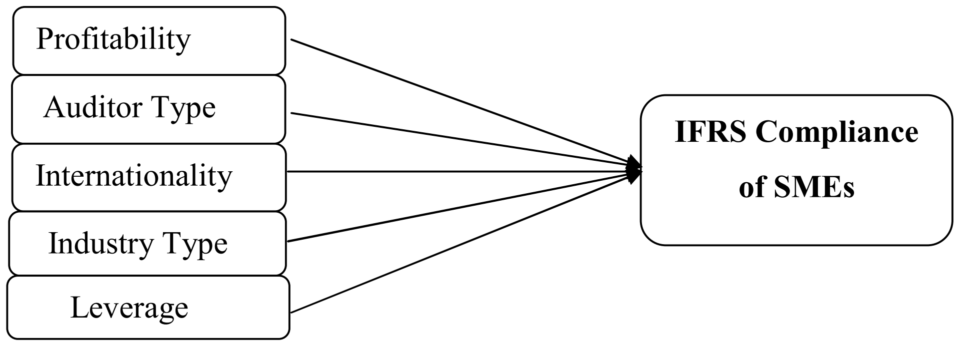

Figure 1: A Conceptual Framework of IFRSs Compliance and Attributes of SMEs

Source: Adapted from Al-Shammari (2011)

Corporate size: According to Choi and Meek (2005) the size of a firm regardless of the way it is measured (e.g., total assets, sales turnover, and number of shares) is a variable that can explain to a considerable extent, the quality of firms disclosures. Larger enterprises are expected to possess the resources that are necessary for the preparation of an event such as the introduction of IFRS (Jones & Higgins, 2006). Furthermore, larger SMEs are more likely to be exposed to the scrutiny of financial analysts than smaller SMEs. As results, considerable pressure is exercised to larger enterprises to improve the quality of their disclosure.

However, empirical study found mixed results with relationship between the extent of compliance with IFRS and size of an enterprise. Street and Bryant (2002) and Street and Gray (2001) found no evidence of an association between size of an enterprise and the level of voluntary compliance with IASs. Similarly Glaum and Street (2003) reported no association between size and the extent of mandatory compliance with IAS disclosure requirements. Nevertheless, Joshi and

Al-Mudhahki (2001) identified size as being positively associated with mandatory compliance with IASs.

Ali, Ahmed, and Henry (2004) found a positive association in India, Pakistan and Bangladesh with regard to size and IFRS compliance. Ballas and Tzovas (2010) also found strong evidence that the rate of compliance is higher for bigger firms which are consistent with findings of Jones and Higgins (2006). Al-Shammari (2011) also found a significant positive relationship between corporate size and level of compliance.

Profitability: Palmer (2008) posits that the compliance of a firm to the disclosure requirements prescribed by particular accounting standards is affected by the profitability of the firm. Palmer hypothesised that there is positive association between profitability and the level of disclosure. According to the agency theory the managers of profitable firms will disclose financial information to the external users of accounts in order to advance their interests. They will disclose detailed information in order to support the continuation of their positions and their compensation arrangements (Ballas & Tzovas, 2010). Wagenhofer (1990) on the other hand argued that the less profitable firms might increase the level of disclosure in order to explain to the market the reasons for the decline in their profitability. Palmer (2008) found limited support for the hypothesis that, more profitable firms disclose more information.

When the introduction of a new or a revised accounting standard is expected to adversely affect firms' income, SMEs are more concerned about issues relating to the implementation of the new standard and the way they will communicate to their shareholders, their continuing underlying profitability (Jones & Higgins, 2006). Palmer (2008) posits within this context that, the more profitable firms will have higher compliance rates than the less profitable firms. Therefore, profitability of firm affects its compliance to disclosure requirements. Alfariah (2009) also reported a significant positive relationship between profitability and extent of IFRS compliance.

Type of auditor: Craswell and Taylor (1992) put forward the view that choice of external auditor is a mechanism that helps alleviate conflicts of interest between managers and shareholders. Watts and Zimmerman (1993) also argued that large audit firms act as a mechanism to reduce agency costs and exert more of a monitoring role by limiting opportunistic behaviour by managers. DeAngelo (2001) similarly argued that SMEs and other large firms audited by Big six firms have substantial agency cost, and they try to reduce them by employing a big six firm. DeAngelo considered that Big six firms have incentives to maintain independence from clients pressure for limited disclosure because of the economic consequences associated with potential damage to their reputation.

Accordingly DeAngelo (2001) argued that big six audit firms are more likely to encourage their clients to disclose a greater amount of information in published annual reports. Similarly, Glaum and Street (2003) argued that larger audit firms are less likely to be associated with clients that disclose lower levels of information in their annual reports. Conventionally, larger audit firms are identified as being one of the big five (or Big Six formerly) international audit firms, and smaller audit firms are the rest (Glaum & Street, 2003).

Significant number of empirical study yielded consistent results with regard to the relationship between the type of auditor and compliance with IFRSs. Street and Gray (2001) reported that the level of compliance with IAS disclosure and measurement requirements was positively associated with the performance of SMEs in developed countries when they are being audited by “Big Five” auditing firms. Glaum and Street (2003) also found a positive association between the level of mandatory compliance with IASs disclosure requirements and SMEs being audited by “Big Five” auditing firms in Germany. Alfariah (2009) and Al-Shammari (2011) reported a positive association in Kuwait with regard to the profitability of enterprises and them being audited by the “Big Five” auditing firms.

Internationality: In relation to competitive advantage among enterprises, SMEs with international activities are more likely to be subjected to a broader range of regulatory authorities and to have diverse financiers, suppliers and customers (Palmer, 2008). Consequently they are more likely to disclose more detailed information and to do so in a more widely understood form. Zori (2011) also argued that foreign revenue could proxy for the impact of internationality on accounting disclosure behaviour of business enterprises because enterprises with higher foreign revenue are more likely to have more foreign operations, suppliers, labour and capital. It is therefore, important for these enterprises to provide reliable information about the nature of their operations, in order to obtain such resources at the most economical cost.

Foreign customers and suppliers for example, are interested in the financial soundness of the enterprise with which they transact, especially when it involves credit or warranties (Zori, 2011). SMEs may attempt to meet this demand by providing more details and higher quality information. Basically, providing IAS financial statements enables an enterprise to do this. If so, then SMEs that have more international activities and want to produce more internationally comparable information have a greater incentive to comply with IFRSs than less internationally oriented SMEs. Al-Shammari (2011) found a positive association in Kuwait with regard to internationality and IFRs compliance.

Industry type: According to Watts and Zimmerman (1986), industry type may capture sensitivity to political cost not captured by other proxies that differ by industry. They argued that industry type can be a more appropriate proxy for political cost sensitivity than size. Industry type may also proxy for differences in the proprietary costs disclosure which has been found to be correlated with accounting method choice. Ferguson, Lam and Lee (2002), for instance argued that SMEs in identifiable, highly competitive industries may disclose less information to avoid loss from the leakage of proprietary information. Ferguson et al. added that the adoption of industry related practices may lead to differential levels of disclosure on similar items in financial reports of SMEs in different industries such as agriculture, services, manufacturing and so on.

However, prior research provides conflicting results as to the association between type of industry and level of disclosure. While Street and Bryant (2002), and Glaum and Street (2003) found no evidence of an association between industry type and level of disclosure, Street and Gray (2001); Naser, Al-Khatib and Karbhari (2002), and Alfariah (2009) reported a positive association between type of industry and level of disclosure.

Leverage: Leverage has been suggested as relevant explaining variation in the extent of disclosure compliance. Jensen and Meckling (1976) suggested agency conflicts between principals (debt holders in this case) and their agents (managers acting in the interests of shareholders) give rise to agency costs. Agency costs of this type are expected to be higher for SMEs with higher leverage because there is relatively more wealth for managers to transfer from debt holders. As such SMEs with higher leverage can be expected to disclose more information to reduce agency costs by reassuring debt holders that their interests are protected. Prior research has provided conflicting association between leverage and level of disclosure. While Hassan, Giogioni and Romilly (2006) found no association, Al-shammari (2011) noted a positive significant association between leverage and level of disclosure.

CHAPTER THREE

RESEARCH METHODS

Introduction

This chapter provides an overview of the research methods and data collection procedures adopted in carrying out the study. It details out the research design, population, sample, instrumentation, data collection, measurement of variables, and data analysis.

Research Design

Descriptive research design was used for the study since the study sought to describe the extent of corporate compliance with IFRSs and the relationship between SMEs attributes and their rate of compliance. Descriptive research design involves systematic gathering of data about elements and collectivities in order to test hypotheses or answer research questions concerning the current status of the subject of the study (Ary, Jacobs, Razavieh & Sorensen, 2006). It determines and reports the way things are. Ghauri and Grønhaung (2002) noted that in descriptive research, the research problem is well structured and understood and the researcher conducts a study to describe it accurately and the outcome is a detailed picture of the subject.

Malhotra and Birks (2007) consider this design to be wholesome when information is needed about conditions or relationships that exist; practices that prevail; beliefs, points of view, or attitudes that are held or process that are going on. They added that descriptive research does not fit into the definition of either qualitative or quantitative research methodologies, but rather it can utilise elements of both usually within the same study. An advantage of a descriptive survey is that it helps the researcher to collect data to enable him draw the relationship between variables and analyse the data. It helps to observe, describe and document aspect of a situation as it naturally occurs (Ary et al., 2006).

However, it is relatively laborious and time consuming method. It is susceptible or easily influenced to distortions through the introduction of biases in the measuring of instruments and so on. It is sometimes regarded as focusing too much on the individual level, neglecting the network of relations and institutions of societies (Ary et al., 2006). Due to these disadvantages or challenges, the researcher was objective and independent as possible. Data was organised and presented systematically in order to arrive at valid and accurate conclusions. The researcher also described variables and procedures accurately and completely as possible so that the study can be replicated by other researchers.

Population

The population of the study consisted of eight strata of registered SMEs grouped into various associations recognised by the National Board for Small Scale Industries (NBSS) in the Cape Coast Metropolis (NBSS, 2013). Some of the association's members are located at Abum, Amamoma, Ola, Bakaano, Abura, Ebubonku, Adisadel, Kawaanopaado, Kotorkruaaba, Siwdu and Apewusika. The associations were categorised into eight sectors based on the nature of their operations. These groups are the Ghana Hairdressers and Beauticians Association, Ghana National Tailors and Dressmakers Association, Upholstery and Furniture

Association, Ghana Electronic Servicing Technicians, Ghana Union of Professional Photographers, Wood Workers Association of Ghana, Ghana National Associations of Garages, and National Refrigerators, boarding and accommodation establishments, and Air Condition Repairs. All these SMEs form the target population. However, the accessible population for this study was all medium scale enterprises in the metropolis. Emphasis was on medium scale enterprises because small scale enterprises usually do not lay much interest in IFRS disclosure or compliance (Setyadi et al., 2011). According to the NBSS (2013), there are 719 registered and active SMEs in the Cape Coast Metropolis.

Sample and Sampling Procedure

There is the need for an efficient method of determining the sample size needed to be representative of a given population. To achieve this end, researchers such as Ary et al., (2006) and Malhota and Birks (2007) are of the view that the most used acceptable approach for determining the sample size in a descriptive survey is to specify the precision of estimation desired and then to determine the sample size necessary to insure it. Approximately, a sample size of 89 was used for the study. The sample size was picked based on the recommendations of Ary et al. (2006) who posit that a sample size of 5 – 10 percent of the population is appropriate for a descriptive survey study. This forms 12.4 percent of the population. Other nonregistered medium scale enterprises were also considered in the study. According to Zikmund (2010), a sample size does not necessary need to be large but how it represents the population is what one must look at. In such studies emphasis is on meaningful and appropriate information or data and not large sample size. The study made use of small number of elements who are key, important people and stakeholders in the selected medium scale enterprise business or sector.

However, since it was difficult to locate the various medium scale enterprises in the Cape Coast Metropolis with regard to both registered and nonregistered firms, the snowball sampling technique was used to select 89 medium scale enterprises. The snowball sampling procedure was used since there was lack of field sampling frames for the study. Also, it was difficult to approach some of the owners/managers of the various medium scale enterprises in any other way. There was also no specific number for the accessible population. All the figures obtained in relation to the population characteristics from NBSS (2013) were estimated figures. However, the eight groups of medium scale enterprises were considered because that was the category set by the NBSS (2013).

Furthermore, due to the difficult nature of getting the medium scale enterprises, the snowball sampling technique was deemed the most appropriate technique to use in capturing the sampled enterprises in the metropolis. The sampling procedure began in each community with the help of the assembly men or women, other unit committee members and leaders of the various groups or strata of SMEs in the metropolis or in the various communities. These people served as informants. As informants, the leaders of the various groups of SMEs in the various communities within the metropolis were able to identify other medium scale enterprises within the metropolis and also within their respective communities who qualified to participate in this study.

Those medium scale enterprises identified in turn identify other medium scale enterprises in the study area not yet captured. In other words, the few enterprises available were asked to recommend other people who met the criteria of the research and who were willing to participate in the study with regard to giving out their current annual report or financial statements. The people who were recommended by the informants were approached to collect the data required and to ask them to also recommend other people in the metropolis or their respective communities. Table 1 shows the sample size of the study.

Table 1
Sample Distribution of SMEs Selected for the Study

	Sample size	
Categories of Medium Scale Enterprises	Frequency (No.)	Percent (%)
Finance and insurance	11	12.4
Paper converters and information technology	10	11.2
Mining, agric and agro-processing	7	7.9
Pharmaceutical and beverages	8	9.0
Manufacturing and trading	14	15.8
Metal, engineering and oil	16	18.0
Boarding and accommodation establishment	18	20.1
Other services such as hairdressing, barbering and so on	5	5.6
Total	89	100%

Source: Field Data, 2016

Emphasis was on medium scale enterprises that fit the research design and were willing to be studied. The process continued until no more substantial information was achieved through additional medium scale enterprises, or until no more appropriate medium scale enterprises were discovered. The snowball sampling helped in getting the sampled (89) medium scale enterprises across the various eight groups or strata within the sector. The selected elements as presented in Table 1 were able to provide the needed data with regard to current financial statements or report that assisted the researcher in examining the factors influencing the extent of corporate compliance with IFRS, focusing on SMEs in the Cape Coast Metropolis of Central Region of Ghana.

Sources of Data

The study mainly made use of secondary data. The secondary data were gathered through the various financial statements and reports of the selected medium scale enterprises. Also, review of existing literature mainly financial management books, articles, journals, theses and dissertations (both published and unpublished), internet, official records of the NBSSI and Newspaper reports. However, some primary data were obtained using an interview guide. This data dealt with information that were collected directly from the director of NBSSI, head of ICAG, Cape Coast office; and managers or owners of the selected enterprises.

Data Collection Instruments

Self-developed compliance checklist and an interview guide were used to collect data for the study. The self-developed compliance checklist as shown in

Appendix A was designed for each of the six selected IFRSs. The self- developed checklist was developed with reference to IFRSs issued by the IASB, checklist used in prior research (Street & Gray, 2002; Al-shammari, 2011) and disclosure and presentation checklist published by Deloitte (2011). The validity and comprehensiveness of the checklist was confirmed by two experienced chartered accountant and my supervisor.

For each item on the checklist there are three possibilities for scoring: (a) the information item is disclosed in the annual report, denoted by "Yes"; (b) the information item is not disclosed in the annual reports despite the fact that it is applicable to the particular medium scale enterprise and the enterprise could have disclosed it, denoted by "No"; and the information item is not disclosed in the annual reports or financial statements because it is not applicable to the particular enterprise, denoted by "Not Applicable" (NA). An interview guide was designed as shown in Appendix B. The interview guide contains eight items used to obtain information on the existence of formal mechanism in enforcing and monitoring IFRS compliance by public medium scale enterprises in Ghana. The interview guide was structured type where the interview questions were predetermined to establish consistency in data collection for analysis.

Measurement of dependent variable

The dependant variable in this research was IFRS compliance. The level of IFRS compliance was measured by a self-constructed compliance index (CINDEX) consistent with prior compliance studies (Ballas & Tzovas, 2010; Chatham 2008; Glaum & Street, 2003; Street & Bryant, 2002; Street and Gray, 2001). The presentation and disclosure compliance of an enterprise is depicted as the value of an enterprise index that is computed for each selected medium scale enterprise. The compliance index is the ratio of what an enterprise presented and disclosed in its annual report or financial statement to what it is obliged to present and disclose for each category of standard. Thus for each medium scale enterprise and for each standard selected compliance ratio was calculated as well as overall compliance ratio for each enterprise.

However, SMEs were not penalised for not disclosing an item if it was deemed obvious by the researcher that the item did not apply to that SME or if no information was given to discern its applicability. For this reason, the compliance ratio is computed by dividing the total of (Yes) over the total applicable presentation and disclosure requirements.

Measurement of independent variables

Size of an enterprise (SME): The book value of equity and that of total assets was used to measure the size of an enterprise. This has been used in some prior studies (Ballas & Tzovas, 2010; Palmer, 2008).

Profitability: Profitability was measured by ratio of return on equity (ROE), and accounting profit. This has been used in previous studies (Ballas & Tzovas, 2010; Naser et al., 2002; Street & Bryant, 2002; Street & Gray, 2001; Glaum & Steet, 2003; Al-Shammari, 2011).

Auditor type: Auditor type was measured by a dummy variable coded one if the enterprise was audited by one of the big four audit firms (PricewaterhouseCoopers, Deloitte & Touche, Ernst & Young, and KPMG) and zero otherwise. This measure is consistent with prior studies by Joshi and Al-Mudhahki (2001), Ferguson et al. (2002), and Al-Shammari (2011). The auditor type is identified from the auditor's report.

Internationality: Internationality was measured by a dummy variable coded one if the enterprise has affiliation as subsidiary of a parent firm in any of the developed countries. This measure is consistent with prior research (Beier, 2008; Jones & Higgins, 2006; Zeff, 2011).

Industry type: Industry was measured by a set of dummy variables coded one for finance and insurance; two for paper converters and information technology; three for agric and agro-processing mining; four for pharmaceutical and beverages; five for manufacturing and trading; six for metal, engineering and oil; seven for boarding and accommodation, and eight for other services such as hairdressing, barbering and so on. This measure is consistent with prior research (Al-Shammari, 2011; Zori, 2011).

Leverage: Leverage was measured by debt to equity ratio. This is consistent with prior research (Mutawaa & Hewaidy, 2010).

Validity and reliability of the instruments

Validity, in the context of this study refers to how accurately the instruments were able to collect the responses from the enterprises as intended by the researcher in order to tackle the specific objectives of the study. Furthermore, it is the degree to which the study accurately answers the questions it was intended to answer (Gravetter & Forzano, 2010). The study ensured face, content and construct validities of the instrument. The face validity of the study was granted by the researcher's peers, colleague workers and students, and some owners/managers of the various SMEs within the metropolis. The content and construct validities on the other hand was determined by the expert judgment of the assigned supervisor and other professionals in the field of financial management and accounting with regard to the various items used.

The study modified and deleted materials considered inaccurate or which the study felt infringed on the confidentiality of the enterprises. The assigned supervisor and some professionals within the business further scrutinised unclear, biased and deficient items, and evaluated whether items were members of the subsets they have been assigned. A few modifications were effected to improve the final instrument for the main survey which was then administered.

The questionnaire was pre-tested at the Komenda-Edina-Eguafo-Abirem (KEEA) Municipality of the Central Region of Ghana. Eighteen medium scale enterprises in the municipality were selected for the pretesting of the instruments. These enterprises within the KEEA Municipality were chosen because of their similar characteristics with that of those in the Cape Coast Metropolis, and also their proximity to the researcher. The 18 medium scale enterprises in the municipality were chosen at random and issued with the checklist. However, the random selection was than in each of the categories of medium scale enterprises. The pre-testing helped to correct ambiguity, wrong wording and unrealistic questions. As has been noted by Malhotra and Birks (2007), pre-testing aims at identifying and eliminating potential problems. Ary et al. (2006) further stressed that pre-testing assists the researcher to improve upon the checklist in terms of wording, structure, format and organisation.

The pre-tests also aided in determining the reliability of the research instrument (Pallant, 2001). The Cronbach alpha reliability coefficient obtained from the IFRS checklist 0.871 which was deemed reliable (Pallant, 2001). Research has shown that scales with Cronbach's alpha co-efficient of 0.70 or more are considered reliable (Pallant, 2001). Based on the recommendations made during the validation process, few modifications were made in the questionnaire in terms of items in the construct even though all the constructs scored the required Cronbach's alpha co-efficient of 0.70 after the pre-test study.

Ethical Considerations

An introductory letter was obtained from the Department of Business Studies, College of Distance Education, University of Cape Coast to introduce the researcher to the selected SMEs, and the NBSSI and ICAG Secretariats in the metropolis. To gather data from the selected SMEs in the metropolis, permission was sought from the NBSSI, Cape Coast and the owners/managers themselves. The selected SMEs were contacted with the help of informants. Management of the selected SMEs were informed about the purpose of the research and what objective it sought to achieve. They were assured that the study will be objective. They were also assured of the anonymity and confidentiality of information provided with regard to their respective enterprises.

The discussion shows that confidentiality and anonymity were the two main ethical considerations that were adhered to in this research. The findings from the research will become a public document and the SMEs would have access to the findings if management wish to do so. According to Malhotra and Birks (2007), a research is expected to be free from any bias and it must be scientifically sound and reported honestly, thoroughly and completely.

Data Collection Procedures

In this study, data was gathered from both secondary and primary sources. Secondary data which provided the major source of data for the study was obtained from the 2015 annual financial reports or statements of the selected SMEs in the Cape Coast Metropolis. Prior to the data collection, an introductory letter was obtained from the Department of Business Studies, College of Distance Education, University of Cape Coast to the selected SMEs seeking their mandate to collect data from their outfit. In all 89 available annual financial reports for 2015 financial year were gathered from the SMEs visited. Some of the reports were obtained from the websites of the selected medium scale enterprises.

However, some of the management of the various SMEs visited indicated that the report given with regard to the annual report for 2015 financial year has not been approved for issue to the public since 2015 annual general meeting has not been held at the time of the data collection. Also, during the process of examining the annual financial reports for compliance, it was discovered that some of the medium scale enterprises have not prepare their financial reports or statements in accordance with IFRS but in accordance with U.S GAAP making them irrelevant for their inclusion in the study. In effect, 67 annual financial reports were successfully obtained for analysis.

The self-developed compliance checklist was applied to each annual report to check compliance. Prior to checking compliance, each annual report was thoroughly read and consolidated by logical reasoning to determine applicability of each of the checklist items. This prevented an SME from being penalised for not disclosing an item deemed irrelevant to its operations in line with prior research (Amoako-Kwabena, 2010; Cook & Nixon, 2007). For scoring, each disclosure item ticked under category “a” (Yes) on the checklist was given a score of one and a zero score for category “b” (No) and “C” (NA). This approach is consistent with prior research by Ballas and Tzovas (2010), and Al-Shammari (2011).

Primary data was gathered through face-to-face interview conducted to secretary of the NBSSI, and the director of ICAG in charge of Central Region to discover whether stringent monitoring mechanism is in place to check medium scale enterprises’ compliance with IFRSs. Prior to the conduct of the interview, an introductory letter was sent to the above listed organisation seeking their mandate to collect data. The permit was granted and the researcher was assigned appointed dates for the collection of data. The interview was conducted as scheduled and responses were transcribed for analysis.

Data Processing and Analysis

The data collected were first grouped for editing to ensure accuracy and clarity. After the editing, they were coded using numerical values for the data view of the Statistical Product and Service Solutions (SPSS) Version 19.0. After this, the data were inputted into the data view to complete the keying process.

After these were done with, they were transformed into tables and extracted for the presentation and discussion in the subsequent chapter of this study. The data collected were analysed both qualitatively and quantitatively. Descriptive and inferential statistics were used to analyse quantitative data while qualitative data were analysed interpretatively and patterns were identified after using the axial coding method.

In line with the framework of analysis used by many researchers (Alfaraih, 2009; Al-Shammari, 2011; Hassan et al., 2006; Street & Gray, 2001), compliance scores was categorised into four levels. High compliance, if the presentation and disclosure index is 80% or more, intermediate compliance between 60% and 79%, low compliance between 40% and 59%, and below 40% which reflects a substantial gap between an enterprise disclosure and present action practices and the IFRSs requirements.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter of the study presents the results and discussion of the study in relation to the objectives. The chapter begins with preliminary analysis of data followed by discussion of results in relation to research questions and hypotheses. The extent and level of compliance with IFRSs presentation and disclosure requirement by SMEs in the Cape Coast Metropolis as well as enterprise attributes influencing the level of compliance are discussed. This section also discusses the differences, if any, between types of medium scale enterprises with regard to their compliance with IFRSs presentation and disclosure requirement including the relationship between compliance level with IFRSs disclosure and presentation requirements and certain attributes of SMEs in the Cape Coast Metropolis, Ghana.

Preliminary Analyses of Data Collected

This section deals with the descriptive statistics for the independent variables. The information on all the variables were obtained from the 2015 annual reports or financial statements of 67 randomly selected medium scale enterprises in the Cape Coast Metropolis, Central Region of Ghana. The results are presented in Table 2.

Table 2

Descriptive Statistics for other Explanatory Variables

Variables	Min.	Max.	Mean	Std. Dev.
Size				
Book value of equity (GH¢)	-0.677250000	27023000	967000	4840
Total assets(GH¢)	0.953588000	62629000	2750000	11280
Profitability				
Return on equity	-80.700	1.170	-3.253	15.227
Return on total assets	-0.597	0.342	0.025	0.153
Type of auditor	0.000	1.000	0.258	0.445
Internationality	0.000	1.000	0.193	0.486
Leverage	0.000	4.400	0.65.4	1.225

Source: Field Data, 2016 (N = 67)

Table 2 shows a brief statistical description of the explanatory or independent variables. The data was derived from 67 SMEs in the Cape Coast Metropolis 2015 annual reports. The SMEs' size is measured by book value of equity and total assets. Company size measured by book value of equity ranged from -0.66725 to 27023 thousand Ghana cedis with an average size of 967 thousand Ghana cedis. Company size measured by total assets ranged from 0.953588 to 62629 thousand Ghana cedis with an average of 2750 thousand Ghana cedis. The standard deviation of this variable is moderate either measured in terms of book value of equity or total assets. This means that, measures of enterprise size are moderately non-dispersed in a widely-spread distribution, and that the effects of size of an enterprise on compliance level of IFRSs disclosure requirements was an approximation to a normal distribution.

Profitability was measured by return on equity and return on total assets. Surprisingly, average percentage profitability was -3.253 (reflecting high negative return on equity) as measured by return on equity with a minimum of -80.700 and a maximum of 1.170. However profitability as measured by return on total assets gave a more positive picture with an average of 0.025 and ranged from -0.597 to 0.342. Table 2 further shows that few of the medium scale enterprises in the Cape Coast Metropolis, representing 25.8% of the sample population, are audited by one of the big four audit firms which are Pricewaterhouse Coopers, Deloitte and Touche, Ernst and Young, and KPMG while 74.2% of the population are audited by local audit firms. Only 19.3% of the sample SMEs had affiliation as subsidiary of a parent company or firm in any of the developed countries. Average leverage of the sample SMEs was 65.4% measured by debt to equity indicating that the sample SMEs are on average heavily leveraged. Leverage ranged from 0.00 to 4.400.

Analyses of Specific Objectives of the Study

This section is intended to explore the extent and levels at which SMEs in the metropolis comply with the international financial reporting standards as well as establishing variables that explain differences in medium scale enterprises' compliance. The section further establishes the differences in compliance between medium scale enterprises. Here means and standard deviations, cross tabulation, multiple regression, one-way analysis of variance and correlation were used to tackle the specific objectives of the study.

The extent and level of compliance with IFRSs by SMEs in the Cape Coast metropolis

The rationale behind this objective was to examine the extent as well as the level to which SMEs in the Cape Coast Metropolis complies with IFRS presentation and disclosure requirements. In answering this question, the study employs the descriptive statistics to tackle the question as expected. As detailed in chapter three this study uses a self-constructed compliance index (CINDEX) to measure the extent of compliance by SMEs in the Cape Coast Metropolis with the applicable IFRSs. With the aid of a checklist which details the presentation and disclosure requirement, the compliance index is computed focusing on the mandatory disclosures in financial statements of enterprises' 2015 annual reports or financial statements. The tables presented below depict compliance scores from the checklist.

Table 3 presents descriptive statistics for compliance index (CINDEX) by accounting standards. The presentation and disclosure score of the 67 SMEs in the Cape Coast Metropolis with regards to the six selected IFRSs are described by the calculation of the arithmetic means for each. Table 3 summarises the minimum, maximum, mean and standard deviation of the presentation and disclosure compliance score for each of the six IFRSs. The minimum and the maximum represent case of one company with respect to each standard, while the mean represent the extent of all the thirty one SMEs' compliance with each IFRs presentation and disclosure requirements.

Table 3
Descriptive Statistics for Compliance Index (CINDEX) of all Selected SMEs in the Cape Coast Metropolis for each IFRS

International Financial Reporting Standards	Min.	Max.	Mean	Std. Dev.
IAS 1: Presentation of Financial Statements	0.558	0.961	0.809	0.094
IAS 7: Statement of Cash Flows	0.778	1.000	0.986	0.047
IAS 16: Property, Plant and Equipment	0.462	1.000	0.859	0.179
IAS 18: Revenues	1.000	1.000	1.000	0.000
IAS 19: Employee Benefits	0.000	1.000	0.671	0.356
IAS 12: Income Taxes	0.000	1.000	0.827	0.208

Source: Field Data, 2016 (N = 67)

Table 3 indicates that IAS 18 had an absolute compliance of 100% by SMEs in the Cape Coast Metropolis. Interestingly, the highest mean score recorded for IAS 18 was 1.000 with a standard deviation of 0.000 which implies that there was no variability in compliance among SMEs in the Cape Coast Metropolis with regards to IAS 18 there by, showing a100% for both maximum and minimum compliance score among SMEs. The checklist from which the compliance scores were derived reveals IAS 18 as the standard with the least presentation and disclosure requirement among the selected standards which confirms Al-Shammari (2011) conclusion that, IAS 18 is simple for SMEs to comply since it is the standard with the minimum disclosure requirement.

This finding is also in line with empirical results by Mutawaa and Hewaidy (2010) who had an empirical study of Kuwaiti SMEs and reported IAS 18 as the standard with the highest mean compliance score of 95 percent. However this is lower than the compliance score in Ghana which implies that medium scale enterprises in the Cape Coast Metropolis comply more than SMEs in Kuwait with regards to IAS 18.

The next highest complied standard is IAS 7 with a mean compliance score of 98.6 percent and a maximum and minimum score of 100 percent and 77 percent respectively. A standard deviation of 0.047 which shows a low variability implies that the individual scores of SMEs in the Cape Coast Metropolis are clustered close to the mean (Mean = 0.986) with regards to IAS 7. IAS 16 follows with a mean compliance of 85.9% with a corresponding maximum score of 100% and a minimum score of 46.2%. IAS 16 had a low variability of (Std. Dev. = 0.179) indicating that the individual scores of SMEs in the Cape Coast Metropolis are clustered close to the mean (Mean = 0.859) and also indicates that the differences from one score to another are relatively low.

IAS 16 has two classification of disclosure, thus disclosure required if property, plant and equipment are presented at cost less accumulated depreciation and property, plant and equipment presented at revaluation. The checklist reveals that most of the medium scale enterprises in the Cape Coast Metropolis which scored 100% or close to 100% with regards to IAS 16 presented property plant and equipment at cost which requires few disclosure items relative to presentation of property plant and equipment at revaluation which require more disclosure.

This is congruent with Street and Bryant (2002) who reported that noncompliance was common with regards to revaluation of property, plant and equipment.

IAS 12 follows with a mean score of 82.7% with a maximum score of 100% and a minimum score of no compliance. IAS 12 also had a standard deviation of 0.208 also showing a low rate of variability among SMEs compliance score. IAS 1 which has the highest presentation and disclosure requirement had a mean compliance score of 80.9% with 96.1% and 55.8% being the maximum and minimum compliance score respectively among SMEs. A low variability (Std. Dev. = 0.094) of compliance score among SMEs was also observed for IAS 1.

IAS 19 was the standard with the least mean compliance score of 67.1% with a maximum score of 100% and a minimum score of no compliance by medium scale enterprises in the metropolis. Though low, variability of 0.356 for IAS 19 was the highest variability among compliance score of SMEs. IAS 19 has two categories of disclosure requirement as in the case of IAS 16, thus disclosure required under defined contribution plan which has very few disclosure items and disclosure required under defined benefit plan which has numerous disclosure items. The checklist reveals that most medium scale enterprises that reported defined benefit plan for their employees could not meet it corresponding disclosure requirement while almost all medium scale enterprises which reported defined contribution plan fully complied with it corresponding disclosure. This finding is in line with Street and Bryant (2002) who found IAS 19 as problematic for SMEs to comply with.

With regards to the six standards, the findings indicate that compliance level varies across standards. This is in line with Alfaraih (2009) who found variations in compliance score among standards. According to Alfaraih possible reason for this variation is the degree of difficulty associated with the application of these standards. Most of the standards with a high mean score means that those standards are less difficult and as such preparers of the financial statements are familiar with the application of these standards as compared to those standards with low compliance level. The standard deviations for all the standards were quite low, indicating the close dispersion in a widely-spread distribution.

Table 4 shows the presentation and disclosure compliance rates of industries with regards to each selected IFRS. For the purpose of ethics in research, the extents of compliance by medium scale enterprises in the metropolis are presented on the basis of SME groupings.

From Table 4, with the exception of other services such as hairdressing, barbering and so on (Mean = 0.590), IAS 18 represented the only standard with absolute compliance of 100% observed for all the other seven categorise of medium scale enterprises. This implies that out of the 67 medium scale enterprises captured for the study, 64 of them complied fully with the presentation and disclosure requirement of IAS 18. This is incongruent with Street and Bryant (2002) who found significant non-compliance with IAS 18. With the exception of IAS 18 there are meaningful differences in compliance within and among medium scale enterprises with regard to the selected IFRSs.

IAS 1 differs among SME with the two highest means of 89.9% and 86.1% by the boarding and accommodation establishment, and manufacturing respectively; and with a least mean of 71.4% for paper converters/IT. Surprisingly no enterprise complied fully with the presentation and disclosure requirement of IAS 1. The checklist reveals non-compliance with regards to IAS 1 was common for disclosure required for management's assessment of an entities assessment as a going concern and disclosure information required to evaluate an entity's objectives, policies and processes for managing capital.

Table 4

Type of SME and their Extent of Compliance with Each IFRS Presentation and Disclosure Requirements

Types of Medium Scale Enterprises	Mean scores of the various IFRS Presentation and Disclosure Used					
	IAS 1	IAS 7	IAS 16	IAS 18	IAS 19	IAS 12
Finance and insurance (9)	0.821	0.980	0.889	1.000	0.552	0.810
Paper converters / IT (8)	0.714	0.978	0.752	1.000	0.300	0.833
Mining, agric/agro processing (8)	0.809	0.972	0.744	1.000	0.830	0.679
Pharmaceutical/beverages (5)	0.830	1.000	0.982	1.000	0.813	0.854
Manufacturing and trading (11)	0.861	1.000	0.824	1.000	0.917	0.958
Metal, engineering and oil (10)	0.825	1.000	0.958	1.000	1.000	0.861
Boarding and accommodation establishment (13)	0.899	0.992	0.988	1.000	0.612	0.731
Other services such as hairdressing, barbering and so on (3)	0.754	0.597	0.462	0.590	0.230	0.683
Total (N = 67)	0.809	0.986	0.859	1.000	0.671	0.827

Source: field Data, 2016 (N= 67)

IAS 7 is the standard next to IAS 18 which is highly complied by all medium scale enterprises though did not achieve an overall 100% mean but an overall mean of 98.6%. Three industries embodying pharmaceutical and beverages; manufacturing and trading; and metal, engineering and oil scored a mean compliance of 100% respectively. This implies that all medium scale enterprises belonging to these industries fully complied with presentation and disclosure requirement of IAS 7. Medium scale enterprises belonging to boarding and accommodation establishment, finance and insurance, paper converters and information technology, and agric and agro industries scored a mean compliance of 99.2%, 98.0%, 97.8%, and 97.2% respectively. These results suggest little or no difficulty by medium scale enterprises in meeting the presentation and disclosure requirement of IAS 7.

The two highest rates of compliance for IAS 16 with a mean of 98.8% and 98.2% were achieved by medium scale enterprises in the categories of boarding and accommodation establishment, and pharmaceutical and beverages respectively. The average compliance level with regard to IAS 16 was 85.9% which reveals little or no difficulty in meeting presentation and disclosure requirement of property, plant and equipment. Surprisingly while SMEs in the boarding and accommodation establishment, and pharmaceutical and beverages SME were having less difficulty in dealing with this standard, some SMEs in the services such as hairdressing, barbering and so on scored as low as 46.2% compliance with IAS 16 suggesting difficulty in compliance by SMEs in such category.

The least compliance rate was observed for IAS 19 among other standard as noted earlier in the preliminary analysis. Paper converters and information technology medium scale enterprises scored as low as 30% mean compliance. Finance and insurance medium scale enterprises also had a poor mean compliance of 55.2%; however manufacturing and trading medium scale enterprises differ significantly with a mean compliance of 91.7%. This suggests extreme difficulty by most medium scale enterprises in meeting the presentation and disclosure requirement of employee benefit. Data gathered reveals extreme difficulty by most medium scale enterprises in dealing with disclosure required under defined benefit plan which involves critical actuarial assumptions.

IAS 12 also varies among SMEs with regards to their rate of compliance. Medium scale enterprises in the manufacturing and trading complied most with IAS 12 with a mean compliance of 95.8%, followed by metal, engineering and oil (86.1%), pharmaceutical and beverages (85.4%), paper converters and information technology (83.3%), finance and insurance (81%), and the least compliance by agric and agro medium scale enterprises with a mean compliance of 67.9%.

IAS 12 requires a numerical reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate, disclosing also the basis on which the applicable tax rate is computed; or a numerical reconciliation between the average effective tax rate and applicable tax rate is computed. This requirement was problematic for a number of medium scale enterprises accounting for significant non-compliance with IAS 12. Table 4 clearly reveal variability in compliance within medium scale enterprises and among medium scale enterprises and congruent with Street and Gray (2001) who concluded that the level of compliance by SMEs claiming to have adopted IASs is mixed and selective.

The study further examined SMEs' type and their respective overall compliance score. Table 5 shows the overall compliance rate with the six selected IFRSs for each category of medium scale enterprise.

Table 5
Descriptive Statistics for SMEs' Type and their Respective Overall Compliance Score

Types of SMEs	Min.	Max.	Mean	Std. Dev.
Finance and insurance	0.734	0.951	0.842	0.068
Paper converters/IT	0.622	0.862	0.763	0.118
Mining agric/Agro processing	0.741	0.924	0.839	0.075
Pharmaceutical/beverages	0.827	0.966	0.913	0.063
Manufacturing and trading	0.865	0.968	0.927	0.044
Metals, engineering and oil	0.902	0.994	0.941	0.047
Boarding and accommodation establishment	0.731	0.929	0.891	0.101
Other services such as hairdressing, barbering and so on	0.311	0.792	0.598	0.092
IFRSs compliance rate	0.622	0.994	0.858	0.090

Source: Field Data, 2016

Results indicated in Table 5 shows that medium scale enterprises within the category of metals, engineering and oil SME scored the highest mean compliance of 94.1% with 99.4% and 90.2% being the maximum and minimum compliance respectively within the category. This implies that all medium scale enterprise in the Cape Coast Metropolis within the metal, engineering and oil category averagely comply with the six selected standards.

Medium scale enterprises within the category of manufacturing and trading followed with an overall mean of 92.7% with maximum compliance score of 96.8% and a minimum compliance score of 86.5% which still shows a better performance of medium scale enterprises compliance in Ghana than in Kuwait (Mutawaa & Hewaidy, 2010) with regard to the said category. Pharmaceuticals and beverages medium scale enterprises differ with a mean compliance of 91.3% while finance and insurance with an overall mean compliance of 84.2% with 95.1% and 73.4% being the maximum and minimum score respectively within the medium scale enterprises. Last but not the least was mining, agric and agro processing medium scale enterprises with an overall mean compliance of 83.9% with a corresponding maximum and minimum score of 92.4% and 74.1% respectively.

The least overall compliance mean scores of 59.8% and 76.3% were obtained for medium scale enterprises within the category of other services such as hairdressing, barbering and so on and paper converters and information technology respectively. Surprisingly, all the sample medium scale enterprise types with the exception of other services such as hairdressing, barbering and so on, and paper converters and information technology enterprises had their overall mean compliance score higher than the highest overall compliance mean score of

79.2% observed for investment SMEs in Kuwait by Mutawaa and Hewaidy (2010).

The study further examined the overall compliance rate of the captured medium scale enterprises in the metropolis. The results are presented in Table 6.

Table 6

Descriptive Statistics for Overall IFRSs Compliance Index

Dependent variable	Minimum	maximum	Mean	SD
CINDEX	0.562	0.937	0.779	0.121

Source: Field Data, 2016 (N = 67)

Table 6 shows the overall IFRSs compliance rate of medium scale enterprises in the Cape Coast Metropolis with regards to the selected standards. The table indicates that the mean compliance score for captured medium scale enterprises in the metropolis in 2015 financial year was 77.9%. The maximum compliance score by an enterprise was 93.7% and a minimum compliance score of 56.2%. The results clearly shows that no medium scale enterprises in the metropolis fully obtained an overall compliance rate of 100% with all the IFRS required presentation and disclosures in line with (Al-Shammari, 2011; Ballas & Tzovas, 2010; Glaum & Street,2003; Street & Bryant, 2002). Interestingly, no qualified audit opinion regarding non-compliance with required presentation and disclosure was issued despite significant non-compliance by medium scale enterprises within the metropolis. It was also interesting to note that most medium scale enterprises claim that their accounts are prepared fully in line with IFRSs.

Surprisingly IFRS compliance level among medium scale enterprises in the Cape Coast Metropolis revealed a lower compliance rate than other countries.

For example Chatham (2008) reported overall compliance score of 85.3% for Switzerland firms and 78.7% for Swedish firms. Al-Shammari (2011) also reported an overall mean compliance of 82% for SMEs in Kuwait.

By the IASB requirement, an enterprise should claim compliance with IFRS only if it is in full compliance with the standards (ICAG, 2010). It is therefore, worth noting that, despite relatively high compliance rate of 77.9% achieved by medium scale enterprises in the Cape Coast Metropolis, there is still significant level of non-compliance among medium scale enterprises in line with prior research (Al-Shammari, 2011; Glaum & Street, 2003; Street & Bryant, 2002). The significant unaccounted presentation and disclosure requirement among medium scale enterprises in the metropolis can be attributed to the lack of effective monitoring mechanism by regulatory bodies for enforcing IFRSs compliance in Ghana as well as the unpreparedness of the accounting system of some SMEs in the metropolis to embrace IFRSs. This was confirmed by revelation from interview granted to regulatory bodies such as the NBSSI, Secretariat, Central Region of Ghana, and ICAG which represent the nation's standard setters and adopted IFRS on behalf of Ghana.

The interview results reveal greater reliance on auditors claims for medium scale enterprises compliance with IFRSs though NBSSI Secretariat do have a cogent research department that occasionally scrutinise SMEs reports for compliance. ICAG indicated in the interview that, though it represents the countries standard setters and developed Ghana National Accounting Standards as well as adopted the IFRSs which are currently in use, the institute lacks the legal mandate in enforcing and monitoring compliance. This is attributed to the corporation code Act 179 (1963) which has not been amended since its promulgation over forty nine years. The code prescribes formats for presentation of financial statement as well as disclosures but does not require financial statements of SMEs to be prepared in accordance with any prescribed standards (such as IFRSs or GAS). This in effect makes the requirement of compliance with IFRSs inconsistent with the law which runs supreme.

Influence of firm attributes on the level of SMEs' compliance with IFRSs

The rationale behind the second research question was to determine which firm attributes account for differences among SMEs compliance rate with IFRSs presentation and disclosure requirement. Descriptive statistics of the explanatory variables has already been discussed in the preliminary analysis. In answering this question, a further analysis using multiple regression was used to examine the influence certain selected company attributes have on the level of enterprise's compliance with IFRSs disclosure requirements. This analysis is undertaken to better understand the individual contribution of the selected company attributes to the level of enterprise's compliance with IFRSs disclosure requirements. The summary of the result analysis is shown in Table 7.

As noted in Table 7, a multiple regression analysis was conducted with SMEs level of compliance with IFRSs disclosure requirements as the dependent variable and certain selected attributes of the various selected medium scale enterprises (as shown in Table 7) as independent variables. This type of analysis is used to determine the independent variables that contribute more statistically significant to the dependent variable.

Using the multiple regression analysis to test tackle this research question, a diagnostic test was first conducted to check for multicollinearity among the independent variables (attributes of enterprises). This was used to examine the possible undesirable situation where the correlations among the variables are strong. The SPSS Version 19.0 was used to assess the Variance Inflation Factor (VIF) and Tolerance that measure multicollinearity in the regression model since multicollinearity misleadingly inflates the standard errors (See Table 7). Thus, it makes some variables statistically insignificant while they should be otherwise significant.

The VIF was used to measure how much the variance of the estimated coefficients are increases over the case of no correlation among the independent variables. All the VIF for the independent variables were around 1.200 to 1.947. None was greater than five (5), which means there was no collinearity associated with the variables. The VIF values were also inversely related to the Tolerance values (VIF = 1/Tolerance). According to Pallant (2001), large VIF values (a usual threshold is 10.0, which corresponds to a tolerance of 0.10) indicate a high degree of collinearity or multicollinearity among the independent variables. In all, it was clear that the contribution of the independent variables on the dependent variable largely was not as a result of the strong association among the variables. Results of the analysis are shown in Table 7.

Table 7

Influence of SMEs Attributes on IFRSs Compliance

Attributes of medium scale enterprises	Beta (β)	SE	t-value	Sig.	Collinearity Statistics Tol.	VIF
Book value of equity (Size)	-0.252	0.048	-0.387	0.702	0.699	1.431
Total assets (Size)	0.444	0.043	0.799	0.433	0.752	1.330
Return on equity (Profitability)	0.459*	0.002	2.579	0.029	0.551	1.816
Return on total assets (Profitability)	-0.463**	0.078	-3.498	0.002	0.609	1.643
Type of auditor	0.406*	0.033	2.520	0.019	0.833	1.200
Internationality	0.176	0.027	1.191	0.247	0.514	1.947
Types of SME	0.538**	0.007	3.641	0.001	0.567	1.763
Leverage	0.006	0.012	0.033	0.974	0.799	1.252
Constant		0.590				
R		0.840				
R Square		0.706				
Adjusted R Square		0.599				

Dependent variable: IFRSs Compliance ratio $^{**}p<0.01$ $^{*}p<0.05$ (N = 67)

Source: Field Data, 2016 Where SE = standard error; Tol. = Tolerance values

Table 7 indicates that among the selected attributes of medium scale enterprises used for the study, profitability as measured by both return on equity and return on total assets, types of auditor, and types of SME were the only statistically significant attributes with regard to firm's level of compliance with IFRSs disclosure requirements. The attributes of medium scale enterprises that influence or predict enterprises level of compliance with IFRSs disclosure requirements in order of importance were types of SME ($\beta = 0.538$ (0.007), $p < 0.01$), profitability as measured by return on equity ($\beta = 0.459$ (0.002), $p < 0.05$), type of auditor ($\beta = 0.406$ (0.033), $p < 0.05$) and profitability as measured by return on total assets ($\beta = -0.463$ (0.078), $p < 0.01$).

These findings are similar to that of Alfariah (2009) who found positive prediction for profitability as measured by return on equity ($\beta = 0.118$, $p < 0.01$); auditor type ($\beta = 0.026$, $p < 0.01$); and SME type ($\beta = 0.084$, $p < 0.01$). Table 7 indicates further that all the statistically significant attributes of medium scale enterprises influence firm's level of compliance with IFRSs disclosure requirements positively, except profitability as measured by return on total assets that contributes negatively to the dependent variable, though statistically significant.

It is however significant to observe that the proportional contribution (R^2) of all the attributes of the medium scale enterprises in the metropolis to the firm's compliance level with IFRSs disclosure requirements was 0.706 with an adjusted R^2 of 0.599 which is higher than prior studies by Alfaraih (2009) who reported an adjusted R^2 of 0.407 and Al-Shammari (2011) who also reported an adjusted R^2 of 0.523. This means that the selected attributes of medium scale enterprises (independent variables) are able to influence, predict, or explain 70.6 percent of the variance in the level of enterprise's compliance with IFRSs disclosure requirements. It therefore, means that besides these selected attributes of medium scale enterprises identified; other variables that are not in the model have a chance of influencing, explaining or predicting about 29.4 percent to the level of medium scale enterprises' compliance with IFRSs disclosure requirements.

Company size as measured by book value of equity and total assets, internationality and leverage have no statistically significant influence or contribution to the medium scale enterprises level of compliance with IFRSs presentation and disclosure requirements. However, among the statistically significant contributing attributes, types of SME is the most statistically significant company attributes that influences or contributes to firm's level of compliance with IFRSs presentation and disclosure requirements in the metropolis.

Testing the Research Hypotheses

Out of the three specific objectives formulated, two research questions were formulated based on the first and third specific objectives of the study. In relation to the second specific objective of the study, six hypotheses were formulated in other to test the relationship between the various attributes of medium scale enterprises and their level of compliance with IFRS disclosure and presentation requirement. The hypotheses formulated were:

$H^1{}_0$: *The size of SMEs in the Cape Coast Metropolis does not have statistically significant positive relationship with the level of compliance with IFRSs presentation and disclosure requirement.*

H^2_0: *There is no statistically significant positive relationship between SME's profitability and their level of compliance with IFRSs presentation and disclosure requirement.*

H^3_0: *SMEs audited by one of the big four do not have higher level of compliance with IFRSs presentation and disclosure requirement.*

H^4_0: *SMEs in the Cape Coast Metropolis with multinational affiliations do not have higher level of compliance with IFRSs presentation and disclosure requirement.*

H^5_0: *The type of SME one operates in the Cape Coast Metropolis does not have statistically significant association with the firm's level of compliance with IFRSs disclosure and presentation requirement.*

H^6_0: *Leverage of SMEs in the Cape Coast Metropolis does not have statistically significant association with their level of compliance with IFRSs Presentation and disclosure requirement.*

The correlation analysis was used to test the relationship between the various attributes of medium scale enterprises in the Cape Coast Metropolis and their level of compliance with IFRSs disclosure requirements. The size was measured by the book value of equity and that of total assets, while that of profit was measured either as return on equity (ROE) or return on assets (ROA). It should be noted that three medium scale enterprises in the sample had negative equity and were not excluded from the correlation analysis between return on equity and disclosure compliance. The measurements of the individual variables have been explained in Chapter Three of the report. The Pearson Product Moment correlation was used to analyse the data in order to test the six hypotheses. The correlation coefficients are presented in Table 8. The following values of correlation interpretations suggested by Pallant (2001) were used as guidelines for the interpretation of the correlations.

r = 0.10 to 0.29 or -0.10 to -0.29 → *Weak*

r = 0.30 to 0.49 or -0.30 to -0.49 → *Moderate*

r = 0.50 to 1.0 or -0.50 to -1.0 → *Strong*

r = 1.0 or -1.0 → *Perfect*

r = 0.0 → *Zero*

Table 8

Coefficients of Correlation among Attributes of Medium Scale Enterprises and their Level of Compliance with IFRSs Presentation and Disclosure Requirements

Attributes of Medium	IFRSs Compliance Rate	
Scale Enterprises	Correlation coefficient (r)	p-values
Size of SMEs		
Book value of equity	0.448*	0.011
Total assets	0.281	0.114
Profitability		
Return on equity	0.225*	0.022
Return on total assets	0.120*	0.019
Type of auditor	0.454*	0.011
Internationality	0.185*	0.016
Types of SME	0.495**	0.005
Leverage	-0.290	0.113

Source: Field Data, 2016 **$p < 0.01$, *$p < 0.05$ (N = 67)

Table 8 indicates that size as measured in terms of book value of equity and total assets are positively related to the level of enterprise compliance with IFRSs presentation and disclosure requirements but only that of book value of equity was statistically significant at a significant level of 0.5. That of total assets was non-statistically significant. This mean that there was a moderate relationship between company size as measured in terms of book value of equity and the level of compliance with the IFRSs disclosure requirements ($r = 0.448$, $p < 0.05$).

This result suggests that there is no statistically significant association between size and firm's level of compliance with IFRSs presentation and disclosure requirements when considering the two measures; and that the relationship exists only when book value of equity as a measure of size of an enterprise is considered. Therefore, the study fails to reject the hypothesis that the size of SMEs in the Cape Coast Metropolis does not have statistically significant positive relationship with the level of compliance with IFRSs presentation and disclosure requirement.

The non-statistical significant association between size and level of medium scale enterprise's compliance with IFRSs disclosure requirements found in this study is incongruent with the results reported by Ali et al. (2004) who found a positive association in India, Pakistan and Bangladesh. Ballas and Tzovas (2010) also found strong evidence that the rate of compliance is higher for bigger firms. This finding to some extent is inconsistent with the theoretical argument that larger SMEs posse the resources that are necessary for the preparation of fully IFRS compliant financial statements (Jones & Higgins, 2006). Interestingly, this finding is in agreement with Cook and Nixon's (2007) theoretical conviction that the size of a firm regardless of the way it is measured (e.g., total assets, sales turnover, and number of shares) is a variable that can explain to a considerable extent, the quality of firms disclosures.

Table 8 further shows that profitability as measured by ROE is positively associated with the level of compliance with IFRSs disclosure requirements ($r = 0.225$, $p < 0.05$). However, it is statistically significant but weak correlation. In the case of ROA, there is a statistically significant positive weak relationship between profit and the level of firm compliance with the IFRSs disclosure requirements ($r = 0.120$, $p < 0.05$). This means that medium scale enterprises in the Cape Coast Metropolis with larger profits do have statistically significant higher level of compliance with IFRSs disclosure requirement while those with lower profit have lower level of compliance. Therefore, the study rejects the hypothesis that there is no statistically significant positive relationship between SME's profitability and their level of compliance with IFRSs presentation and disclosure requirement.

This finding confirms the prior research that provided mixed results for the association between company profitability and level of disclosure. The result of the present study confirms similar results reported by Palmer (2008) who found evidence of positive association between profitability and extent of compliance among Australian firms. However, the finding is incongruent with that of Glaum and Street (2003), Street and Bryant (2000), and Street and Gray (2001) who reported no relationship between profitability and extent of IFRS compliance. The results support the theoretical assertion that managers of profitable firms will disclose more financial information to the external users of the accounts in order to advance their interest (Palmer, 2008).

With regard to the third hypothesis, the results in Table 8 indicates that there is a moderate statistically significant positive relationship between the type of auditor and the level of compliance with IFRSs disclosure requirement ($r = 0.454$, $p < 0.05$). This means that medium scale enterprises audited by one of the big four audit firms (PricewaterhouseCoopers, Deloitte & Touche, Ernst & Young, and KPMG) have high level of compliance with the IFRSs disclosure requirements than those that were not audited by any of the big four firms. Therefore, the study rejects the hypothesis that SMEs audited by one of the big four do not have higher level of compliance with IFRSs presentation and disclosure requirement.

This finding confirms prior research by Zori (2011) who reported positive association in Ghana. He found out that the extent of compliance with mandatory disclosure was positively associated with SMEs being audited by one of the Big Six in Ghana. This result further confirms the theoretical view of Watts and Zimmerman (1983) who argued that large audit firms act as a mechanism to reduce agency costs and thereby exerting more of monitoring role by limiting opportunistic behaviour by managers.

Table 8 further indicates that there is a weak statistically significant positive relationship between internationality and the level of medium scale enterprises compliance with IFRSs disclosure requirement ($r = 0.485$, $p < 0.05$). This means that SMEs that are affiliated as subsidiary of a parent firm in any of the developed countries comply with the IFRSs disclosure requirements. Therefore, the study rejects the hypothesis that SMEs in the Cape Coast Metropolis with multinational affiliations do not have higher level of compliance with IFRSs presentation and disclosure requirement. This finding is in line with that of Glaum and Street (2003) and Al-Shammari (2011) who found a positive association in Germany and Kuwait respectively with regard to internationality and IFRSs compliance. This shows that medium scale enterprises that have more international activities and want to produce more internationally comparable information have a greater incentive to comply with IFRSs than less internationally oriented medium scale enterprises (Street & Gray, 2001).

Furthermore, in Table 8, the result indicates that there is a strong statistically significant positive relationship between the types of enterprise and the level of its compliance with IFRSs disclosure requirement ($r = 0.495$, $p < 0.01$). This shows that the type of enterprise an SME belongs, to a large extent, relate to its level of compliance with the IFRSs disclosure requirements. Therefore, the study rejects the hypothesis that the type of SME one operates in the Cape Coast Metropolis does not have statistically significant association with the firm's level of compliance with IFRSs disclosure and presentation requirement. This finding confirms the findings of Naser et al. (2002) who reported positive association between type of firm and level of disclosure. This shows that the adoption of medium scale enterprise related practices may lead to differential levels of disclosure on similar items in financial reports of medium scale enterprises in different industries.

In relation to the last hypothesis, Table 8 shows that there is a weak non - statistically significant negative relationship between leverage and the level of firm's compliance with IFRSs presentation and disclosure requirement. This means that the debt to equity ratio (leverage) relate negatively to the level of compliance with the IFRSs disclosure requirements. However, the relationship is non-significant. Therefore, the study fails to reject the hypothesis that leverage of SMEs in the Cape Coast Metropolis does not have statistically significant association with their level of compliance with IFRSs Presentation and disclosure requirement.

This finding corroborates with that of Hassan et al. (2006) who found no association between firms leverage and rate of compliance but incongruent with that of Al-Shammari (2011) who noted positive significant association between leverage and level of disclosure. This finding does not support the argument raised by Jensen and Meckling's (1976) agency theory which suggested that agency conflicts between principals (debt holders in this case) and their agents (managers acting in the interests of shareholders) give rise to agency costs. Agency costs of this type are expected to be higher for enterprises with higher leverage because there is relatively more wealth for managers to transfer from debt holders. As such medium scale enterprises with higher leverage can be expected to disclose more information to reduce agency costs by reassuring debt holders that their interests are protected.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter presents the summary of major findings and conclusions drawn from the study. The key findings are reported based on the objectives of the study. These are followed by the conclusions and recommendations. The last section provides suggestions for further research.

Summary

The summary of the study comprised of two parts. The first part focused on the overview of the study while the second part focused on the key findings.

Overview of the Study

Higher comparability and quality financial statements triggered by globalisation and international markets have made International Financial Reporting Standards (IFRSs) inevitable in the field of accounting. As such many countries including Ghana have converged their local standards to IFRSs; however, issues of non-compliance has been reported by prior researchers. The general objective of the study was to explore the extent to which SMEs in the Cape Coast Metropolis comply with the IFRSs. Specifically, the study looked at the extent and level of compliance with IFRSs by SMEs in the metropolis, and certain firm attributes (size, profitability, audit type, internationality, type of SME, and leverage) that relate and also influence the level of SMEs' compliance with IFRSs.

In measuring compliance, a self-constructed compliance index (CINDEX) was constructed which was consistent with approaches used in prior research. The self-constructed compliance index was developed with the aid of a checklist containing the mandatory IFRSs presentation and disclosure requirements of six applicable standards. The applicable standards selected for the study were IAS 1, IAS 7, IAS 12, IAS 16, IAS 18, and IAS 19. Compliance was scored for 67 medium scale enterprises in the metropolis using their 2015 annual financial reports. The level of compliance (CINDEX) was used as the dependent variable to investigate the relationship between the level of compliance with IFRSs mandatory presentation and disclosure requirement and firms attributes to explain why medium scale enterprises vary in compliance levels. The descriptive designed was adopted. Both checklist and interview guide were the instruments used in collecting data. The study sampled 89 SMEs; however, data were collected from 67 medium scale enterprises. Both descriptive and inferential statistics were used in analysing the data.

Key Findings

The first research question looked at the extent and level of compliance with IFRSs by SMEs in the Cape Coast Metropolis. The key findings that emerged from this research question were:

- All medium scale enterprises in the metropolis comply with IAS 18. It had an absolute compliance of 100% by SMEs in the Cape Coast Metropolis.
- Furthermore, IAS 7 (98.6%) was the second highest standard that SMEs comply with, followed by IAS 16 (85.9%), IAS 12 (82.7%), and IAS 1

(80.9%). IAS 19 was the standard with the least mean compliance score of 67.1%

- Most of the medium scale enterprises in the metropolis which scored 100% or close to 100% with regards to IAS 16 presented property plant and equipment at cost which requires few disclosure items relative to presentation of property plant and equipment at revaluation which require more disclosure.
- Also, most medium scale enterprises that reported defined benefit plan for their employees could not meet it corresponding disclosure requirement while almost all medium scale enterprises which reported defined contribution plan fully complied with it corresponding disclosure.
- Surprisingly, no enterprise complied fully with the presentation and disclosure requirement of IAS 1.
- Non-compliance with regard to IAS 1 was common for disclosure required for management's assessment of an entity's assessment as a going concern and disclosure information required to evaluate an entity's objectives, policies and processes for managing capital.
- All medium scale enterprises belonging to pharmaceutical and beverages; manufacturing and trading; and metal, engineering and oil categories fully complied with presentation and disclosure requirement of IAS 7.
- The two highest rates of compliance for IAS 16 with a mean of 98.8% and 98.2% were achieved by medium scale enterprises in the categories of boarding and accommodation establishment, and pharmaceutical and beverages respectively.

- All medium scale enterprise in the Cape Coast Metropolis within the metal, engineering and oil category averagely comply with the six selected standards.
- The least overall compliance mean scores of 59.8% and 76.3% were obtained for medium scale enterprises within the category of other services such as hairdressing, barbering and so on and paper converters and information technology respectively.
- There is lack of effective formal structure for monitoring and enforcing compliance with IFRSs by NBSSI in the Cape Coast Metropolis. The ICAG which also regulates financial reporting of SMEs in the metropolis has also not been amended but still requires SMEs to prepare their accounts in accordance with GAS. This implies that the adoption of IFRSs in Ghana has no legal backing of the law; as such SMEs have no legal cost for non-compliance.

The second research question tries to find out whether certain firm attributes influence the level of SMEs compliance with IFRSs. The main findings that emerged were:

- The attributes of medium scale enterprises that influence or predict enterprises level of compliance with IFRSs disclosure requirements in order of importance were types of SME ($\beta = 0.538$ (0.007), $p < 0.01$), profitability as measured by return on equity ($\beta = 0.459$ (0.002), $p < 0.05$), type of auditor ($\beta = 0.406$ (0.033), $p < 0.05$) and profitability as measured by return on total assets ($\beta = -0.463$ (0.078), $p < 0.01$).

- The various attributes of medium scale enterprises are able to influence, predict, or explain 70.6 percent of the variance in the level of enterprise's compliance with IFRSs disclosure requirements.
- Company size as measured by book value of equity and total assets, internationality and leverage have no statistically significant influence or contribution to the medium scale enterprises level of compliance with IFRSs presentation and disclosure requirements.
- However, among the statistically significant contributing attributes, types of SME is the most statistically significant company attributes that influences or contributes to firm's level of compliance with IFRSs presentation and disclosure requirements in the metropolis.

The six hypotheses tested looked at the relationships between the compliance level with IFRSs disclosure and presentation requirements and attributes of SMEs. The findings that emerged were:

- There is no statistically significant association between size and firm's level of compliance with IFRSs presentation and disclosure requirements when considering the two measures; and that the relationship exists only when book value of equity as a measure of size of an enterprise is considered.
- Medium scale enterprises in the Cape Coast Metropolis with larger profits do have statistically significant higher level of compliance with IFRSs disclosure requirement while those with lower profit have lower level of compliance.
- Furthermore, medium scale enterprises audited by one of the big four audit firms (PricewaterhouseCoopers, Deloitte & Touche, Ernst & Young, and

KPMG) have high level of compliance with the IFRSs disclosure requirements than those that were not audited by any of the big four firms.

- In addition, SMEs that are affiliated as subsidiary of a parent firm in any of the developed countries comply with the IFRSs disclosure requirements.
- Again, the type of enterprise an SME belongs, to a large extent, relate to its level of compliance with the IFRSs disclosure requirements.
- However, the debt to equity ratio (leverage) does not relate to the level of compliance with the IFRSs disclosure requirements.

Conclusions

Based on the findings from the study, it can be concluded that the extent of IFRSs compliance by SMEs in the Cape Coast Metropolis is high with an overall mean compliance of 77.9% but far from full compliance. Further, no medium scale enterprise achieved full compliance score. Furthermore, medium scale enterprises who are audited by the international auditing firms comply more than companies audited by the local auditing firms. Firm attributes of profitability, internationality, auditor type, and SME type influence the extent of IFRSs compliance and have positive association with the IFRSs compliance level. However, SME type is the most influential among the attributes as well as the attribute with a strong association with IFRSs compliance level.

Recommendations

Based on the findings and conclusions of the study, the following recommendations are made:

1. Owners/managers of the various SMEs should ensure that staff within their accounting unit are abreast with IFRSs compliance and other standards.
2. The ICAG which is the sole regulator of the accounting profession in Ghana should liaise with NBSSI and other regulators of SMEs to organise regular training programmes intended to provide practical guide for compliance with the IASB standards since the IFRSs receive continuous amendment.
3. The ICAG should establish a specific department trained and charged with the responsibility of monitoring compliance among SMEs to identify problem areas which require critical attention and to enforce sanctions for violations.

Suggestions for Future Research

The findings of the study reveal that profitability, auditor type, internationality, and SME type are the four attributes that influence IFRSs compliance among medium scale enterprises in the Cape Coast Metropolis. This explains 70.6% of variables influencing compliance. Further studies can be directed at investigating other attributes that explains differences in compliance among SMEs. The study was limited to six standards applicable to all SMEs in the Cape Coast Metropolis. Future research can be directed at checking compliance with greater number of other standards applicable to SMEs in the country as a whole. Future research can also be directed at checking compliance with IFRSs by other SMEs who are not located in the Cape Coast Metropolis since this study was limited to only SMEs in the Cape Coast Metropolis.

REFERENCES

Abban, E. K, Asmah, R., Awity, L., & Ofori, J. K. (2009). *Review on national policies and programmes on aquaculture in Ghana*. Retrieved February 17, 2016, from http://aquaculturecompendium.zoho.com/Case-Studiespdf

Abor, J., & Biekpe, N. (2006). Small business financing initiatives in Ghana. *Problems and Perspectives in Management, 4*(3), 69-77.

Abor, J., & Quartey, P. (2010). Issues in SME development in Ghana and South Africa. *International Research Journal of Finance and Economics,* Issue 39.

Addo, A. (2010). *Students guide to international financial reporting standards.* Accra: Mercury Press.

Adu, F. A. (2013). *Working capital management in trading and manufacturing firms in Accra and its effect on liquidity and profitability: A focus on inventory and trade receivable*. Unpublished project work, Department of Business Administration, Ashesi University College, Accra, Ghana.

Alexander, D., & Britton, A. (2001). *Financial reporting* (6th ed.). London: Thompson Learning.

Alfaraih, M. (2009). *Compliance with IFRS and the value relevance of accounting information in emerging stock markets: evidence from Kuwait*. Unpublished doctoral thesis, School of Accountancy, Queensland University of Technology.

Ali, M., Ahmed, K., & Henry, D. (2004). Disclosure compliance with national accounting standards by listed companies in South Asia. *Accounting and Business Research, 34*(3), 183-199.

Al-Shammari, B. (2011). Factors influencing the extent of mandatory compliance with international financial reporting standards: the case of Kuwaiti listed companies. *Journal of International Business and Economics, 11*(4), 305-360.

American Institute of Certified Public Accountants (2011). *International financial reporting standards: An AICPA backgrounder*. Retrieved March 21, 2016, from http://www.ifrs.com/pdf/IFRSUpdate_V8.pdf.

Amoako-Kwabena, G. (2010). *Compliance with international financial reporting standard 7*: *A study of listed banks in Ghana*. Unpublished master's dissertation, University of Cape Coast, Cape Coast.

Antwi, G. K. (2010). *Adoption of international financial reporting standards in developing countries: The case of Ghana.* Unpublished project work, University of Applied Sciences, Vaasan Ammattikorkeakoulu.

Ary, D., Jacobs, L. C., Razavieh, A., & Sorensen, C. (2006). *Introduction to research in education* (7^{th} ed.). New York: Thompson/Wadsworth.

Ashbaugh, H., & Pincus, M. (2001). Domestic accounting standards, international accounting standards, and predictability of earnings. *Journal of Accounting Research, 39*(3), 417-434.

Ballas, A. A., & Tzovas, C. (2010). An empirical investigation of Greek firms' compliance with IFRS disclosure requirements. *International Journal of Managerial and Financial Accounting, 2*(1), 40-62.

Beier, R. J. (2008). One global flavour: *Thinking about international financial reporting standards and how leading US companies are getting ready for them.* Retrieved February 14, 2016, from http://www.pwc.com/extweb/home. nsf/docid/0428F1396868DF2885257

Belkaoui, A., & Kahl, A. (1978). Corporate financial disclosure in Canada. *Research Monograph*, No. 1, Vancouver: Canadian Certified General Accountants Association.

Belqaoui, A. R. (2000). *Accounting theory* (4th ed.). London: Thomson Learning.

Blake, J. (2009). *Accounting standards* (2nd ed.). London: Pitman Publishers.

Bolton, J. E. (1971). *Report of the committee of inquiry on small firms.* London: HMSO.

Chakrabarty, K. C. (2011). *Introduction to financial reporting standards: Issues and challenges.* Retrieved March 20, 2016, from http://www.bis.org/review/r110215b.pdf

Chattham, M. D. (2008). Assessing the extent of compliance with international accounting standards. *Journal of International Business Research, 7*(1), 1-7.

Choi, F. D. S., & Meek, G. K. (2005). *International accounting* (5th ed.). NewJersey: Prentice - Hall.

Cook, P., & Nixon, F. (2007). *Finance and small and medium-sized enterprise development.* IDPM, University of Manchester, Finance and Development Research Programme Working Paper Services, Paper No. 14.

Craswell, A. T., & Taylor, S. L. (1992). Discretionary disclosure of reserve by oil and gas companies. *Journal of Business Finance and Accounting, 19*(2), 295-308.

DeAngelo, L. E. (2001). Auditor size and auditor quality. *Journal of Accounting and Economics, 3*(3), 183-199.

Deloitte. (2011). *IASB's conceptual framework*. Retrieved March 11, 2016, from http://www.deloitte.com

Doupnik, T., & Salter, S. (1995). External environment, culture, and accounting practice: a preliminary test of a general model of international accounting development. *International Journal of Accounting, 30*(3), 12-29.

Ferguson, M. J., Lam, K. C., & Lee (2002). Voluntary disclosure by state-owned enterprises listed on the stock exchange of Hong Kong. *Journal of International Financial Management and Accounting, 13*(2), 125- 152.

Foster, G. (2013). *Financial statement analysis* (4th ed.). New Jersey: Prentice-Hall.

Ghauri & Grønhaung (2002). *Research methods in business studies*: A practical guide. London: Pearson Education.

Glaum, M., & Street, D. L. (2003). Compliance with disclosure requirements of Germany's new market: IAS versus US GAAP. *Journal of International Financial Management and Accounting, 14*(1), 64-100.

Glynn, J., Murphy, M., Perrin, J. & Abraham, A. (2003). *Accounting for managers* (3rd ed.). London: Thomson Learning.

Gole, A. (2011). Current assets and liabilities for Small and medium scale businesses. *Journal of Management Decision, 34*(2), 3-7.

Gravetter, F. J., & Forzano, L. B. (2006). *Research methods for the behavioural sciences* (2nd ed.). Belmont: Thomson Wadsworth.

Gupta, R. L., & Radhaswamy, M (2004). *Advanced financial accounting.* New Delhi: Sultan Chand & Sons.

Hassan, O. A. G., Giogioni, G. & Romilly, P. (2006). The extent of financial disclosure and its determinates in an emerging capital markets: The case of Egypt. *International Journal Accounting, Auditing and Performance Evaluation, 3*(1), 41-67.

Holt, G. (2010). *IFRS for SMEs*. Retrieved May 5, 2016, from http://www2.acc aglobal.com/members/publications/accountingbusines

Institute of Charted Accountants England and Wales, (2010). *Knowledge guide to international accounting standards.* Retrieved February 21, 2016, from http://www.icaew.com/en/library/subject-knowledge-international-accounting-standards

Institute of Chartered Accountants Ghana. (2010). *About us*. Retrieved March 13, 2016, from http://www.icagh.com/about-us/icag-overview

Iopev, L., & Kwanum, I. M. (2012). An assessment of risk management of small and medium scale enterprises in Nigeria. *Research Journal of Finance and Accounting, 3*(5), 151-159.

Jensen, M. & Meckling, W. (1976). Theory of the firm: managerial behaviour, agency costs and ownership. *Journal of Financial Economics, 3*(3), 305-360.

Jones, S., & Higgins, A. D. (2006). Australia's switch to international financial reporting standards: a perspective from account preparers. *Accounting and Finance, 46*, 629-652.

Joshi, L., & Al-Mudhahki, J. (2001). Empirical study of compliance with international accounting standards (IAS 1) by stock exchange listed companies in Bahrain. *Journal of Financial Management and Analysis, 14*(2), 43-54.

Kam, V. (1990). *Accounting theory (2nd ed.).* Toronto, Canada:John Wiley & Sons, Inc.

Kayanula, D., & Quartey, P. (2005). *Paper on the policy environment for promoting small and medium-sized enterprise in Ghana and Malawi*. Manchester: Crawford House.

Kieso, D. E., Weygandt, J. J., & Warfield, T. D. (2004). *Intermediate accounting* (11th ed.). New Jersey: John Wiley & Sons, Inc.

Malhotra, N. K., & Birks, D. F. (2007). *Marketing research* (3rd ed.). Harlow: Dentice Hall/Pearson Education.

Mensah, J. V. (2006). Determinants of capacity utilisation of urban and rural small scale industries in Ghana. *The Oguaa Journal of Social Sciences, 3*, 120-129.

Mueller, G. G., Gernon, H., & Meek, G. K. (2007). *Accounting: An international perspective* (7th ed.). New York: McGraw-Hill.

Mutawaa, A. A., & Hawaidy, A.M. (2010). Disclosure level and compliance with IFRSs: An empirical investigation of Kuwaiti companies. *International Business and Economics Research Journal, 9*(5), 33-50.

Mutungi, M. (2010). *The relationship between working capital management policies and financial performance of oil marketing firms in Kenya.* Unpublished master's thesis, University of Nairobi, Nairobi.

Naser, K., Al-Khatib, K., & Karbhari, Y. (2002). Empirical evidence on the depth of corporate information disclosure in developing countries: The case of Jordan. *Advances in International Accounting, 13*, 99-118.

National Board for Small Scale Industries [NBSSI] (1990). Supporting micro and small scale enterprises: *A handbook on enterprise development part one*. Accra: Print Solutions.

National Board for Small Scale Industries (2013, May). *Making SMEs more productive*. Accra: NBSS.

Osei, B., Baah-Nuakoh, A., Tutu, K. A., & Sowa, N. K. (1993). *Impact of structural adjustment on small-scale enterprises in Ghana.* Accra: NDPC.

Padachi, K. (2012). Trends in working capital management and its impact on firms performance: An analysis of Mauritian small manufacturing firms. *International Review of Business Research Papers*, *2*(2), 45-58.

Pallant, J. (2001). *SPSS survival manual: A step by step guide to data analysis using SPSS for Windows* (Version 10). Sydney: Allen and Unwin.

Palmer, P. (2008). Disclosure of the impacts of abandoning Australian equivalents of international financial reporting standards. *Journal of Accounting and Finance, 48*(5), 847-870.

Pandey, I. M. (2010), *Financial management* (10th ed.). New Delhi: Vikas Publishing House Pvt Ltd.

Petryni, M. (2011). *The importance of accounting standards*. Retrieved February 21, 2016, from http://www.ehow.com/info_859458importance-countingstandardshtml

Schroeder, R. G., Clark, M. W. & Cathey J. M. (2005). *Financial accounting theory and analysis.* New Jersey: John Wiley & Sons, Inc.

Setyadi, A., Rusmin, R., Tower, G., & Brown, A. (2011). Measurement vs. Disclosure of accounting compliance in Indonesia. *International Journal of Accounting , Auditing, and Performance Evaluation, 7*(1/2), 94-119.

Shin, B., & Soenen, E. (2008). Small company finance: What the books don't say. *Harvard Business Review*, *65*, 30-32.

Street, D., & Bryant, S. (2002). Disclosure level and compliance with IASs: A comparison of companies with and without U.S. listings and filings. *International Journal of Accounting, 35*(3), 305-329.

Street, D., & Gray, S. (2001). Observance of international accounting standards: factors explaining non-compliance by companies referring to the use of IAS. *An ACCA Research Monograph*, No. 74.

Tafara, E. (2008). *Speech by SEC staff: Investors' choice in the regulation of global capital markets?* Retrieved March 13, 2016, from www.sec.gov/news/ speech/2008/spcho61908et.htm.

United Nations. (2007). *International accounting and reporting issues by centre on transnational corporations, united nations*. Retrieved March 13, 2016, from http://books.google.com.gh

Van-Horne, E. (2011). Investing and financing behaviour of small manufacturing firms. *Journal of Small Business Finance*, *13*(1), 79-104.

Wagenhofer, A. (1990). *The demand for disclosure and actual disclosure by firms*. Paper presented at the XIII EAA Congress, Budapest.

Watts, R., & Zimmerman, J. (1986). *Positive accounting theory*. New Jersey: Prentice Hall.

Watts, R., & Zimmerman, J. (1993). Agency problems, auditing and theory of the firm: Some evidence. *Journal of Law and Economics, 1226*, 613-633.

Weetman, P. (2006). *Financial and Management Accounting: An introduction* (4th ed.). Harlow, England: Pearson Education.

Wijewardena, H. and Yapa, S. (1998). Colonialism and accounting education in developing countries: The experiences of Singapore and Sri- Lanka. *International Journal of Accounting, 33*(2), 269-281.

Wong, P. (2004). *Challenges and successes in implementing International standards: Achieving convergence to IFRSs and ISAs*. Retrieved March

Wood, F., & Sangster, A. (2008). *Business accounting* (11th ed.). Harlow: Pearson Education Limited.

World Bank. (2004). *Report on the observance of standards and codes: Ghana*. Retrieved March 16, 2016, from http://www.worldbank.org/ifa/rosc_aa_gha.pdf

Zeff, S. A. (2011). *Evaluation of US generally accepted accounting standards.* Retrieved March 18, 2016, from http://www.iasplus.com

Zikmund, W. G. (2010). *Business research methods* (8th ed.). Mason, OH: South-Western Cengage Learning.

Zori, S. (2011). *International Financial reporting standards in the African continent: A look at Ghana*. Retrieved February 23, 2016, from http://solomonzori.blogspot.com.

Zorklui, S. Q., & Barbie, W. (2003). Financial sector reforms and savings in Sub-Saharan Africa. *Savings and Development, Issue 1*, 63-98.

APPENDICES

APPENDIX A

UNIVERSITY OF CAPE COAST
COLLEGE OF DISTANCE EDUCATION (CoDE)
DEPARTMENT OF BUSINESS STUDIES

IFRS DISCLOSURE AND PRESENTATION CHECKLIST

TOPIC: Factors influencing the extent of corporate compliance with IFRSs: A case study of some selected SMEs in the Cape Coast Metropolis

Scoring: The responses are YES (2), NO (0) and NON-APPLICABLE (1).

IAS 1 Presentation of Financial Statements

This section of the checklist addresses IAS 1, which prescribes the basis for presentation of general purpose financial statements to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities.				
Reference	**Presentation/disclosure requirement**	**0**	**1**	**2**
	Complete set of financial statements			
	A complete set of financial statements comprises:			
IAS 1:10(a)	a) a statement of financial position as at the end of the period;			
IAS 1:10(b)	b) an statement of comprehensive income for the period;			
IAS 1:10(c)	c) a statement of changes in equity for the period:			
IAS 1:10(d)	d) a statement of cash flows for the period;			
IAS 1:10(e)	e) notes, comprising a summary of significant accounting policies and other explanatory information; and			
	Fair presentation and compliance with IFRSs			
IAS 1:16	An entity whose financial statements comply with IFRSs shall make an explicit and unreserved statement of such compliance in the notes.			
	Going concern			
IAS 1:25	When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern.			
	Accrual basis of accounting			

IAS 1:27	An entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting.			
IAS 1:29	An entity shall present each material class of similar items separately in the financial statements.			
	Comparative information			
IAS 1:38	Except when IFRSs permit or require otherwise, an entity shall disclose comparative information in respect of the previous period for all amounts reported in the current period's financial statements.			
	Identification of the financial statements			
IAS 1:49	An entity shall clearly identify the financial statements and distinguish them from other information in the same published document.			
IAS 1:51	An entity shall display the following information prominently, and repeat it when it is necessary for the information presented to be understandable:			
IAS 1:51(a)	a) the name of the reporting entity or other means of identification, and any change in that information from the end of the preceding reporting period;			
IAS 1:51(b)	b) whether the financial statements are of the individual entity or a group of entities;			
IAS 1:51(c)	c) the date of the end of the reporting period or the period covered by the set of financial statements or notes;			
IAS 1:51(d)	d) the presentation currency.			
IAS 1:51(e)	e) the level of rounding used in presenting amounts in the financial statements.			
	Statement of financial position			
	Information to be presented in the statement of financial position			
IAS 1:54	As a minimum, the statement of financial position sheet shall include line items that present the following amounts:			
IAS 1:54(a)	a) property, plant and equipment;			
IAS 1:54(b)	b) investment property;			
IAS 1:54(c)	c) intangible assets;			
IAS 1:54(e)	d) investments accounted for using the equity method;			

IAS 1:54(g)	e) inventories;			
IAS 1:54(h)	f) trade and other receivables;			
IAS 1:54(i)	g) cash and cash equivalents;			
IAS 1:54(k)	h) trade and other payables;			
IAS 1:54(l)	i) provisions;			
IAS 1:54(n)	j) liabilities and assets for current tax, as defined in IAS 12 *Income Taxes*;			
IAS 1:54(o)	k) deferred tax liabilities and deferred tax assets, as defined in IAS 12;			
	An entity shall disclose the following, either in the statement of financial position or the statement of changes in equity, or in the notes:			
IAS 1:79(a)	a) for each class of share capital:			
	i) the number of shares authorised;			
	ii) the number of shares issued and fully paid, and issued but not fully paid;			
	iii) par value per share, or that the shares have no par value;			
IAS 1:79(b)	b) a description of the nature and purpose of each reserve within equity.			
	Information to be presented in the statement of comprehensive income			
IAS 1:82(a)	a) revenue;			
IAS 1:82(b)	b) finance costs;			
IAS 1:82(d)	c) tax expense;			
IAS 1:82(f)	d) profit or loss;			
IAS 1:82(i)	e) total comprehensive income.			
	Statement of changes in equity			
	An entity shall present a statement of changes in equity, showing in the statement:			
IAS 1:106(a)	a) total comprehensive income for the period.			
IAS 1:106(b)	b) for each component of equity, the effects of retrospective application or retrospective restatement			

	recognised in accordance with IAS 8; and			
IAS 1:106(d)	c) for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period.			
	Information to be presented in the statement of changes in equity or in the notes			
IAS 1:107	An entity shall present, either in the statement of changes in equity or in the notes:			
	a) the amount of dividends recognised as distributions to owners during the period, and			
	b) the related amount of dividends per share.			
	Disclosure of accounting policies			
	An entity shall disclose in the summary of significant accounting policies:			
IAS 1:117(a)	a) the measurement basis (or bases) used in preparing the financial statements; and			
IAS 1:117(b)	b) the other accounting policies used that are relevant to an understanding of the financial statements.			
	Judgements made in the process of applying accounting policies			
IAS 1:122	An entity shall disclose, in the summary of significant accounting policies or other notes, the judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements.			
	Sources of estimation uncertainty			
IAS 1:125	An entity shall disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.			

	In respect of such assets and liabilities, the notes shall include details of:			
IAS 1:125(a)	a) their nature; and			
IAS 1:125(b)	b) their carrying amount as at the end of the reporting period.			
IAS 1:134	An entity shall disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.			
	To comply with paragraph 134 of IAS 1 (see above), the entity discloses the following:			
IAS 1:135(a)	a) An entity shall disclose qualitative information about its objectives, policies and processes for managing capital, including:			
	i) a description of what it manages as capital;			
	ii) how it is meeting its objectives for managing capital;			
IAS 1:135(b)	b) summary quantitative data about what it manages as capital;			
IAS 1:136A(a)	a) summary quantitative data about the amount classified as equity;			
	Other disclosures			
	An entity shall disclose in the notes:			
IAS 1:137(a)	a) the amount of dividends proposed or declared before the financial statements were authorised for issue but not recognised as a distribution to owners during the period, and the related amount per share; and			
IAS 1:137(b)	b) the amount of any cumulative preference dividends not recognised.			
	An entity shall disclose the following, if not disclosed elsewhere in information published with the financial statements:			
IAS 1:138 (a)	a) the domicile and legal form of the entity, its country of incorporation and the address of its registered office (or principal place of business, if different from the registered office);			
IAS	**b) a description of the nature of the entity's operations**			

1:138(b)	**and its principal activities;**			

IAS 7 Statement of Cash Flows

Reference	Presentation/disclosure requirement	0	1	2
This section of the checklist addresses IAS 7, which prescribes the manner in which a statement of cash flows should be prepared.				
	Classification of cash flows			
IAS 7:10	The statement of cash flows shall report cash flows during the period classified by operating, investing and financing activities.			
	Reporting cash flows from operating activities			
IAS 7:18(a)	a) the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed; or			
IAS 7:18(b)	b) the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.			
	Reporting cash flows from investing and financing activities			
IAS 7:21	An entity shall report separately major classes of gross cash receipts and gross cash payments arising from investing and financing activities.			
IAS 7:28	The effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency is reported in the statement of cash flows in order to reconcile cash and cash equivalents at the beginning and the end of the period.			
IAS 7:31	Cash flows arising from interest and dividends received and paid shall each be disclosed separately.			
IAS 7:35	Cash flows arising from taxes on income shall be separately disclosed.			
IAS 7:35	Cash flows arising from taxes on income shall be classified as cash flows from operating activities unless they can be specifically identified with financing and investing activities.			
	Components of cash and cash equivalents			
IAS 7:45	An entity shall disclose the components of cash and cash equivalents.			

IAS 7:45	An entity shall present a reconciliation of the amounts for cash and cash equivalents in its statement of cash flows with the equivalent items reported in the statement of financial position.			
IAS 7:46	**In order to comply with IAS 1 Presentation of Financial Statements, an entity discloses the policy that it adopts in determining the composition of cash and cash equivalents.**			

IAS 16 Property, Plant and Equipment

This section of the checklist addresses the presentation and disclosure requirements of IAS 16, which prescribes the accounting treatment for property, plant and equipment. The principal issues in accounting for property, plant and equipment are: the recognition of assets, the determination of their carrying amounts and the recognition of depreciation charges and impairment losses.

Reference	Presentation/disclosure requirement	0	1	2
	General disclosures			
	The financial statements shall disclose, for each class of property, plant and equipment:			
IAS 16:73(a)	a) the measurement bases used for determining the gross carrying amount;			
IAS 16:73(b)	b) the depreciation methods used;			
IAS 16:73(c)	c) the useful lives or the depreciation rates used;			
IAS 16:73(d)	d) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period;			
IAS 16:73(e)	e) a reconciliation of the carrying amount at the beginning and end of the period showing:			
	i) additions;			
	ii) acquisitions through business combinations;			
	iii) increases or decreases resulting from revaluations;			
	iv) impairment losses recognised in profit or loss in accordance with IAS 36;			
	v) impairment losses reversed in profit or loss in			

	accordance with IAS 36;			
	vi) depreciation;			
	The financial statements shall also disclose:			
IAS 16:74(a)	a) the existence and amounts of restrictions on title, and property, plant and equipment pledged as security for liabilities;			
IAS 16:74(b)	b) the amount of expenditures recognised in the carrying amount of an item of property, plant and equipment in the course of its construction;			
IAS 16:76	An entity shall disclose the nature and effect of any change in an accounting estimate relating to property, plant and equipment that has an effect in the current period or is expected to have an effect in subsequent periods, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.			
	Assets carried at revalued amounts			
	If items of property, plant and equipment are stated at revalued amounts, the following shall be disclosed:			
IAS 16:77(a)	a) the effective date of the revaluation;			
IAS 16:77(b)	b) whether an independent valuer was involved;			
IAS 16:77(c)	c) the methods and significant assumptions applied in estimating the items' fair values;			
IAS 16:77(d)	d) the extent to which the items' fair values were determined directly by reference to observable prices in an active market or recent market transactions on arm's length terms or were estimated using other valuation techniques;			
IAS 16:77(e)	e) for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model; and			
IAS 16:77(f)	f) the revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders.			
IAS 16:42	The effects of taxes on income, if any, resulting from the revaluation of property, plant and equipment are recognised			

	and disclosed in accordance with IAS 12 *Income Taxes*.			
	Presentation of gains and losses arising on derecognition			
IAS 16:68	The gain or loss arising from the derecognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognised .			
IAS 16:68	Gains arising from the derecognition of an item of property, plant and equipment shall not be classified as revenue.			
IAS 16:68A	**The proceeds from the sale of items of property, plant and equipment that an entity has held for rental to others and that it routinely sells in the course of its ordinary activities shall be recognised as revenue in accordance with IAS 18 *Revenue.***			

IAS 18 Revenue

This section of the checklist addresses the presentation and disclosure requirements of IAS 18.

Reference	Presentation/disclosure requirement	0	1	2
	An entity shall disclose:			
IAS 18:35(a)	a) the accounting policies adopted for the recognition of revenue, including the methods adopted to determine the stage of completion of transactions involving the rendering of services;			
IAS 18:35(b)	b) the amount of each significant category of revenue recognised during the period, including revenue arising from:			
	i) the sale of goods;			
	ii) the rendering of services;			
	iii) interest;			
	iv) royalties;			
	v) dividends; and			

IAS 19 Employee Benefits

This section of the checklist addresses the presentation and disclosure requirements of IAS 19, which prescribes the accounting for employee benefits.

Reference	Presentation/disclosure requirement	0	1	2
	Short-term employee benefits			
IAS 19:23	IAS 19 does not require specific disclosures about short-term employee benefits, but IAS 24 *Related Party Disclosures* requires an entity to disclose information about employee benefits for key management personnel and IAS 1 *Presentation of Financial Statements* requires that an entity shall disclose its employee benefits expense.			
	Post-employment benefits – defined contribution plans			
IAS 19:46	An entity shall disclose the amount recognised as an expense for defined contribution plans.			
	Post-employment benefits – defined benefit plans			
	Disclosure			
	An entity shall disclose the following information about defined benefit plans:			
IAS 19:120A(a)	a) the entity's accounting policy for recognising actuarial gains and losses;			
IAS 19:120A(c)	b) a reconciliation of opening and closing balances of the present value of the defined benefit obligation.			
IAS 19:120A(d)	c) an analysis of the defined benefit obligation into amounts arising from plans that are wholly unfunded and amounts arising from plans that are wholly or partly funded;			
IAS 19:120A(e)	d) a reconciliation of the opening and closing balances of the fair value of plan assets and of the opening and closing balances of any reimbursement right recognised as an asset in accordance with paragraph 104A of IAS 19.			
IAS 19:120A(f)	e) a reconciliation of the present value of the defined benefit obligation in paragraph 120A(c) and the fair value of the plan assets in paragraph 120A(e) to the assets and liabilities recognised in the statement of financial position.			
IAS 19:120A(g)	f) the total expense recognised in profit or loss for each of the following, and the line item(s) in which they are included:			
	i) current service cost;			
	ii) interest cost;			

	iii) expected return on plan assets;			
	iv) actuarial gains and losses;			
	v) past service cost;			
	vi) the effect of any curtailment or settlement; and			
IAS 19:120A(h)	g) the total amount recognised in other comprehensive income for actuarial gains and losses.			
IAS 19:120A(l)	h) a narrative description of the basis used to determine the overall expected rate of return on assets, including the effect of the major categories of plan assets;			
IAS 19:120A(m)	i) the actual return on plan assets.			
IAS 19:120A(n)	j) the principal actuarial assumptions used as at the end of the reporting period.			
IAS 19:120A(p)	k) the amounts for the current annual period and previous four annual periods of the present value of the defined benefit obligation, the fair value of the plan assets and the surplus or deficit in the plan			
IAS 19:120A(q)	q) the employer's best estimate, as soon as it can reasonably be determined, of contributions expected to be paid to the plan during the annual period beginning after the reporting period.			
IAS 19:125	Where required by IAS 37, an entity discloses information about contingent liabilities arising from post-employment benefit obligations.			
	Termination benefits			
IAS 19:142	As required by IAS 1, an entity discloses the nature and amount of an expense arising from termination benefits if it is material.			

IAS 12 Income Taxes

This section of the checklist addresses the presentation and disclosure requirements of IAS 12, which prescribes the accounting treatment for income taxes.

Reference	Presentation/disclosure requirement	0	1	2
	Tax expense			
IAS 12:77	The tax expense (income) related to profit or loss from ordinary activities shall be presented in the statement of			

	comprehensive income.			
	Disclosure			
IAS 12:79	The major components of tax expense (income) shall be separately disclosed.			
	The following shall also be disclosed separately:			
IAS 12:81(a)	a) the aggregate current and deferred tax relating to items that are charged or credited directly to equity.			
IAS 12:81(ab)	b) the amount of income tax relating to each component of other comprehensive income.			
IAS 12:81(c)	c) an explanation of the relationship between tax expense (income) and accounting profit in either or both of the following forms:			
	i) a numerical reconciliation between tax expense (income) and the product of accounting profit multiplied by the applicable tax rate(s), disclosing also the basis on which the applicable tax rate(s) is (are) computed; or			
	ii) a numerical reconciliation between the average effective tax rate and the applicable tax rate, disclosing also the basis on which the applicable tax rate is computed;			
IAS 12:81(d)	d) an explanation of changes in the applicable tax rate(s) compared to the previous accounting period;			
IAS 12:81(f)	e) the aggregate amount of temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, for which deferred tax liabilities have not been recognised (see paragraph 39 of IAS 12);			
IAS 12:81(g)	g) in respect of each type of temporary difference, and in respect of each type of unused tax losses and unused tax credits:			
	i) the amount of the deferred tax assets and liabilities recognised in the statement of financial position for each period presented; and			
	ii) the amount of the deferred tax income or expense recognised in profit or loss, if this is not apparent from the changes in the amounts recognised in the statement of financial position;			

IAS 12:81(i)	h) the amount of income tax consequences of dividends to shareholders of the entity that were proposed or declared before the financial statements were authorised for issue, but are not recognised as a liability in the financial statements;			
IAS 12:88	An entity discloses any tax-related contingent liabilities and contingent assets in accordance with IAS 37 *Provisions, Contingent Assets and Contingent Liabilities*.			
IAS 12:88	Where changes in tax rates or tax laws are enacted or announced after the reporting period, an entity discloses any significant effect of those changes on its current and deferred tax assets and liabilities, in accordance with the general principles of IAS 10 *Events after the Reporting Period*.			

APPENDIX B

INTERVIEW GUIDE

To the National Board for Small Scale Industries (NBSSI) Cape Coast, and Institute of Chartered Accountants Ghana

1. Are registered enterprises required to lodge a copy of their audited financial statement with your setup? If no why?
2. If yes does the board check whether all registered enterprises comply with IFRS? If yes
3. Please describe the board's approach to checking compliance with IFRS
4. Has the approach in three (3) above been documented?
5. Has the board observed any non-compliance with certain standards? If yes
6. What action does the board taking on registered enterprises that do not comply with the standards? If yes
7. Who does the board apply penalties for non-compliance to, is it:
   - i) The enterprise
   - ii) The owner/manager
   - iii) External auditors
   - iv) Others, specify
8. If the board does not check compliance, does it receive complains about enterprise' non-compliance? If yes, how does the board deal with the complaints?