UNIVERSITY OF CAPE COAST

PREPAREDNESS OF MICRO, SMALL AND MEDIUM–SCALE ENTERPRISES TO

COMPLY WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

FOR SMEs

BY

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APRIL, 2016

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 Name: EMMANUEL JOE SARBAH

Signature: ……………………………….   Date: …………………………

SUPERVISOR'S DECLARATION

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

 Supervisor's Name: DR. JOSEPH TUFUOR KWARTENG

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ABSTRACT

The general objective of this study was to explore the perception of Micro, Small and Medium Scale Enterprises (MSMEs) about International Financial Reporting Standards (IFRS) and their preparedness to comply with IFRS requirements as it involves the preparation of accounts. The research approach follows both the positivist and the critical social research approaches since the adopted research design was the mixed method strategy and employed both quantitative and qualitative methods for analyses. A random sample of 125 respondents from the registry of the Cape Coast Metropolis was used for the study. Structured Questionnaire and interviews were used to obtain the primary data used for the analyses. The results indicated that Most of the Micro Small and Medium-Scale Enterprises in the Cape Coast Metropolis lack personal knowledge about bookkeeping and have not heard of IFRS. A number of enterprises resort to traditional methods of bookkeeping such as writing on walls, tables and keeping records in their memories. The interview suggested that the respondents had fully believed in the efficacy of their traditional methods. A relatively higher percentage of the respondents accepted the importance of IFRS adoption in their business but most were of the view that the IFRS processes are hectic to apply. The study recommends that the management of the National Board for Small-Scale Industries (NBSSI) should organise more seminars and conferences to educate their members on the need to keep proper records and adopt international standards such as IFRS for MSMEs.

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DEDICATION

To my father and my late mother.

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ABBREVIATIONS

IASC	International Accounting Standards Committee
IASB	International Accounting Standards Boards
IAS	International Accounting Standard
IASs	International Accounting Standards
SIC	Standing Interpretations Committee
IFRSs	International Financial Reporting Standards
IFRS	International Financial Reporting Standard
FRS	Financial Reporting standard
GAAP	Generally Accepted Accounting Principles
FASB	Financial Accounting Standards Board
SEC	Securities and Exchange Commission
ACCA	Association of Certified Chartered Accountants
AICPA	American Institute of Certified Public Accountants
ICAEW	Institute of Chartered Accountants in England and Wales
ICAZ	Institute of Chartered Accountants, Zimbabwe
SAICA	South Africa Institute of Chartered Accountants

SADTI   South African Department of Trade and Industry

ICPAK   Institute of Certified Public Accountants of Kenya

ASEAN   Association of South East Asian nations

IASCF   International Accounting Standards Committee Foundation

IFRIC   International Financial Reporting Interpretations Committee

SAC   Standards Advisory Council

GNASs   Ghana National Accounting Standards

ICAG   Institute of Chartered Accountants, Ghana

SMEs   Small and Medium Enterprises

MSMEs   Micro, Small and Medium-Scale Enterprises

NBSSI   National Board for Small-Scale Industries

UCC   University of Cape Coast, Ghana

GSS   Ghana Statistical Services

MLSEs   Medium and Large-Scale Enterprises

SSAP   Statements of Standard Accounting Practice

IK   Indigenous Knowledge

GDP   Gross Domestic Products

DEFINITIONS OF TERMS

TERMS   EXPLANATIONS

Framework   The IASB's Framework for the Preparation and Presentation

                 of Financial Statements

Standards   International Financial Reporting Standards

The Boards   International Accounting Standards Boards

CHAPTER ONE

INTRODUCTION

Background to the Study

When the International Accounting Standards Board (IASB) sets a brand new accounting standard, a number of countries tend to adopt the standard, or at least interpret them as it is deemed appropriate, and fit it into their individual country's accounting standards. These standards, as set by each particular country's accounting standards board, will in turn influence what becomes Generally Accepted Accounting Principles (GAAP) for each particular country (Amissah, 2011). Prior to the 1960's when the need for global harmonisation of preparation of accounts, countries all over the world, had their own ways of preparing and presenting their financial statements to interested parties which defer in scope from one organization to the other, and from country to country.

During those periods, financial reporting was only concerned with financial information that was useful for business and economic decision-making process. The need to have a common accounting reporting standards brought about a Conceptual Framework to form the Theoretical Basis for determining which events should be accounted for, how they should be measured, and the process of communicating to end users. The danger of not having a conceptual framework is demonstrated by the way some standards have developed over recent years. This resulted in standards being produced in

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haphazard and fire-fighting approach. The lack of conceptual framework also means fundamental principles are tackled more than once in different standards, thereby producing contradictions and inconsistencies in basic concepts, such as of prudence and matching. This leads to ambiguity, and it affects the true and fair view and concept of financial reporting (ACCA, BPP, 2011:3).

GAAP are imposed on business entities so that investors have at least a minimum level of consistency in the financial statements they use when analysing companies for investment purposes. Accordingly, the constant evolution of GAAP, therefore, fulfils its mission to disseminate quality financial information.

However, the issue of application of accounting standards to Micro, Small and Medium-Scale Enterprises had been the subject of numerous studies around the world (Nazri, 2010; McMahon, 1999). This is because many countries all over the world have not adopted the International Financial Reporting Standards (IFRSs) for Larger Companies, let alone to come to the realisation of adopting that for Micro, Small and Medium-Scale Enterprises (MSMEs) before complying with their requirements respectively.

That may be the reason there is a call by some authors (Juping, 2010; Sheridan, 2009) that IFRS compliance should only be mandatory for medium and large or listed companies and not small scale enterprises or one-man businesses. They further argue that fundamentally, general-purpose financial statements are prepared (under IFRS) on the assumption that there are no basic differences in the needs of those who will use them.

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Alerding (2003) believe that Small Enterprises have been caught in the wake of increasingly complex accounting and disclosure requirements following the wave of laws and new accounting pronouncements. Consequently, the Financial Accounting Standards Board (FASB) continues to address the complexity of the GAAP hierarchy in the standards it has issued (Fitzsimons & Thompson, 2005). This led to the issuance of the International Financial Reporting Standard for small and medium-sized entities (IFRS for SMEs). The introduction of IFRS for SMEs seeks to standardize and harmonize financial reporting among small enterprises that prepare general purpose financial statements.

However, every now and then debates arise as to whether separate accounting and reporting rules should be set for Small Enterprises (Sayther, 2004). The debate has risen as to whether small and local enterprises should adopt a different set of accounting rules due to reasons such as differing needs of financial users, rapid and widespread developments in financial reporting, compliance costs, and statutory requirements.

Statement of the Problem

Many studies have been carried out on Micro, Small, and Medium Scale Enterprises (Amoako, 2012; Maseko and Manyani, 2011; Aryeetey, 2001; Storey, 1994). While some studies concentrated on accounting and record keeping practices of MSMEs (Adu, 2013; Quartey and Abor, 2010), some others concentrated on challenges of MSMEs (Amoako, 2012; Okoli, 2011; Esaete, 2005). In the area of IFRS compliance, some studies have been done on listed companies (Amoako, Marfo, Gyabaah and Gyamfi, 2014;

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Tackie, 2007). However, the area that has received little attention in the literature is the study on preparedness of MSMEs to comply with IFRS.

Objective of the Study

The general objective of this study is to explore the awareness and attitude of Micro, Small and Medium-Scale Enterprises of IFRS and their readiness to comply with IFRS requirements. The following specific objectives have been formulated to guide the study;

1. Assess the level of awareness of IFRS compliance among Micro, Small and Medium-Scale enterprises.

2. Assess the attitudeof MSMEs about IFRS for compliance

3. Assess the readiness of MSMEs in complying with IFRS requirements

4. Identify the challenges MSMEs face in their bid to comply with IFRS requirements.

5. Identify some indigenous ways of keeping records among MSMEs despite the adoption of IFRS for SMEs

Research Questions

The study seeks to answer the following questions:

1. What level of awareness do MSMEs have about IFRS compliance?

2. What attitude do MSMEs have about IFRS compliance?

3. What is the readiness of MSMEs to comply with the IFRS requirements?

4. What challenges do MSMEs face in complying with IFRS?

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5. What are some of the indigenous ways of keeping records among MSMEs despite the adoption of IFRS for SMEs?

Significance of the study

Given the complex nature of the International Financial Reporting Standards, this study was justified in assessing the perception of Micro, Small and Medium-Scale Enterprises owners and operators on IFRS and their preparedness in adopting and complying with those standards.

Besides contributing to existing knowledge, the study provides a feedback to policy-makers and Accounting Standards Setters with deeper insight into the preparedness, challenges and attitudes of MSMEs in adopting IFRS for SMEs. The study also tried to seek some of the present indigenous ways of record keeping among Ghanaian MSMEs despite the adoption of IFRS for SMEs. By this, relevant authorities would design appropriate mechanisms to get them comply so that they can have all the taxes they want to collect from them without missing any amount out.

The study would equally be of immense help to the national accounting regulatory body in Ghana (ICA, Ghana) and the National Board for Small-Scale Industries (NBSSI) in evaluating the success of their activities with specific reference to educating Small Scale Enterprises owners on the need for IFRS compliance. It would also assist the authorities in formulating its future plans.

Delimitation of the Study

The study sought to identify Micro Enterprises (1 – 5 persons), and Small and Medium-Scale Enterprises (6 – 29 people) in the Cape Coast Metropolis engaging in commercial activities such as trading (retailers) and services with emphasis on those who cannot read and write, and those who can read and write, in both cases, assessing their awareness, perception, and preparedness in complying with the IFRS requirements. The study covered areas such as Abura, Kotokoraba, Kingsway, UCC science market, UCC Old Site market, Bakanu and Kakumdu.

Limitations of the Study

In the first place, lack of willingness by Respondents to disclose financial information on their businesses, created data collection problems and thus affected the findings. But the researcher tried to allay the fears of Respondents by explaining the purpose of the research so as to minimize this limitation on the reliability of the findings.

Secondly, the study focused on strata of the main commercial activities (i.e, retailing and service providers) and this limited the generalisation of the findings to all the strata of the Micro, Small and Medium-Scale Enterprises such as manufacturers, construction firms, etc. Nevertheless, the selected businesses are representative enough to give a clear picture.

Finally, there was inadequate literature in thearea. However, this did not have any great negative impact on the findings.

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Organisation of the Study

The study is organized into five (5) chapters. Chapter One which is the introductory chapter covers the background of the study, statement of the problem, study objectives, research questions, scope of the study, significance and limitations of the study. Chapter Two is devoted to the review of related literature on the awareness of IFRS compliance among Micro, Small and Medium scale enterprises, attitude of MSMEs to IFRS compliance, the readiness of MSMEs in complying with IFRS requirements, the challenges MSMEs face in their bid to comply with IFRS requirements, and some indigenous ways of keeping records among MSMEs– both theoretical and empirical. Chapter Three discusses the methodology employed in conducting the study. It specifically addresses the research approach, study design, study area, population, sample and sampling procedure, research instruments and data collection methods as well as data analysis and presentation. Results and discussions were captured under Chapter Four. The final chapter, Chapter Five, was dedicated to summary, conclusions and recommendations.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

Introduction

In July 2009 the International Accounting Standards Board (IASB) published the International Financial Reporting Standard (IFRS) for Small and Medium-sized Entities (SMEs). The IFRS for SMEs is intended to apply to the general purpose financial statements of entities that do not have public accountability. Entities that have public accountability, and therefore are outside the scope of the IFRS for SMEs, include those whose shares or debt instruments are traded in a public market, banks, credit unions, securities brokers/dealers, mutual funds and insurance companies. In many countries (e.g Ghana, Kenya, South Africa, etc) entities that do not have public accountability are referred to by a variety of terms, including private entities and non-publicly accountable entities.

Why a global financial reporting standard for SMEs?

Global financial reporting standards, applied consistently, enhance the comparability of financial information. Accounting differences can obscure the comparisons that investors, lenders and others make. By requiring the presentation of useful financial information (ie, information that is relevant, reliable, comparable etc), high quality global financial reporting standards improve the efficiency of the allocation and pricing of capital. This benefits

not only those who provide debt or equity capital; it also benefits those entities that seek capital because it reduces their compliance costs and removes uncertainties that affect their cost of capital. Global standards also improve consistency in audit quality and facilitate education and training.

The benefits of global financial reporting standards are not limited to entities whose securities are traded in public capital markets. In the IASB's judgment, SMEs and those who use their financial statements can benefit from a common set of accounting standards. SMEs Financial statements that are comparable from one country to the next are needed for the following reasons:

1) Financial institutions make loans across borders and operate multinationally. In most jurisdictions, over half of all SMEs including the very small ones, have bank loans.

2) Bankers rely on financial statements in making lending decisions and in establishing terms and interest rates.

3) Vendors want to evaluate the financial health of buyers in other countries before they sell goods or services on credit.

4) Credit rating agencies try to develop ratings uniformly across borders. Banks and other institutions that operate across borders often develop similar ratings. Reported financial information is crucial to the rating process.

5) Many SMEs have overseas suppliers and use a supplier's financial statements to assess the prospects of a viable long-term business relationship.

6) Many SMEs have outside investors who are not involved in the day-to-day management of the entity.

Compliance with the IFRS for SMEs/SMMEs

According to the IFRS for SMEs standard, an entity whose financial statements comply with the IFRS for SMEs shall make an explicit and unreserved statement of such compliance in the notes. Financial statements shall not be described as complying with the IFRS for SMEs unless they comply with all the requirements of this IFRS.

In the extremely rare circumstances when management concludes that compliance with this IFRS would be so misleading that it would conflict with the objective of financial statements of SMEs set out in Section 2, the entity shall depart from that requirement in the manner set out in paragraph 3.5 unless the relevant regulatory frameworkprohibits such a departure. When an entity departs from a requirement of this IFRS in accordance with paragraph 3.4, it shall disclose the following:

a) That management has concluded that the financial statements present fairly the entity's financial position, financial performance and cash flows.

b) That it has complied with the IFRS for SMEs, except that it has departed from a particular requirement to achieve a fair presentation.

c) The nature of the departure, including the treatment that the IFRS for SMEs would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial statements set out in Section 2, and the treatment adopted.

When an entity has departed from a requirement of this IFRS in a prior period, and that departure affects the amounts recognised in the financial

statements for the current period, it shall make the disclosures set out in paragraph 3.5 (c) .

In the extremely rare circumstances when management concludes that compliance with a requirement in this IFRS would be so misleading that it would conflict with the objective of financial statements of SMEs set out in Section 2, but the relevant regulatory framework prohibits such a departure fromthe requirement, the entity shall, to the maximum extent possible,reduce the perceived misleading parts or aspects of the compliance by disclosing the following:

a) The nature of the requirement in this IFRS, and the reason why management has concluded that complying with that requirement is so misleading in the circumstances that it conflicts with the objective of financial statements set out in Section 2.

b) For each period presented, the adjustments to each item in the financial statements that management has concluded would be necessary to achieve a fair presentation.

Empirical Review

Areas covered under this include the level of awareness of SMEs about IFRS compliance, attitude of MSMEs on the IFRS requirements, readiness of MSMEs to adopt the IFRS and the challenges faced by those enterprises who have adopted the IFRSs for SMEs, and some arguments in support of indigenous accounting systems by some MSMEs and the factors causing non-compliance.

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Level of awareness of IFRS compliance among MSMEs

The adoption of IFRS for SMEs has some implications for financial statement preparers,users, regulators, educations and other stakeholders. There is the need to effectively plan, coordinate and communicate this to all stakeholders concerned. This should include raising awareness on the potential impact of the conversion, identifying regulatory synergies to be derived and communicating the temporary impact of the transition on business performance and financial position. The implementation of IFRS requires considerable preparation both at the country and entity levels to ensure coherence and provide clarity on the authority that IFRS will have in relation to other existing national laws (Committee on Roadmap, 2010). Creating awareness could be done through education seminars or training workshop, peer review and so on.

It is argued that practical adoption and implementation of IFRS requires adequate technical capacity and training among preparers and users of financial statements, auditors and regulatory authorities (Mazhindu and Mafuba, 2013). According to them countries that implemented IFRS faced a variety of capacity-related issues, depending on the approach they took. One of the principal challenges Ghana may encounter in the practical implementation process, may be the shortage of accountants and auditors who are technically competent in implementing IFRS. Usually, the time lag between decision date and the actual implementation date is not sufficiently long to train a good number of professionals who could competently apply international standards (Adekoya, 2011).

Mazhindu and Mafuba (2013) posited that creating awareness in and among SMEs should be the focal and starting point for those who have no

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information on IFRS for MSMEs, and with the rest of the training needs to be strengthened. Regulatory bodies should take up their role and formulate an all-encompassing IFRS with local bodies utilizing the existing business conditions to recommend suitable financial reporting standards for SMEs within their jurisdiction. Relief has been provided to SMEs from preparing financial statements in compliance with full IFRSs (Adekoya, 2011).

Attitude of MSMEs owners and operators towards IFRS Compliance

The introduction of an IFRS specifically for SMEs was necessitated by many challenges faced by these entities in adopting full IFRSs in financial reporting, the main challenges of which was the excessive disclosure requirements, based on a cost-benefit analysis for SMEs (Nazri, 2010).

One major interest of SMEs that adopted full IFRSs was to reduce the cost of preparing financial statements according to the Institute of Chartered Accountant in England and Wales (ICAEW, 2008). Full IFRSs were designed for financial reporting that meets the needs of equity investors in large entities with shares trading on public capital markets. The full IFRSs cover a wide range of issues, including a sizeable amount of disclosures for easy understanding by a wide range of users in these large public companies. It is argued that users of the financial statements of SMEs do not usually have similar needs, but rather are more interested in assessing shorter-term cash flows, liquidity and solvency (McMahon, 1999).

Also, many SMEs complained that full IFRSs impose a burden on them – a burden that has been growing as IFRSs have become more detailed and more countries have begun to use them (IFRS foundation, 2010).

Concerns have also been raised about the burden to financial statement preparers and the relevancy of the resulting information to lenders, vendors, credit rating agencies, investors, development agencies and others who use SMEs financial statements (ICAZ, 2010). It was noted that a fundamental change in the way companies which adopt and use IFRS for SMEs in particular, report financial information to their lenders and insurers was critical to minimise credit risk and business failure (ICAEW, 2008).

Besides, the cost of complying with IFRSs could be greater than the benefits received for small businesses. Other researchers contend that a full set of accounts that comply with IFRSs are less relevant for the small business user who is most likely to be the owner-manager (Stern and Barbour, 2005), quoted in Stainbank (2008).

The introduction of an IFRS for SMEs in July 2009 by the IASB was a welcome development in many countries, especially in developing countries (Juping, 2010; Nazri, 2010; Sheridan, 2009) but its impact on improving financial reporting by SMEs is yet to be verified. The South Africa Institute of Chartered Accountants (SAICA, 2010:4), in Stainbank (2008), it is acknowledge that it is neither reasonable nor practicable to require small entities to comply with reporting standards that are based on general purpose international financial reporting standards. In response to this expert call, the South African Department of Trade and Industry had to address the issue of differential reporting by SMEs through corporate law reforms which commenced in 2004 (Stainbank, 2008).

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Readiness of MSMEs to adopt IFRS

The IFRS for SMEs was derived from the full IFRSs with modifications to accommodate the perceived needs of users of SME financial statements and cost-benefit considerations. The modifications included reducing the number of topics, allowing fewer accounting policy choices and reducing thedisclosure requirements. Additionally, the recognition and measurement principles contained in the full IFRS were simplified. The IFRS for SMEs was produced in more simple English, than the full IFRS, to improve clarity and to be easier to translate (Deloitte, T.T, 2006).

The implementation of IFRS requires considerable preparation both at the country and entity levels to ensure coherence and provide clarity on the authority that IFRS will have in relation to other existing national laws (committee on Roadmap, 2010). There is a presumption that adopting the IFRS for SMEs would improve financial records of small businesses and support entrepreneurs in their goals to survive and thrive but are the MSMEs ready to adopt IFRS? Empirical evidence suggests a mixed reaction. While some countries have fully adopted the IFRS for SMEs, some have adopted it with modifications and some are yet to adopt it. For instance, South Africa, through the South African Institute of Chartered Accountants (SAICA) was the first country in the world to adopt the IFRS for SMEs as its national SME standard in 2009 (Paul, 2009). The council of the Institute of Certified Public Accountants of Kenya (ICPAK) and the council of the National Board of Accountants and Auditors of Tanzania also approved the use of IFRS for SMEs in 2009. Malaysia announced adoption, with minor modification, was to take effect on 1 January 2016 (Samujh and Devi, 2015). It was not surprising that Singapore and Malaysia have adopted the standard, as both countries have

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the advantages of being relatively wealthy, have established stock exchanges, a British background and English is widely used in business.

However, a study by Samujh and Devi (2015) revealed that several countries within the Association of South East Asian Nations (ASEAN) are not ready to adopt or implement the IFRS for SMEs. According to the researchers the countries do not have the necessary resources or a sufficiently developed infrastructure to support implementation and subsequent monitoring. The IFRS for SMEs does not reflect the culture or accounting and business practices existing in those economies. The countries argue that the IFRS for SMEs is likely to be more burden than benefit to entrepreneurs.

Samujh and Devi (2015) question the suitability of the IFRS for SMEs for adoption, particularly by the developing economies within ASEAN. They found the one-size-fits-all-standard for SMEs, with a capital markets orientation, does not accommodate well the deferring cultures, ways of doing business, regulatory frameworks, underlying philosophies, or needs of users of financial reports from SMEs. They concluded that adoption without modifications or exemptions would provide few benefits for SMEs in emerging economies; rather it would be burdensome to entrepreneurs and inappropriate for achieving national economic growth targets. Another study by Mazhindu and Mafuba (2013) found that among the 40 SMEs that were covered in the study in Zimbabwe, none of them had adopted the IFRS.

Whilst developed economies took their time to consider the merits of convergence to the full IFRS, most developing economies were compelled through institutional pressures to commit to the convergence (Potter, 2005; Zeghal and Mhedhbi, 2006). Countries that question the appropriateness of the

IFRS for their jurisdictions experience opposition and external pressures. Efforts to represent the interests and needs of the local communities by local professional bodies in Jamaica and the Philippines were seen as opposing the globalisation efforts of the Anglo-American block (Bakre, 2008). Jerman and Ivankovic (2011) argue there is no benefit for entities that operate locally to follow IFRS for SMEs. They are not interested in international trading. The above literature sufficiently demonstrates the mixed reaction to the adoption of IFRS by MSMEs.

Challenges of IFRS Adopting

The principal impeding factors in the adoption process of IFRS in Europe, America and the rest of the world are not necessarily technical but cultural issues, mental models, legal impediments, educational needs and political influences (Obazee, 2007). According to Rong-Ruey Duh (2006), the implementation challenges include: timely interpretation of standards, continuous amendment to IFRS, accounting knowledge and expertise possessed by financial statement users, preparers, auditors and regulators, and managerial incentive (Ball, Robin & Wu 2000). The historical differences in accounting thought, context, ethos and practice in the broad divides: Anglo-Saxon, Continental Europe and Southern American (Nobes, 1983; Ball, 1995) make harmonization and moving from one tradition to another difficulty.

Although IFRS has the potentials to facilitate cross-border comparability, increase reporting transparency, decrease information costs, reduce information asymmetry and thereby increase the liquidity, competition and efficiency of markets (Ball 2006, Choi & Meek 2005), Armstrong, Barth, Jagolizer, and Riedl, (2007) and Soderstrom and Sun (2007) have found that

cultural, political and business differences may also continue to impose significant obstacles in the progress towards a single global financial communication system because a single set of accounting standards cannot reflect the differences in national business practices arising from differences in institutions and cultures. The perception of IFRS quality by users is critical to IFRS adoption. For instance, in a survey by McEnroe and Sullivan (2011), individual investors felt satisfied with the current US accounting model and do not desire movement towards IFRS adoption. Similarly, Winney, Marshal, Bender, and Swiger (2010) found that small businesses in the US were not prepared for IFRS because they do not see benefits in switching from GAAP to IFRS.

Others serious challenges to IFRS adoption include:

1. **IASB funding, staffing and governance structure, consistent adoption**

Adopters need assurance of IASB true independence with stable funding, expert staffing, appropriate governance to ensure standards setting process is free from undue influence and politicisation maneuvers.

This will ensure IASB legitimacy and assure the confidence of market participants and adopting nations around the world (Saudagaran, 2006).

2. Dominance of the developed countries and political lobbying.

The developed countries want to dominate the IASB structure and standards setting process to the detriments of the developing countries. There is also strong lobbying and opposition by these groups to IASB's standards (Ball, 1995, Nobes and Zeff, 2008).

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3. **Consistent adoption, application and regulatory review**

Presently most IFRS adoptions are in labels Daske, Hail, Leuz, and Verdi 2007) and with various versions which are inconsistent with IASB's prescription (Ball, 2006). Besides, there are lots of uneven applications, breeding different IFRS versions (Tsakumis, Doupnik, and Agoglia, 2009). Nobes (2006) has indicated the motivations and opportunities for different IFRS to continue. There must be a coordinated regulatory review and enforcement mechanism to facilitate consistent application. The complexity of certain IFRSs and tax orientation of most nations have been identified as the two most significant impediments to convergence (Larson & Street, 2004).

4. **Compliance issues and enforcement mechanisms**

There have been varying levels of compliance with IFRS despite claims by companies that their financial statements are complying with IFRS. Equally disturbing is the fact that auditors failed to express opinion on IFRS compliance or non-compliance (Cairns, 2001). A major challenge is enforcement mechanisms of IFRS especially in jurisdictions with weak institutions and enforcement agencies.

5. **Cultural and structural changes in the various institutions in a country**

The challenges faced in adopting IFRS in terms of changing culture and developing systems of regulation and accountability are quite enormous. There are cultural, languages, regulatory and accounting profession challenges as well as demands for greater accountability and wider political participation and embracing of necessary political reforms faced by countries in adopting

IFRS. In fact embracing globalization and adopting IFRS has challenges as it makes necessary reforms to country's regulatory, legal and economic structures and adaption of its culture to the West.

There is increased need for training and education for investors, accountants, auditors, preparers and users of financial reports, etc. development of IFRS curricula at the university and other levels need adjustment of the accounting training and education to incorporate IFRS. The legal system must be conversant with the new IFRS standards as it applies to tax issues and other applications of laws. The adoption of IFRS must involve the strengthening of the various institutions which will enhance its effective implementation such as: preparers (managers) and enforcers (auditors) (status, independence, training, compensation, tough judgment), legal systems and courts, regulators, accounting boards, ownership structure/block shareholders, politicians, law-makers, analysts, rating agencies, accounting professional bodies, tax authorities and capital market regulators), corporate governance structure, the press, public, educational institutions and business schools, financial market (structure, depth and intermediation) etc. (Ball, 2006).

The arguments for and against IFRS compliance by MSMEs

The introduction of an IFRS specifically for SMEs was necessitated by many challenges faced by these entities in adopting full IFRSs in financial reporting, the main challenge of which was the excessive disclosure requirements, based on a cost-benefit analysis for SMEs (Nazri, 2010).

One major interest of SMEs that adopted full IFRSs was to reduce the cost of preparing financial statements according to the Institute of Chartered

Accountant in England and Wales (ICAEW, 2008). Full IFRSs were designed for financial reporting that meets the needs of equity investors in large entities with shares trading on public capital markets. The full IFRSs cover a wide range of issues, including a sizeable amount of disclosures for easy understanding by a wide range of users in these large public companies. It is argued that users of the financial statements of SMEs do not usually have similar needs, but, rather are more interested in assessing shorter-term cash flows, liquidity and solvency (McMahon, 1999).

Also, many SMEs complained that full IFRSs impose a burden on them – a burden that has been growing as IFRSs have become more detailed and more countries have begun to use them (IFRS foundation, 2010)

Concerns have also been raised about the burden to financial statement preparers and the relevancy of the resulting information to lenders, vendors, credit rating agencies, family investors, development agencies and others who use SME financial statements (ICAZ, 2010). It was noted that a fundamental change in the way companies, and SMEs in particular, report financial information to their lenders and insurers was critical to minimise credit risk and business failure (ICAEW, 2008).

Besides, the cost of complying with IFRSs could be greater than the benefits received for small businesses. Other researchers contend that a full set of accounts that comply with IFRSs are less relevant for the small business user who is most likely to be the owner-manager (Stern and Barbour, 2005), quoted in Stainbank (2008).

The introduction of an IFRS for SMEs in July 2009 by the IASB was a welcome development in many countries, especially in developing countries

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(Juping, 2010; Nazri, 2010; Sheridan, 2009) but its impact on improving financial reporting by SMEs is yet to be verified. The South Africa Institute of Chartered Accountants (SAICA, 2002:4), in Stainbank (2008), acknowledged that it is neither reasonable nor practicable to require small entities to comply with reporting standards that are based on general purpose international financial reporting standards. In response to this expert call, the South African Department of Trade and Industry had to address the issue of differential reporting by SMEs through corporate law reforms which commenced in 2004 (Stainbank, 2008).

Benefits of IFRS Adoption

It is advocated that adoption of IFRS will lead to:greater transparency and understandability, lower cost of capital to companies and higher share prices (due to greater confidence of investors and transparent information), reduce national standard-setting costs, ease of regulation of securities markets, easier comparability of financial data across borders and assess investment opportunities, increased credibility of domestic markets to foreign capital providers and potentials foreign merger partners, and to potential lenders of financial statements from companies in less-developed countries. It will also facilitate easier international mobility of professional staffs across national boundaries. For the multi-national companies, it will help them to fulfil the disclosure requirement for stock exchanges around the world (Armstrong, Barth, Jagolizer and Riedl, 2007, Covrig, Defond and Hung (2007), Daske, Hail, Leuz and Verdi. (2008). Other benefits include: the lower susceptibility to political pressures that national standards, continuation of local implementation guidance for local circumstances and the tendency for

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accounting standards to be raised to the highest possible quality level throughout the world (Choi, Frost, Caro and Meck 1999; Alfredson, Leo, Picker, Pacter and Radford 2004). The net market effect of convergence is a function of two effects. The first is the direct informational effect – whether convergence increases or decreases accounting quality. The second is the expertise acquisition effect or whether investors become experts in foreign accounting, with depends on how costly it is to develop the expertise. Therefore, ex-ante net market effect of convergence is uncertain.

Armstrong, Barth, Jagolizer and Riedl (2007) found that investors expected net benefits to IFRS adoption in Europe associated with increases in information quality, decreases in information asymmetry, more rigorous enforcement of the standard, and convergence. The found; (1) an incrementally positive reaction for firms with lower quality pre-adoption information, which is more pronounced in banks, and with higher pre-adoption information asymmetry, consistent with investors expecting net information quality benefits from IFRS adoption; (2) an incrementally negative reaction for firms domiciled in code law countries, consistent with investors' concerns over enforcement of IFRS in those countries and (3) a positive reaction to IFRS adoption events for firms with high quality pre-adoption information, consistent with investors expecting net convergence benefits from IFRS adoption. Gordon (2008) listed the benefits from adaptation of IFRS over the world to include: better financial information for shareholders and regulators, enhanced comparability, improved transparency of results, increased ability to secure cross-border listing, better management of global operations and decreased cost of capital.

Arguments for Indigenous Knowledge Systems by non-complying MSMEs

In spite of its prominence in mainstream society, the western-based formal type of knowledge remains but only one form of knowledge. Knowledge can be indigenous or formal. The indigenous (local or traditional) is also known as non-formal system of knowledge. Recognising these 'other ways of knowing' can lead to reshaping of many fundamental notions about development, environmental conservation, heritage protection and access to information and education (Karin and Jun, 2002).

What then is indigenous knowledge? According to Nakashima (2000), Indigenous or local knowledge refers to a complete body of knowledge, knowhow and practice maintained and developed by people, generally in rural areas, who have extended histories of interaction with the natural environment. In other words, Indigenous knowledge (IK), also referred to as traditional or local knowledge, refers to the large body of knowledge and skills that has been developed outside the formal educational system.

IK is embedded in culture and is unique to a given location or society as an acceptable norm. The sets of understandings, interpretations and meanings are part of a cultural complex that encompasses language, naming and classification systems, practices for using resources and worldview. It provides the basis for local-level decision-making about many fundamental aspects of day-to-day life. Non-formal knowledge, in contrast to formal knowledge, is handed over orally, from generation to generation, and is therefore seldom documented.

Characteristics of Indigenous Knowledge (IK)

Analysis of the definitions above reveals that several interrelated aspects appear to be more or less specific to IK (Karin and Jun, 2002). Indigenous knowledge is:

i.   Locally bound, indigenous to a specific area

ii.   Culture and context-specific

iii.   Non-formal knowledge

iv.   Orally transmitted, and generally not documented

v.   Dynamic and adaptive

vi.   Holistic in nature (considered in entirety and not in parts)

vii.   Closely related to survival and subsistence for many people worldwide.

Using indigenous knowledge in development enterprises enables indigenous peoples and local communities to actively participate in the decision-making process. It is encouraging to observe in the literature that, over the past years, there has been growing interest in the role that indigenous knowledge can play in truly participatory approaches to sustainable development.

Many case studies and research projects have shown that there are no general technical western solutions for solving specific local problems (Karin and Jun, 2002). New insights reveal that development interventions have failed to induce people to participate because these interventions have lacked both the will and the instruments to allow people to use their own knowledge. It is, therefore, the objective of this study that greater efforts would be made to strengthen the capacity of local people for developing

their own knowledge base, and to develop methodologies that promote activities for improving livelihoods in a sustainable way.

The case for supporting indigenous Accounting Practices

Several factors accounted for indigenous accounting practices in Ghana. Whilst developed economies took their time to consider the merits of convergence to the full IFRS, most developing economies were compelled through institutional pressures to commit to the convergence (Potter, 2005; Zeghal and Mhedhbi, 2006). Countries that question the appropriateness of the IFRS for their jurisdictions experience opposition and external pressures. Efforts to represent the interests and needs of the local communities by local professional bodies in Jamaica and the Philippines were seen as opposing the globalisation efforts of the Anglo-American block (Bakre, 2008).

The South Africa Institute of Chartered Accountants (SAICA, 2010:4), in Stainbank (2008), acknowledge that it is neither reasonable nor practicable to require small entities to comply with reporting standards that are based on general purpose international financial reporting standards. In response to this expert call, the South African Department of Trade and Industry had to address the issue of differential reporting by SMEs through corporate law reforms which commenced in 2004 (Stainbank, 2008). Jerman and Ivankovic (2011) argued that there is no benefit for entities that operate locally to follow IFRS for SMEs. They further argued that SMES are not interested in international trading. The above literature sufficiently demonstrates the mixed reaction to the adoption and compliance of IFRS by MSMEs.

According to the International Financial Reporting Standards Board (IASB, 2010), national accounting authorities or regulatory bodies are given the permission to either adopt wholly or modify the IFRS for SMEs to suit their national conditions. This provision makes it practicable for the Institute of Chartered Accountants, Ghana (ICAG) to identify some indigenous accounting practices in Ghana and see how best to integrate or

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modify them in order to make it easier for Micro, Small and Medium-Scale businesses to keep valid accounting records and prepare proper financial statements for users in line with IFRS for MSMEs.

CHAPTER THREE

METHODOLOGY

Introduction

This section outlines the research methods and instruments used in the study. It specifically covers the research approach, research design, study area, sample and sampling procedure, research instruments and data collection methods, as well as data processing, analysis and presentation.

Research Approach

According to Sarantakos (2005), the theories forming the basis of quantitative methodology are those of positivism, as guided by a realist and objectivist ontology and an empiricist epistemology. Quantitative research methods are generally geared towards documenting subject attributes expressed in quantity, extent or strength, as well as guaranteeing among other things – objectivity, accuracy, validity and reliability (Sarantakos, 2005). They are used to qualify the problem byway of generating numerical data or data that can be transformed into useable statistics.

On the other hand, Qualitative Research is primarily exploratory research. It is used to gain an understanding of underlying reasons, opinions, and motivations. It provides insights into the problem or helps to develop ideas or hypotheses for potential quantitative research. Qualitative Research is also used to uncover trends in thought and opinions, and dive deeper into the

problem. Qualitative data collection methods vary using unstructured or semi-structured techniques.

Research Design

This study used the mixed method for the purpose of triangulation: Thus, for completeness purpose, (Campbell and Fiske, 1959) since the combination of these two methodologies could give a better result as compared to just using one method. However, using the dominant-less dominant method, the quantitative approach dominated the research.Qualitative data was first collected and later analysed quantitatively. Triangulation was employed to give accurate and better results. This was done by collecting data through a questionnaire and a semi-structured interview guide that gave a better picture of the research problem being investigated.

Study Area

The study was carried out in the Central Region of Ghana, Cape Coast. The Cape Coast Metropolitan Assembly is bordered by the gulf of Guinea to the south, Komenda/Edina/Eguafo/Abirem (KEEA) Municipal District to the West, Abura/Asebu/Kwamankese District to the East and Twifu/Hemang/Lower Denkyira District to the North. The Metropolis covers an area of 122 square kilometres and is the smallest Metropolis in Ghana.

SMEs in Cape Coast can be stratified into sectors of: trade, manufacturing, services, construction and agriculture. However, for the purpose of this study, SMEs that fall in the business sectors of trade and services were considered, they being the most prevalent business sectors in the study area. This decision is in line with Sekaran (2000) and Esaete (2005) who

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posit that particular strata can be focused on if it can facilitate ease of data collection and attainment of meaningful results.

Population

The target population was all MSMEs in the Cape Coast Metropolis and the sample population was MSMEs engaged in trading and services. The study was designed to obtain data concerning the current status of the phenomenon.

Sample and sampling procedure

The study adopted the simple random sampling method. Statistics available at the Cape Coast Chamber of Commerce (CCCC) as at 21st December, 2015 indicated that there was a total of 413 registered MSMEs (Target population). The survey/sample population (i.e Trading and services) was 251 from which a sample size of 152were drawn for the studyusing the sample distribution table by Krejcie and Morgan (1970). Out of 127 questionnaires that were distributed, 100 were actually retrieved, whilst 25 interviews were conducted and the results analysed and interpreted, making a total of 125.The sample drawn covered various towns within the Cape Coast Metropolis including Abura, Kotokoraba, Kingsway, UCC Science Market, Bakanu, UCC Old Site market and Kakumdo.

Research Instruments

The study used both primary and secondary data sources. A questionnaire was administered to the survey population for primary data collection. The questionnaire contained mostly semi-structured questions. An interview guide was also used to obtain primary data.Inspection of ledgers and other sources were also employed to obtain secondary data. A questionnaire

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was used as the main data collection instrument for the study. The questionnaire contained mostly structured and semi-structured question relating to each of the variables of interest. Some items were the open-ended type in order to give the respondents a greater freedom of expression of ideas, opinions and suggestions while other items were closed-ended ones designed to enable the researcher to obtain specific responses from the respondents.

All the sampled entrepreneurs were interviewed with the aim of collecting data on their attitude of IFRS requirements for SMEs, their readiness to adopt to adopt the IFRS, the challenges faced by those who have adopted the IFRS and some of the indigenous ways of keeping accounting records despite the adoption of IFRS for SMEs.

According to Orodho (2005), interview guide or questionnaire has the ability to collect a large amount of data in a reasonable quick space of time. Kerlinger (1986) also referred to interview guide as a valuable tool for collecting data that lead to a greater achievement of reliability. Besides, the participants respond to items freely without being influenced by others. This therefore encourages anonymity, honesty and frankness. This is the reason why this study adopted a questionnaire as its major data collection tool.

Validity and Reliability of the Research Instrument

The validity of the research instrument was ensured in two principal ways;(1) through expert opinions and (2) through peer review. Experts on quantitative research were requested to evaluate the research instrument to ensure its validity. Colleague researchers were also asked to read through the questionnaire and offer suggestions. Those areas found ambiguous were reframed and those that were found irrelevant to the study were eliminated.

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Reliability on the other hand, was also ensured through pre-testing of the instrument. In this sense, a pre-test of the instrument was conducted at the UCC Science Market and feedback was obtained and incorporated into the design of the final questionnaire. The questionnaire was pre-tested using 5 owner-mangers of retail shops, and 5 owner-managers of service providers.

Data Analysis and Presentation

The quantitative data was processed using the Statistical Package for Social Sciences (SPSS version 19) software. The qualitative data was organized in themes and arranged according to the research objectives. They were then subsequently analysed using quantitative statistics. After transcribing the audio recording of the interviews, the information was analysed thematically to increase understanding. The quantitative data was presented using tables and charts and t-test.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

The study sought to examine the perception of Micro, Small and Medium-Scale Enterprise (MSMEs) owners about the International Financial Reporting Standards (IFRS) in the Cape Coast Metropolis. The study aimed specifically at exploring the awareness, perception and readiness of MSMEs owners or managers to comply with the requirements of the International Financial Reporting Standards. This chapter captures the results and discussion of the study.The results are presented to reflect the research questions.

Demographic Characteristics of Respondents

Some demographic information on the respondents were gathered. This include their age and gender. Tables 1 and 2 present the demographic information of the respondents. From Table 1, 51% of the MSMEs operators were male while 49% of the MSMEs operators were female. This means that there is no too wide a gap between the number of men doing business and that of women. In terms of age, the respondents were distributed across all age categories with the majority (54%) falling within the active middle age (20-

39). It is also worth noting that the aging group (40-50) is actively involved in running businesses representing 46%.

Table 1: Age - Gender Distribution of Respondents

Age group	Male	Percentage	Female	Percentage	Total	Percentage
20-29	13	13	18	18	31	31
30-39	13	13	10	10	23	23
40-49	16	16	12	12	28	28
Above 50	9	9	9	9	18	18
Total	51	51	49	49	100	100.0

Source: Field data (2015)

Table 2 presents the academic qualification of the respondents. This information was to help the study in assessing whether or not the level of education of respondents influenced and enhanced their bookkeeping practices and IFRS compliance.

Table 2: Academic Qualification of the Respondents

Qualification	Frequency	Percentage
No Education	1	1
Basic Education	4	4
Technical	15	15
SHS	55	55
HND	15	15
Bachelor's Degree	6	6
Masters' degree and above	4	4
Total	100.00	100.00

Source: Field Data (2015)

From Table 2, 99% of the respondents had at least basic education. Majority of them (55%) had Senior High School education followed by Technical education and Higher National Diploma both being 15% each.

This means that almost all the respondents had formal education and could read and write.

Level of Awareness of IFRS Compliance

The questionnaire provided statements for the respondents to indicate their degree of acceptance or rejection of those statements. The statements were analysed as either affirmed or rejected by the respondent. If 50 percent or

more of the respondents either agreed (A) or strongly agreed (SA) to a statement then the statement is said to have been affirmed or otherwise rejected. The closer the percentage of the responses to a statement to 100 percent the stronger the expected level of acceptance of the statement among the respondents in the study area.

Table 3: Awareness of Bookkeeping and IFRS for SMEs

Statement	SA (%)	A (%)	D (%)	SD (%)
I have personal knowledge about bookkeeping	2	7	35	56
I keep complete written records	4	20	45	31
I have an accountant or bookkeeper who keeps my records	7	10	39	44
My records keeper is a qualified accountant	0	0	61	39
The Bookkeeper has been given training in records keeping	3	15	49	33
I have heard about the International Financial Reporting Standards (IFRS for SMEs)	3	9	47	41
I follow the IFRS regulations in my business	2	7	47	44
I prepare financial statements for my business	10	59	26	5
My financial statements are prepared in line IFRS principles	1	4	48	47

Source: Field Data

The results suggested that only 9 percent (2%+7%) of the respondents had personal knowledge in bookkeeping. This suggests that 81 percent of the

respondents had no personal knowledge in bookkeeping and must either fall on others to keep their books or ignore it. The issue is whether they fell on others to prepare their accounts for themor they simply ignored the process of bookkeeping altogether. The results suggest that only 24 percent of the enterprises actuallykeep complete written records. Also, 17 percent had an accountant or bookkeeper who kept their records. Though only about 17 percent of the total respondents had trained accountants or bookkeepers to keep their books, the result suggests that the returns of some MSME's can sustain the services of a trainedaccountant though none could engage the service of a qualified accountant.

The main issue under consideration was the level of awareness of the respondents about IFRS in their operation. The results in Table3 suggest that 47 percent of the respondents indicated that they had not heard of IFRS for MSMEs before, while 41 percent of them asserted knowing about IFRS. The implication is that the respondents were generally not familiar with the principles of IFRS standard and are likely not to be using it. When quizzed on whether they followed the IFRS regulations in their businesses reporting, only 9 percent were able to accept the statement as having heard about it before, whilst the remaining 91 percent claimed of having no knowledge about the IFRS for SMEs compliance.

The responses from the owners of enterprises interviewed suggested that not only were their businesses not registered but most of the enterprises had not even adopted any business name for their setups. Consequently, most of the enterprises had no sign post. However, a few wrote their names only on their business structures such as stores, tables and other structures. Almost all

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the interviewees had not heard anything about International Financial Reporting Standards (IFRS) for SMEs before though a very few of them had knowledge of formal record keeping.

A yam seller has this to say:

"I buy my goods from the Northern part of Ghana and bring them for distribution at Cape Coast main market. Since I did not attend school, I keep most of my records in my head, whilst my husband writes some few ones for me. I have not heard of IFRS for SMEs before ...."

A retailer recounted her experience on record keeping this way:

"I have ever heard of record keeping from some students who were doing projects some few years back. Someone even started keeping it for me   but I stopped after some time. Since then, no one has ever come to me before till now. This is my first time I have ever heard of IFRS for SMEs from you......"

Only one phone shop operator indicated keeping a complete record of business activity to the extent of having some form of data base on business operation in excel format. The narration was as follows:

> "I sell phones and I have registered my business. I keep complete record using excel at first. But now I use notebooks for my records keeping, but I have not heard of IFRS for SMEs before......."

One interviewee who claimed to be one of the many outlets of a single enterprise in the metropolis remarked:

"I don't have a book in which I keep complete records on daily basis but have a separate business bank account from my personal accounts, but for IFRS for SMEs, I have no idea ......"

One of the enterprise owners who deal in shoes hinted that he does keep recordsin a dairy but only on someof his debtors. He stated as follows:

" A friend keeps my records on some of my debtors and their balances they owe me in my dairy but I don't record direct sales because I can't read and write , ...and, I cannot remember hearing about IFRS for SMEs before ....."

A tomatoes seller stated her side of the issue this way:

"I can't read and write and therefore I can't keep record. But some friends do help me to write some vital information down for me in a small note book. When I need the information, they read them to me, but no one ever told me of IFRS for SMEs before."

A seamstress has this to say:

"I only record the measurement of my clients' materials for sewing in most cases but for my financial records I ask my neighbour to write some for me when I get home, while I keep the rest in my head.I have even not heard of IFRS for SMEs till today ...."

Another trader narrated it this way:

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"I do let my child record my debts for me when I go home due to forgetfulness but I do not know of the existence of IFRS for SMEs ......"

Aside the few isolated cases discussed above, the rest of the enterprises indicated they do not keep or do not see the need to keep records. In all cases, all the interviewees clearly admitted not having heard of IFRS for SMEs from any quarters before. Some of the extracts from the interviews are below:

"I have a business certificate but I don't keep records of my finances, neither have I heard of IFRS before ...."

"I don't keep records of my operations …they keep record where I buy my goods. I am not educated and can't write but I can remember my own debts. I have not met anyone with the information on IFRS before, and therefore I am not aware ...."

"We don't get credit so I don't see why we should keep records. It seems no one cares about what we do here and therefore no education is given to us on whatever goes on concerning our business, and no one has come to mention about this IFRS here before ....."

An alcohol seller presented her view this way:

"I deal in akpetetsi as you can see. No one except you has ever come here to ask me about record keeping or the adoption of IFRS for SMEs in any form .."

The attention of the analyses was shifted to alternative or traditional ways of keeping records aside formal writing. The interviewees stated a number of ways of keeping records as presented below:

I keep all my records in my head".

"I sometimes mark on the table or walls but we are able to understand. I can write but we still write on the wall and keep the rest in my head".

"I do keep record sometimes by writing and sometimes in my head. I can always tell my profit and even pay my tithe by easily memorising them. Whether I write down my records or not I can tell the day, date and amount I gave to my client or the amount they owe me. We have a group "susu" here but that one, we keep complete records."

"I am 'akpetetsi' seller and by the nature of my business, most of my customers are also unable to read and write like myself, so I only tick on my kiosk to indicate how much a client owes. Each tick comes with a unique customer identity showing how much they owe me on a transaction. As you can bear me witness now, most of them are intoxicated with alcohol each time, either they are here or outside this place but none of them ever disputed their indebtedness to me at any point in time, and still business is going on daily with good profit in spite of the huge debts some of them owe me on daily basis....."

The simple conclusion drawn from these observations are that though the MSMEs do not keep formal written records, they resort to other traditional ways of records keeping such as memorising business transactions, writing on walls and tables and keeping partial written records in jotters.

The finding of the study that enterprises do not keep written record and have not even heard of IFRS supports the work of Mazhindu and Mafuba (2013) in

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Zimbabwe which revealed that none of the 40 sampled SMEs had adopted the IFRS.

According to Adekoya (2011), in Nigeria ,compliance becomes very difficult if not impossible because ofthe time lag between decision date and the actual implementation date, resulting in insufficient training and lack of a good number of accounting professionals competent to apply the standards. In this study, two related issues can be inferred from Adekoya (2011); firstly, in Ghana the time lag between adoption and implementation of the IFRS for SMEs is not the constraint but rather policy makers did not see the need or have rather not thought of carrying on any form of training since the adoptionin 2009; and secondly, since no preparation was done towards educating the SMEs on IFRSs, there is the lack of trained accounting professionals in the subject area.There is therefore no doubt that the study found out that about 91% of the respondents had no personal knowledge about IFRS for SMEs.

Attitude of MSMEs on IFRS Requirements and Compliance

Using the criteria set in the earlier discussion, the perception of respondents on IFRS requirements has been presented. Table 4 presents the perception of MSMEs owners about IFRS.

Table 4: Respondents Attitude on IFRS Requirements and Compliance

Statement	SA (%)	A (%)	DA (%)	SDA (%)	Remarks
I think the IFRS requirements are	10	59	26	5	Affirmed

Table 4 continues

hectic					
I know that the IFRS requirements are very important	13	45	38	4	Affirmed
It is important for me to prepare correct financial statements based on IFRS guidelines	13	41	39	7	Affirmed
I know that financial statements prepared correctly attract investors	22	56	16	6	Affirmed
I know that the financial statements presented need to meet certain standards	23	34	37	6	Affirmed
I think we can compare financial statements of several SMEs when there is one standard to follow	16	35	42	7	Affirmed
I think there should be a regulatory body to monitor all the standards	19	39	35	7	Affirmed
I think when there is a regulatory body the growth of all SMEs can be measured	19	38	34	9	Affirmed
IFRS bring improvement to the financial reporting in my business	6	23	54	17	Rejected
I see the IFRS to be a foreign idea	15	32	44	9	Rejected
I wish the IFRS for SMEs could be cancelled	3	17	63	17	Rejected

Source: Field Data (2015)

The results as presented in Table 4 suggests that most of the statements were accepted by the respondent by some agreeing (A) and others strongly agreeing (SA) to the statements. After exposure to some of the IFRS requirements in business operations through data collection, about 69 percent of the respondents were of the view that IFRS requirements are hectic even though 58 percent of the respondents accepted that IFRS requirements are very important. Also, 78 percent of the respondents agreed that when financial statements are prepared correctly it has the tendency of attracting investors to their businesses. This view was strongly accepted by greater percentage of the respondents which adds to their awareness of the need to prepare financial statements or keep records of their business activities.

On the issues of the need to keep records and the perceived importance of the record keeping and the benefits it brings to their businesses, a number of submissions were made during the interview which included the following:

"I do agree keeping records in line with IFRS for SMEs will improve my business but getting the   knowledge is the issue"

"I believe record keeping is good for business; beside, when it is a requirement by the Standard,I think it must be followed".

"I think complete record will help to trace our business history…I think IFRS is a global idea not imposition on us and so must not be cancelled, but must come with its educational packages for easy understanding and subsequent adoption."

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Clearly, most of the enterprises' owners were in agreement that record keeping in line with IFRS is important to the growth of their businesses.About 55 percent of the respondents agreed to the fact that the preparation of financial statements must follow and meet some laid down standard while 58 percent believe this requires a regulatory body that will monitor the standards. Those who agreed to the activities of the regulatory body stressed that the regulatory process shall aid in the preparation of standardised financial statements that will aid in the measurement and growth of MSME's in the industry. Though about 53 percent of the respondents did not see IFRS standards as foreign idea, only 29 percent believe its adoption shall bring improvement to their businesses. Notwithstanding the view of the respondents about the effects of the adoption of IFRS standards in their business, 79 percent of them believe the IFRS should not be abolished in Ghana.

Together it was conclusive that the MSMEs believe in the importance of IFRS but most believe it may not make enough difference to their business upon adoption. This observation is in line with Samujh and Devi (2015) in their assertion that the adoption of IFRS without modifications or exemptions would provide few benefits for SMEs in emerging economies; rather it would be burdensome to entrepreneurs and inappropriate for achieving national economic growth targets

The respondents believe that financial statements are important and must be prepared in accordance with some standards with a regulatory body to improve business operations. There was also a general consensus that IFRS must be propagated in Ghana even among MSMEs.

Readiness to Adopt IFRS by MSMEs

The preparedness of MSMEs to adopt IFRS and their various reactions are analysed in Table 5 and presented below:

Table 5: MSMEs' Readiness to Adopt IFRS

Statement	SA	A	D	SD	Remark
My business is willing to adopt the full requirements of the IFRS	24	60	12	4	Affirmed
I have received training on the IFRS	5	6	60	29	Rejected
I would need more education on IFRS	62	30	7	1	Affirmed
I would recommend the adoption of IFRS to other business owners	30	60	10	0	Affirmed
I want to adopt the IFRS but with modifications	21	53	25	1	Affirmed
I have the necessary resources to support the IFRS adoption and subsequent monitoring	12	22	42	42	Rejected
I see the IFRS to be more stable in the developing country like Ghana	9	18	51	22	Rejected

Source: Field Data (2015)

Views of the owners were sought on their readiness to adopt IFRS for MSMEs in their business. The results in Table 5 suggest that about 84 percent of the respondents were ready to adopt IFRS in their operation and records keeping. This view was so sensitive to the objective of the study that the

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analysis was extended to cover the individual views of the respective types of MSMEs.
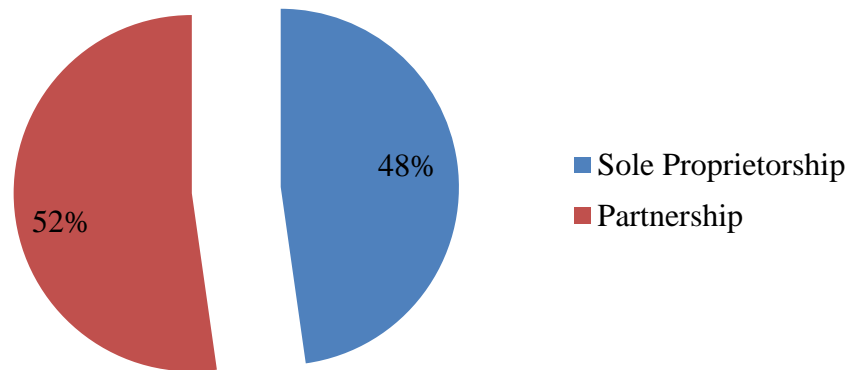
Figure 1: MSMEs Readiness to Adopt IFRS

The outcome of Figure 1 depicts that 52 percent of enterprises who were ready to adopt IFRS were partnerships while the remaining 48 percent were in sole proprietorship businesses. The percentages differ by four; it was not enough to suggest a statistical significant differences in the mean perceptions of the sole proprietors and that of partnership. As such the independent t-test of equality of the mean was done to determine if the mean perception differ significantly between the two factor groups. Table 6 present the Levene's test of equality of variance and the independent t-test of equality of the mean. The Levene's test suggest that the factor variable have unequal variance and hence the t-test results was done under the assumption of unequal variance assumed.

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Table 6: Independent t-test of Equality of the Mean

Levene's Test		t-test of Equality of the Mean		
F	Sig.	Degree of Freedom	t-value	Sig. (2-tail)
5.56	0.002	92	1.32	0.106

Source: Field Data (2015)

The results of the independent t-test suggest that no statistical significant differences exist in the mean perception of the sole proprietors and that of partnerships (t=1.32, df=92, p>0.05).

Further, the results suggest that most of the owners of the enterprises have not received any training on IFRS and its requirements. That is, only 11 percent of the respondents accepted ever receiving training on IFRS practices. In line with this observation, 92 percent of the respondents confirmed that they will need more education of IFRS requirements and its regulation in their business before its subsequent adoption. The general endowment by enterprises in all type and size suggest that if the right education is provided on IFRS to MSMEs, they may gladly adopt it in their business records keeping. Again 90 percent affirmed that they would inform other business owners about IFRS if they get enough education on it. The possible implication of this observation is that providing training to MSMEs shall have high multiplier effects on enterprises in the industry in terms of information flow and adoption.

Another area of interest was whether enterprises shall adopt IFRS procedures fully or they would want to modify it for flexibility in their

business operations. On this issue, 73 percent of the enterprises owners suggested that they would adopt IFRS but with some modifications to it. The analysis was extended to determine which group of enterprises upheld this view the most. The results are presented in Figure 3.
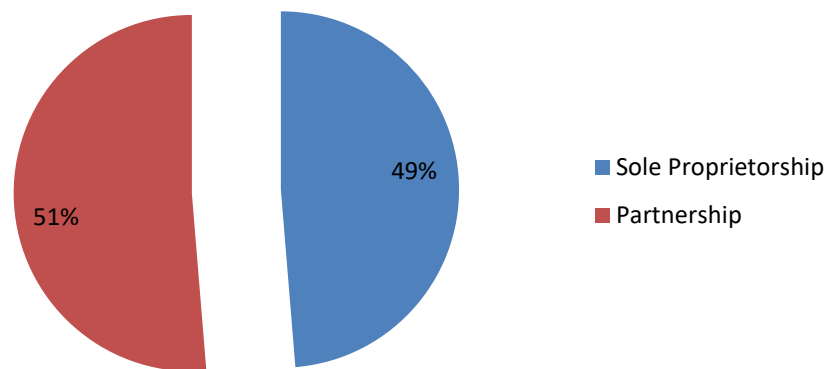
Figure 2: IFRS Adoption with some Modifications

The results in Figure2 indicate that the Partnership enterprises (51%) had slight desire to modify IFRS upon adoption than the sole proprietors (49 %). Table 6 present the Levene's test of equality of variance and the independent t-test of equality of the mean. The Levene's test suggest that the factor variable haveequal variance and hence the t-test results was done under the assumption of equal variance assumed.

Table 7: Independent t-test of Equality of the Mean

Levene's Test		t-test of Equality of the Mean		
F	Sig.	Degree of Freedom	t-value	Sig.(2-tail)
0.36	0.174	92	1.88	0.082

Source: Field Data (2015)

The independent t-test however suggested that mean perception of IFRS for MSMEs modifications does not differ significantly between the Partnership and Sole Proprietor businesses at the five percent significant level (t=1.88, df=92, p-value>0.05). These outcomes support the view of Samujh and Devi (2015) on the need for adoption of IFRS standards with some meaningful modifications. It also support the positions of Anglo-American block (Bakre, 2008) and Jerman and Ivankovic (2011) on the adoption of IFRS.

Despite the general acceptance of the decision to adopt IFRS wholly or with some modifications, about 84 percent of the respondents believe they do not have the necessary resources to support the IFRS adoption and subsequently monitor its activities. The results as presented in Figure 3 suggests that the Sole Proprietors (51%) appeared to complained more about resources than the partnership (49%) this time round. However, the results of the independent t-test indicated no significant difference between the views of the two groups (t=1.53, df=92, p-value>0.05).

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49%

51%

■ Sole Proprietorship
■ Partnership
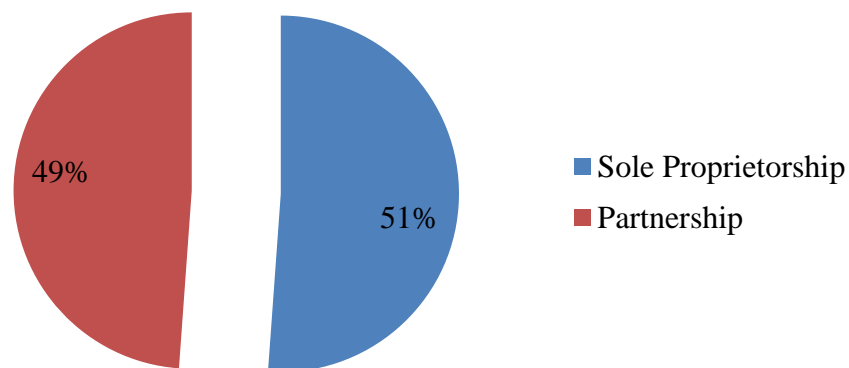
Figure 3: No Resources to Adopt IFRS for MSMEs

Finally, about 73 percent of the respondents rejected the view that IFRS procedures were stable in a developing country like Ghana.The outcome of the interview on the issue of readiness to adopt the IFRS comes with almost the same responses from the various traders that they are ready and prepared to accept any training.

When asked on whether they will be willing to pay for the services of a qualified bookkeeper, most were not ready to take up the extra cost of proper records keeping in line with IFRS requirements. When cohorts of market women were asked whether they will be willing to accept the cost of jointly employing a qualify bookkeeper in keeping their records by the requirements of the Standards, the spokesperson after consultations remarked:

"We wouldn't want anyone to keep our records due to financial commitment ….our loans have high interest rates…"

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The view confirmed the earlier fear expressed by another enterprise owner who made the following remarks:

"I will appreciate information on record keeping since it is good for businesses….IFRS is not foreign idea since the world is now one…but I think most of my people don't know this and may not corporate with training on IFRS or paying for the services provided.

The above findings can be said to agree with that of Saudagaran (2006), which states that, adopters need assurance of IASB true independence with stable funding, expert staffing, appropriate governance to ensure standards setting process is free from undue influence and politicization maneuvers. This will ensure IASB legitimacy and assure the confidence of market participants and adopting nations around the world.

Most of the respondents were sceptical about paying any extra cost for either training or to engaging the services of a qualified bookkeeper.

Challenges in Adopting the IFRS for MSMEs

It was interesting to observe from the above analyses that MSMEs have strong desire to adopt IFRS in their businesses. The bordering issues are why then are very few of them using IFRS standards and what are the challenges they face in having low percentages in the awareness, perception level and preparedness of these enterprises in line with IFRS for MSMEs. The outcomes of Table 6 suggest that indeed the enterprises have some challenges in the attempt to adopt IFRS. About 83% of the respondents affirmed the fact that they have some difficulties in adopting the IFRS in their businesses. That is, 76 percent of the respondents believed that IFRS conflicts with their

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existing knowledge. Again 82 percent indicated that IFRS processes are too complex for them to understand and apply to their business operations. This outcome is in support of the findings ofLarson and Street (2004) that the complexity of certain IFRSs and tax orientation of most nations have been identified as the two most significant impediments to convergence. Putting everything together, it became clear why most of them asked for further training and education on IFRS. Another challenge observed was that the respondents perceived IFRS adoption to be too expensive to adopt in their business.

Table 8: Challenges in Adopting the IFRS for MSMEs

Statement	SA (%)	A (%)	D (%)	SD (%)
I have difficulties in adopting the IFRS	18	65	13	4
The IFRS conflict with my existing knowledge	23	53	20	4
The IFRS is too complex for my understanding	30	52	10	18
Adopting the IFRS is very expensive	25	60	10	5
My culture prevents me from adopting the IFRS for SMEs	4	2	64	30
Some legal requirements and political influences prevent me from adopting IFRS for SMEs	3	3	63	31

Source: Field data (2015)

Two interesting issues emerged from the analysis on the role of cultural practices and political influence. About 94 percent of the respondents indicated that their culture and political influence does not in anyway prevent

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their adoption of IFRS in their business. This is a very positive observation in the quest to promote IFRS adoption since cultural beliefs and political influences have militated against the adoption of a number of issues in Ghana. This result is in sharp contrast with the finding of Armstrong, Barth, Jagolizer, and Riedl, (2007); Soderstrom and Sun (2007). For example, had observed that political influence and cultural practices are not important determinant of IFRS adoption which contrast the findings of Soderstrom and Sun (2007) that cultural, political and business differences continue to impose significant obstacles in the progress towards a single global financial communication system because a single set of accounting standards cannot reflect the differences in national business practices arising from differences in institutions and cultures.

The interviews came up with a number of general challenges as below:

Most of the businesseswere not registered whilst majority did not have location for doing business to call for an organised training. Almost all the interviewees had not heard anything about International Financial Reporting Standards (IFRS) before, and those in the majority had no formal education to facilitate any training needs on IFRS and record keeping.Greater parts of the interviewees experience poor business performance in successive chains, making them to hardly make-ends-meet on daily basis. This major challenge was the reason majority of them readily welcome the idea of adopting the IFRS with some level of modification, but are not prepared to commit themselves financially in its adoption and implementation. Part of the above findings agree with Saudagaran (2006), that adopters need assurance of IASB true independence which comes with stable funding, expert staffing,

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appropriate governance to ensure standards setting process is free from undue influence and politicization maneuvers. This will ensure IASB legitimacy and assure the confidence of market participants and adopting nations around the world.

Otherchallengesinclude the preparedness of policy makers and regulatory bodies to bear the full cost of offering training needs to MSMEs in IFRS as it is applicable to SMEs. This came to the fore when interviewees expressed great surprise as to how they could be kept in the dark without any education by the various authorities who claimed to carry one form of education on other areas of their business, more importantly on taxes and not on IFRS education.This is similar to what Cairns (2001) posited in his study that a major challenge could occur due to enforcement mechanisms in jurisdictions with weak institutions and enforcement agencies.

Income taxes are determined by Tax Authorities with no formal records, resulting in several disputes between tax payers and tax collectors, with no acknowledgements of receipts of such amounts most of the time. This finding agree with Larson & Street (2004), when they stated that the activities of the Tax Authorities can create a lot of complexity and significant impediments to Convergence and Compliance issues.

CURRENT INDIGENOUS WAYS OF KEEPING RECORDS DESPITE THE ADOPTION OF IFRS FOR SMEs IN GHANA

The common indigenous accounting practices among the larger companies in Ghana before the adoption of IFRS in 2007 was the use of Statements of Standard Accounting Practice (SSAP). Despite the adoption of

the IFRS for SMEs in Ghana, many Ghanaian MSMEs still practice some indigenoussystem of record keeping namely writing in dairy/small note books, ticking/writing on walls, and memorising of all business information in the head. To assess the current level of indigenous system of record keeping among Ghanaian MSMEs after the adoption of IFRS for SMEs, Table 7 below presents the findings of the study.

Table 9: Indigenous accounting system after the adoption of IFRS for MSMEs

The table below shows the current indigenous system of record keeping among MSMEs through the administration of questionnaires.

Statement	SA (%)	A (%)	D (%)	SD (%)
I keep records on diaries	11	57	23	9
I sometimes keep records on walls	2	9	57	32
Mental memory of records keeping is normal in my business	13	37	33	17

Source: Field data (2015)

The outcome of Table 7 from the questionnaire administration suggests that most of the owners and operators of MSMEs had their own traditional means of keeping records. About 68 percent indicated they keep records in their diaries while only 11 percent keep record by writing on walls. Interestingly, 50 percent of the respondents felt mental record keeping through memorization is normal for their line of business. This possibly offer some explanation as to why the owners of the MSMEs donot make moves to know

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about the existence of formal record keeping as was discovered above. It was discovered from the findings that the adoption of IFRS for SMEs in Ghana was a white-elephant and are only stated on paper that it was adopted, either to please the international community or to score some political gains without seeing to its implementation by putting in place the necessary mechanisms. This finding agreed with the finding posited by Potter, (2005) and Zeghal and Mhedhbi, (2006), that whilst developed economies took their time to consider the merits of convergence to the full IFRS for SMEs and its compliance, most developing economies were compelled through institutional pressures to commit to the convergence. (Bakre, 2008), also stated that countries that question the appropriateness of the IFRS for their jurisdictions experience opposition and external pressures. Efforts to represent the interests and needs of the local communities by local professional bodies in Jamaica and the Philippines were seen as opposing the globalisation efforts of the Anglo-American block, and this seem to be the case in Ghana found in this study.

On the other hand, the interview showed a slightly different results in favour of keeping business information in their memories and writing/ticking on walls as against keeping records in diaries/note books. It was gathered from the interview that a higher percentage of traders keep their debtors indebtedness and their suppliers' information in their memories without any formal record keeping. This is followed by a good number of traders that also agreed to the fact that they keep records by writing/ticking on walls to signify their customers' indebtedness to them. Some further explained that they mark or tick on any available objects close by which is readable and can be easily remembered.

However, only few of them said they ask close neighbours to write one or two vital information for them when they get home but still rely on their memories even if they are written down. Most of them said it is because they cannot read and write, whilst others said it is because they do not have time and therefore nothing urges them on to keep records by engaging a bookkeeper. Majority are of the view that there is no need asking MSMEs to follow the requirements of IFRS for SMEs as they do not foresee any direct benefits accruing to them. Thesefindings are similar to what the South African Institute of CharteredAccountants (SAICA, 2010: 4), in Stainbank (2008), which acknowledged that it is neither reasonable nor practicable to require SMEs to comply with the reporting standards that are based on general purpose international financial reporting standards for SMEs. In another study by Jerman and Ivankovic (2011), it was argued that there is no benefit for entities that operate locally to follow IFRS for SMEs, and that they are not interested in international trading.

The subject of what constitutes indigenous accounting system to a particular nation has been documented (International Financial Reporting Standards Board (IASB, 2010)). According to IASB, national accounting authorities or regulatory bodies are given the permission to either adopt wholly or modify the IFRS for SMEs to suit their national conditions. This provision makes it practicable for the Institute of Chartered Accountants, Ghana (ICAG) to identify some indigenous accounting practices in Ghana and see how best to integrate or modify them in order to make it easier for micro and small scale businesses to keep valid accounting records and prepare proper financial statements for users.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter discusses the summary of the main findings, conclusions drawn from the findings and recommendation made by the researcher to address the research questions. It also gives directions for future research and discussed the limitations of the study.

Summary of the Research Process

The general objective of this study was to explore the perception of Micro, Small and Medium scale Enterprises (MSMEs) about IFRS and their preparedness to comply with IFRS requirements in the Cape Coast Metropolis. In order to achieve the stated general objective, the specific objectives were specified in the area of enterprises level of awareness of IFRS compliance, the perception of MSMEs about IFRS for compliance, the preparedness of MSMEs in complying with IFRS requirements, the challenges MSMEs faced by enterprises in the attempt to comply with IFRS requirements and to identify some indigenous ways of keeping records among the MSMEs.Statistics available at the Cape Coast Chamber of Commerce (CCCC) as at 21st December, 2015 indicated that there was a total of 413 registered SMEs (Target population) which can be stratified into sectors of: trade,

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manufacturing, services, construction and agriculture. However, for the purpose of this study, 320 SMEs that fall in the business sectors of trade and services were considered, there being the most prevalent business sectors in the study area. A simple random sample was employed to sample 152enterprises for the study based on the sample distribution table by Krejcie and Morgan (1970). Out of the 127 questionnaires that were distributed, 100 were actually retrieved, whilst 25 interviews were conducted and the results analysed and interpreted, making a total of 125.The sample drawn covered various towns within the Cape Coast Metropolis including Abura, Kotokoraba, Kingsway, UCC Science Market, Kakumdo UCC Old Site market, Bakanu and many others.

The research approach follows both the positivist and the critical social research approaches since the adopted research design was the mixed method strategy which employs both quantitative and qualitative methods for analyses. The mixed method or triangulation allowed for effective exploration of the subject matter since both questionnaire and structured interview were employed. The structured questionnaires were mainly administered to enterprises owners that could at least read and write who were on the majority. The primary data from the questionnaire were put on an interval scale and analysed using quantitativemethods like descriptive statistic and independent t-test of the equality of the means. The presentation of the results was done mainly by the use of table and charts with the figures in percentages. The interview results were transcribed and analysed using qualitative content analyses. The content analyses allowed for enough information to be retrieved from the interview recordings of enterprises where less educated or those who

opted for it were interviewed. The results were presented and discussed in Chapter Four to reflect the research questions of the study as stated below:

1. What level of awareness do MSMEs have about IFRS compliance?

2. What perception do MSMEs have about IFRS compliance?

3. What perceptions do MSMEs to comply with the IFRS requirements?

4. What challenges do MSMEs face in complying with IFRS?

5. What are some of the indigenous ways of keeping records among MSMEs?

Summary of Key Findings

The analysis as presented in the previous chapter allowed for the responses on the questionnaire and interviews conducted to be turned into the form that gives information for policy actions. The main findings of the study are summarized below:

1. Generally the owners or managers of the MSMEs had very low awareness of the IFRS and its applications in business. Most of the Micro Small and Medium-Scale Enterprises in the Cape Coast municipality lack personal knowledge about bookkeeping in line with IFRS. Very few enterprises have an accountant or trained bookkeepers while most do not keep written or proper records at all. The content analysis suggested that most of the enterprise owners are not ready to bear the cost of hiring a bookkeeper. Most of the enterprises do not keep written records of their business transactions. Also a greater percentage of the respondents upheld the role of accurate financial

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statement preparation in attracting investors and accessing finance from formal financial institutions.

2. A relatively higher percentage of the respondents accepted the importance of IFRS adoption in their business but most were of the view the IFRS processes were hectic to apply. The enterprises also believe there should be a regulatory body to regulate the content and standards of financial reporting in the industry. A greater percentage of the respondent agreed that when a common regulatory body exists and their standards are adhered to, it will allow for the performance of MSMEs to be measured and compared where necessary. The respondents were divided on whether IFRS is a foreign ideal or not. About 53 % believe it is not a foreign idea while the remaining 47% saw it as foreign. Despite the division, about 79% agreed that the adoption should be encouraged among the MSMEs which suggest that some of those who saw it as foreign believe in its implementation in Ghana.

3. It was also discovered that most of the enterprises were ready to adopt IFRS standards but with some modifications to the IFRS requirements and regulation where necessary. Despite the readiness to adopt IFRS most indicated that they have never had any training on IFRS and suggested they wish to receive formal training before adoption. They were also willing to disseminate the information about IFRS to other enterprises if they derive the full benefits from such training. Most of the enterprises were eager to adopt IFRS in their business. The view was proven to be common for both Sole Proprietors and Partnership business owners.

4. The respondents indicated a number of challenges and difficulties they face or may face in adopting IFRS. Some of the main challenges including the fact that IFRS requirement conflict with their existing knowledge, IFRS processes are complex for their understanding, and IFRs is expensive to follow. It came up that cultural believes and political influences are not militating factors against IFRS adoption among the MSMEs in the Cape Coast Municipality.

5. A number of enterprises resort to traditional methods of bookkeeping such as writing on walls, tables and keeping records in their memories. The interview suggested that the respondents have full believed in the efficacy of their traditional methods. From the content analysis of the qualitative interview, quite a high number of interviewees are still holding on to some indigenous ways of record keeping such as writing and ticking on walls, dairy system of record keeping and keeping all business financial information in their memories. They therefore perceived any training needs on IFRS for MSMEs that comes as extra burden with foreseen impossibilities in terms of extra cost it will bring to their business and also their inability to read and write.

Conclusions of the Study

The study identified a gap in the accounting literature on adoption of international reporting standards among enterprises in Cape Coast municipality. The literature was properly reviewed to identify the best approaches to the study and discussions were done in the light of the existing literature.

The major conclusion of the study is that bookkeeping using the principles of IFRS is a major challenge to the MSMEs in the municipality and international standards are not followed where records are kept. Most of the enterprise owners and managers have limited knowledge about IFRS and a lot more sees it as complicated.

The positive conclusion that could be drawn is that most of the respondents were ready to adopt IFRS though with some modification and hence they generally agreed to make time for any training that shall be offered them without any cost.

Recommendations

Recommendation for Policy and Practice

Based on the major findings of the study, the study made a number of recommendations as discussed below.

The study recommends that the National Board for Small Scale Industries (NBSSI)should organise more seminars and conferences to educate their members on the need to keep proper records and adopt international standards such as IFRS for MSMEs.

It also recommends that the Institute of Chartered Accountants - Ghanamust in consultations with the right stakeholders such as the various association and enterprise owners to develop a more simplified version of IFRS standards for the MSMEs.

Also, it is recommended that the owners of MSMEs must be encouraged to take up some financial literacy courses to aid in their ability to understand and adopt IFRS standards.

Financial institutions can also sponsor activities aimed at improving financial literacy among MSMEs and make financial statement a major item in loan acquisition so as to encourage the enterprises to adopt it.

Policy makers and regulatory bodies should undertake practical training needs of all MSMEs immediately IFRSs have been adopted and not just accept adoption and implementation as "white elephant" just on paper and also making sure those resources are made available in terms of human and material.

Recommendations for Future Studies

The study focused on only trading and service enterprises. That is, at best some manufacturing firms should have been included but that was not done. It is therefore recommended that future studies may include manufacturing enterprises or concentrate more on them for a complete picture to emerge.

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APPENDIX 1

UNIVERSITY OF CAPE COAST

COLLEGE OF DISTANCE EDUCATION, DEPARTMENT OF

BUSINESS STUDIES

Questionnaire on

Perception of Micro, Small and Medium-Scale Enterprises on

International Financial Reporting Standards (IFRS)

Dear respondent, this questionnaire is part of a research work which I am carrying out under the supervision of the School of Business, University of Cape Coast. The purpose of the research is to help us understand the perception and readiness of Micro, Small and Medium Scale Enterprises to comply with IFRS requirements within the Cape Coast Metropolis. Please be assured that all information gathered would be treated as confidential and shall be used purely for only academic.

SECTION A: DEMOGRAPHIC INFORMATION

Please tick (√) the appropriate option(s) that best apply(ies) to you.

1. Age   [ ] 20-30   [ ] 31-40   [ ] 41-50   [ ] 51 and above
2. Gender   [ ] Male   [ ] Female
3. Academic Qualification   [ ] No Education   [ ] Basic Education (Primary & JHS)   [ ] Technical   [ ] SHS, [ ] HND, [ ] First Degree, [ ] Masters and above

SECTION B: BUSINESS INFORMATION

Please tick (√) the box that best represents your response or clearly write your response in the provided space.

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4. Name of Business (*if applicable*)………………………………………

5. Location of Business (e.g Kotokoraba, Abura, Bakanu, etc)

    ………………………..

6. The business sector engaged in is [ ] Trade   [ ] Services

7. Have you registered your business?

    Specify…………………………………………

8. Nature of Business

     [ ] Retailing

    [ ] Restaurant

    [ ] Provisions and cosmetic

    [ ] Pharmaceutical

    [ ] Hair dressing and barbering saloon

    [ ] Auto Mechanic/Spare parts dealer

    [ ] Construction & Building materials

    [ ] ICT

    [ ] General Electricals

9. What type of business do you operate?   [ ] Sole proprietorship   [ ]
    Partnership [ ] Family Business   [ ] Company   [ ] others (specify)
    ………………………………

10. Number of employees [ ] Self   [ ] 1-5   [ ] 6-10   [ ] 11-15   [ ] 16-
    20   [ ] 20-29

11. How long have you been in business?   [ ] 1-5years,   [ ] 6-10years,
    [ ] 11-15years,
     [ ] above 15 years

SECTION C: AWARENESS OF IFRS FOR SMEs

Please indicate (by a tick √) the extent to which you agree with the
following statements. Use SA = Strongly Agree, A = Agree, D = Disagree
and SD = Strongly Disagree.

Statement	SA	A	D	SD
I have personal knowledge about bookkeeping				
I keep complete written records				
I have an accountant or bookkeeper who keeps my				

records				
My records keeper is a qualified accountant				
The accountant has been given training in records keeping				
I have heard about the International Financial Reporting Standards (IFRS for SMEs)				
I follow the IFRS regulations in my business				
I prepare financial statements for my business				
My financial statements are prepared in line IFRS principles				
My business comply fully with the IFRS requirements				

SECTION D: ATTITUDE OF MSMES ON IFRS REQUIREMENTS

Please indicate (by a tick √) the extent to which you agree with the following statements. Use SA = Strongly Agree, A = Agree, D = Disagree and SD = Strongly Disagree.

Statement	SA	A	D	SD
I think the IFRS requirements are hectic				
I know that the IFRS requirements are very important				
It is important for me to prepare correct financial statements based on IFRS guidelines				
I think bookkeeping has a positive effect on my business performance				
I know that financial statements prepared correctly attract investors				
I know that the financial statements presented need to meet certain standards				
I think we can compare financial statements of several SMEs when there is one standard to follow				
I think there should be a regulatory body to monitor				

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all the standards				
I think when there is a regulatory body the growth of all SMEs can be measured				
IFRS bring improvement to the financial reporting in my business				
I see the IFRS to be a foreign idea				
I wish the IFRS for SMEs could be cancelled				

SECTION E: READINESS TO ADOPT IFRS BY MSMES

Please indicate (by a tick √) the extent to which you agree with the following statements. Use SA = Strongly Agree, A = Agree, D = Disagree and SD = Strongly Disagree.

Statement	SA	A	D	SD
My business is willing to adopt the full requirements of the IFRS				
I have received training on the IFRS				
I would need more education on IFRS				
I would recommend the adoption of IFRS to other business owners				
I want to adopt the IFRS but with modifications				
I have the necessary resources to support the IFRS adoption and subsequent monitoring				
I see the IFRS to be more stable in the developing country like Ghana				

SECTION F: CHALLENGES IN ADOPTING THE IFRS

Please indicate (by a tick √) the extent to which you agree with the following statements. Use SA = Strongly Agree, A = Agree, D = Disagree and SD = Strongly Disagree.

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Statement	SA	A	D	SD
I have difficulties in adopting the IFRS				
The IFRS conflict with my existing knowledge				
My culture prevents me from adopting the IFRS for SMEs				
Some legal requirements and political influences prevent me from adopting IFRS for SMEs				
Adopting the IFRS is very expensive				
The IFRS is too complex for my understanding				
I will require more education to help me adopt the IFRS				

SECTION G: CURRENT INDIGENOUS WAYS OF KEEPING RECORDS AMONG MSMES DESPITE IFRS INTRODUCTION

I keep records on diaries				
I keep records by writing on a wall				
Mental memory of records is normal in my business				

Any other comment (please indicate)

…………………………………………………………………………………

…………………………………………………………………………………

………………

THANK YOU VERY MUCH FOR YOUR TIME!!

UNIVERSITY OF CAPE COAST

COLLEGE OF DISTANCE EDUCATION, DEPARTMENT OF

BUSINESS STUDIES

Interview Guide on

Perception of Micro, Small and Medium-Scale Enterprises on

International Financial Reporting Standards (IFRS)………….

Dear respondent, this interview guide is part of a research work which I am carrying out under the supervision of the School of Business, University of Cape Coast. The purpose of the research is to help us understand the perception and readiness of Micro, Small and Medium Scale Enterprises to comply with IFRS requirements within the Cape Coast Metropolis. Please be assured that all information gathered would be treated as confidential and shall be used purely for only academic.

SECTION A: DEMOGRAPHIC INFORMATION

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14. Academic Qualification   [ ] No Education   [ ] Basic Education (Primary & JHS) [ ] Technical [ ] SHS, [ ] HND, [ ] First Degree, [ ] Masters and above

SECTION B: BUSINESS INFORMATION

Please tick (√) the box that best represents your response or clearly write your response in the provided space.

15. Name of Business (*if applicable*)…………………………………

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16. Location of Business (e.g Kotokoraba, Abura, UCC Sci. Mktetc)

    …………..

17. The business sector engaged in is [ ] Trade   [ ] Services

18. Have you registered your business?
    Specify…………………………………………

19. Nature of Business

    [ ] Retailing

    [ ] Restaurant

    [ ] Provisions and cosmetic

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20. What type of business do you operate?   [ ] Sole proprietorship   [ ]

    Partnership [ ] Family Business   [ ] Company   [ ] others (specify)

    …………………………………

21. Number of employees [ ] Self [ ] 1-5 [ ] 6-10 [ ] 11-15 [ ] 16-

    20   [ ] 20-29

22. How long have you been in business?   [ ] 1-5years, [ ] 6-10years,

    [ ] 11-15years,

    [ ] above 15 years

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SECTION C: AWARENESS OF IFRS FOR SMEs

11 What do you know about the International Financial Reporting

Standards for Small and Medium Scale Businesses (IFRS for

SMEs)?

…………………………………………………………………

…………………………………………………………………

12 What have you done or currently doing to comply with its

regulations?

…………………………………………………………………

…………………………………………………………………

SECTION D: ATTITUDE OF MSMES ON IFRS REQUIREMENTS

13 What do you think are the importance of the IFRS?

…………………………………………………………………

…………………

14 What do you see as the disadvantages of the IFRS?

…………………………………………………………………

…………………………………………………………………

Do you see the IFRS for small scale businesses as a foreign idea?

....

....

SECTION E: READINESS TO ADOPT IFRS BY MSMES

15 How willing is your firm to adopt the full requirements of the IFRS

for SMEs?

………………………………………………………………………

…………….

16 What would you require to make your application of the IFRS

more convenient?

………………………………………………………………………

…………………

SECTION F: CHALLENGES IN ADOPTING THE IFRS

17 Mention any difficulties your firm have in adopting the IFRS

………………………………………………………………………

………………………………………………………………………

What do you think can be done to help reduce your difficulties?

………………………………………………………………………

……………..

SECTION G: CURRENT INDIGENOUS WAYS OF KEEPING

RECORDS AMONG MSMES DESPITE IFRS INTRODUCTION

18 Are there other indigenous ways by which you keep your records?

State them (if any)

………………………………………………………………………

……………………………………………………………………

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19 Any other comment (please indicate)

………………………………………………………………………

………………………………………………………………………

THANK YOU VERY MUCH FOR YOUR TIME!!