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IFRS Adoption in Ghana: The Dimensions of Challenges Firms Encounter

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Abstract

The study seeks to identify challenges of IFRSs adoption firms encounter firms in the context of Ghana and the factors underlining these challenges. Structured questionnaire items were use to investigate the dimensionality of challenges firms encounter in a mandatory IFRS adoption situation using a sample of 88 finance officers of unlisted firms in Ashanti Region of Ghana. It is found that firms in Ghana do encounter some challenges in adopting IFRS. Notable among these challenges are correct application of IFRS, knowledge and expertise in IFRS, resistant to change, compatible software packages, integrating IFRS into existing systems and regulation enforcement. It is also found that the challenges of IFRS adoption in Ghana may be explained by five factors namely: *IFRS Complexity, Knowledge and Expertise, Regulation, System and Processes, and Institutional Support.* Cost could not be confirmed as a factor of IFRS adoption challenges, however, evidence suggest that cost as a challenge of IFRS adoption may be explained by the cost driver. It is therefore recommended that accounting education and training curricula in Ghana should be revised to reflect the changes in reporting standards and local accounting professional bodies should provide guidelines on the application of apparently difficult standards to local situations.

Keywords: challenges, dimensions, indicators, IFRS adoption, IFRS compliance

1. Introduction

Adoption of IFRS is one of the current issues of empirical studies in financial reporting in recent times. The concern of most of the academic discourse in this area are the antecedents of IFRS adoption, the effects of IFRS adoption on accounting information, the benefits of IFRS adoption, the challenges of IFRS adoption, compliance with IFRS after adoption and the readiness of countries for IFRS adoption among others. However one of the least discussed issues at the theoretical and empirical level is the challenge and difficulty of adopting IFRS. Yet, a better understanding of the challenges of adoption may help countries to prepare and take precautionary measures before adopting IFRS. The findings on the challenges of IFRS adoption, however, are heterogeneous and inconclusive. The challenges of IFRS adoption vary with respect to the context of the study. Contextual issues such as political social, organizational and professional environments (Tsunogaya, Hellmann, & Scagnelli, 2015) as well as contingency firm characteristics among others may influence the kind of challenge IFRS adoption may pose to a firm.

Developing countries are more prone to the reported difficulties and challenges of adopting IFRS because of the circumstances in which they adopt IFRS. Since IFRS is developed in the context of advanced countries, most of the requirements of IFRS are incompatible with the level of development of some developing countries. For instance developing countries may not have an active market for the establishment of fair values of assets and liabilities (Alsaqqa & Sawan, 2013). Most developing countries adopted IFRS without preparing the country environment for effective adoption of IFRS (Hussain, Islam, Gunasekaran, & Maskooki, 2002). Hooper & Morris, (2004) as well as Judge et al., (2010) indicated that the adoption of IFRS became mandatory for some developing countries due to external pressure and influence of international organizations such as IMF and World Bank. Most developing countries therefore adopted IFRS for the purpose of gaining acceptability in the international market and also because they lack the ability to produce legitimate set of accounting standards acceptable to the international community (Demaki, 2 013) without the necessary political, economic and technical preparations.

Ghana, a developing country, adopted IFRS in 2007. The adoption of IFRS in Ghana was not only for the promised benefits of IFRS but also as a means of implementing one of the recommendations of Reports on Standards and Codes [ROSC] issued by the World Bank in March 2006 (Boateng, Arhin, & Afful, 2014). World Bank (2004) made a policy recommendation for a change or improvement in Ghana's accounting standards. Adoption of IFRS was therefore as suggested by Frey and Chandler (2007) an easy and cost effective approach to implementing the policy recommendation of the World Bank.

Since the adoption of IFRS in 2007, the date for full compliance has been changed and postponed twice and the final date for full compliance which was not postponed was December 2015. However, World Bank (2014) in their Report on the Observance of Standards and Codes – Accounting and Auditing of Ghana observed that most entities, especially, entities that are not strictly required by regulations to comply with IFRS still use Ghana National Accountancy Standards preparing their financial reports. The report indicated that auditors are still recognizing financial reports prepared in accordance with the Ghana National Accounting Standards. It implies that seven years after adoption of IFRS in Ghana firms were yet to fully comply with IFRS in their financial reports. This is evidence that firms in Ghana and the nation as a whole are facing some challenges in complying with IFRS.

A couple of studies have been carried out on the challenges of IFRS adoption in Ghana in the context of listed firms, and accounting professionals' perceptions (e.g. Boateng, Arhin, & Afful (2014). Little is known about the case of firms that are not listed. Besides, the existing studies focus on the practitioners as individuals and not as representatives of the firms. Existing studies have also been limited to reporting the observed indicators of the challenges of IFRS adoption without considering the dimensions of the challenges which is important in comparative studies of the challenges of IFRS adoption. This study seeks to extend the existing literature by investigating the challenges firms encountered in adopting and complying with IFRS in Ghana and examining the factor components of the challenges of IFRS adoption reported in the literature.

2. Literature Review

It has long been acknowledged that as much as IFRS, a global accounting standard, has titanic benefits, IFRS adoption may come with significant and enormous challenges. The most obvious challenge of IFRS adoption in developing countries is adapting their regulatory framework and culture to the requirements of the IFRS (Michas, 2010). Demaki (2013) indicated that overcoming the challenges of IFRS require updating accounting curricula in all training institutions as well as amending existing laws that may be a drawback to IFRS. Aljifri (2013) observed that the adoption of IFRS is a function of the presence of an effective legal framework for the accounting profession, organized financial markets, and a supply of qualified accounting professionals and the absence of any of these conditions will hinder and challenge effective adoption.

The adoption of IFRS poses serious challenges to adopting countries and firms (Alp & Ustuntage, 2009; Zhang, Andrew & Collier, 2007). Theoretically, these challenges include loss of control on the standards setting body, possible abuse of monopoly by the global standard setting body over the standard setting process, unsuitability of global standards to local economic environments and regulatory framework, the complex structure of the international standards, potential knowledge shortfall, difficulties in the application of the standards and enforcement challenges (Laga, 2012; Schachler, Al-Abiyad, & Al-Hadad, 2012). Nobes (2011) observed that Tax-driven nature of national standards is also one of the challenges of adopting IFRS to the country. This challenge however, is applicable only to countries where accounting practices follow tax rules. World Bank (2014) in their report on the observance of standards and codes – Accounting and Auditing (ROSC-A&A) of Ghana identified regulatory framework and accounting education as the challenges of IFRS adoption and compliance in Ghana. Ball, Robin & Wu (2000) indicated that the challenges of IFRS implementation after its adoption 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.

At the firm level, adopting IFRS theoretically goes with significant challenges. The challenges of adoption and compliance with IFRS at the firm level may vary with respect to each firm's circumstances and nature of business. Jermakowicz (2004) observed that increased volatility of earnings, high cost of implementing IFRS, complex nature of IFRS, lack of IFRS implementation guidance and tax-driven nature of national standards are the challenges firms may experienced on adoption of IFRS. In addition to high cost, Bassemir (2011) identified the need to alter information systems and the need for staff training and development as potential challenges of IFRS adoption to firms. Zakari (2014) observed that because the staff of the firm is unfamiliar to the new standards, adoption and implementations comes with financial challenges since training and consultancy service may be required to ensure successful implementation. Similarly, cost is one of the challenges of adoption identified in the literature. Among the cost of IFRS adoption, firms experience may include the cost of training employees, the cost of restructuring internal control systems and the increase in the cost of auditing due to lack of knowledge among the audit firms.

Limited transition period and incompatibility of IFRS and regulatory environment have also been cited as obstacles to IFRS adoption and compliance by firms. Tsunogaya et al., (2015) observed that a short transition period is an obstacle to IFRS adoption especially when firms are mandated to adopt and comply with IFRS. They indicated that it took a number of years for countries in the EU and Japan to fully converge to IFRS after initial adoption and that is the normal practice. In cases where IFRS requirement is inconsistent with the regulatory system, firms will encounter the challenge of multiplicity of regulation (Osemeke & Adegbite, 2016). Due to the nature of IFRS, on adopting IFRS, firms are likely to experience difficulties in understanding IFRS, determining fair value of assets and liabilities (Laux & Leuz, 2009), making a good choice where IFRS is not specific, fitting IFRS into existing accounting and control systems and getting a qualified accountant with expertise in IFRS (Landsman, 2007).

Empirical literature on the challenges of IFRS adoption to firms is limited. This is not to say that no research has been conducted in this respect. In the case of companies in Australia, Jones and Higgins (2006) found that lack of enough preparation for IFRS adoption, difficulty in merging IFRS in internal controls relating to the management accounting system and limited expertise and knowledge of IFRS requirements are some of the challenges of IFRS adoption confronting firms. Jermakowicz and Gornik (2006) reported in their study of 112 EU listed companies that the respondents perceived IFRS implementation process to be costly, complex and burdensome. Nyor (2012) examined the experiences of commercial banks in Nigeria that were mandated to adopt IFRS in 2010 and reported that the banks encountered a lot of difficulties in converging to IFRS. The key challenges the banks reportedly encountered are the cost of adoption, need and access to training and education, difficulty in dealing with differences between local standards and IFRS, software problems. Alsaqqa & Sawan (2013) surveyed the perceptions of the Chief Financial Officers' (CFOs) for Dubai and Abu Dhabi listed companies, financial analysts of the financial statements in the two listed companies and their auditors. They reported that many respondents were concerned of the level of education of accounting users, the methods provided by some IFRSs, and inadequate enforcement mechanisms of the country. They also found that lack of qualified personnel and knowledge of IFRSs, lack of knowledge and understanding of complicated standards, lack of professional specialists, fair value issues, changes to computer software systems, and costs were the challenges of concern to the stakeholders. Faraj & Firjani (2014) reported that one of potential difficulties of complying with IFRS in Libya is inconsistency between IFRS requirements and other disclosure requirements of local regulatory organizations. In addition, they found that lack of IFRS training opportunities, and inadequate skills among accountants are peeved potential challenges Libyan companies may encounter if they adopt IFRS. Boateng, Arhin, & Afful (2014) surveyed eighteen (18) professional accountants of firms listed on the Ghana Stock Exchange (GSE) regarding their opinion on the benefits and challenges of IFRS adoption to firms in Ghana. They reported that coping with the sophistication of the new standard, lack of qualified personnel, and additional operational cost after IFRS adoption are the major challenges of the adoption of IFRS.

2.1 Conceptual Framework and Indicators of the Challenges of IFRS Adoption

From the preceding review of literature, it is observed that the challenges of IFRS adoption and compliance are heterogeneous and may manifest differently in different context. Theoretically, these challenges may be classified as follows:

a) the complex and dynamic nature of the international standards

b) potential accounting knowledge and expertise shortfall (knowledge gap)

c) cost of switching or change to IFRS (consultancy, training, new systems, and alterations of existing systems)

d) Institutional support (resistance to change, managerial acceptance and support)

e) Incompatibility of IFRS with existing accounting systems and regulations(systems, processed and procedures)

The challenge and difficulty of IFRS adoption is therefore conceptualize as a five component construct and each component has observable indicators. Figure 1 shows the proposed conceptual framework.

Figure 1. Components of IFRS adoption challenge

Nature of IFRS

This covers all the characteristics of IFRS that may pose a challenge to the adoption and compliance with IFRS including complexities of IFRS, cumbersomeness of IFRS, difficult to understand, difficult to apply, fair value requirement, recognition and measurement requirements, frequency of revision, and subjectivity of IFRS.

Cost of IFRS Adoption

It entails all the challenges that IFRS adoption and compliance may pose to firms as a result of cost consequences of IFRS Adoption and compliance such as cost of training existing staff, cost of hiring new staff, costs of acquisition of new technology, cost of setting an appropriate internal control system, and cost of restructuring internal controls.

Institutional Attitude

Without the requisite institutional support IFRS adoption and compliance at the firm level will be may be challenging. Institutional attitude in this case include Top-management support, institutional commitment to transparency, managerial incentive, and resistance to change.

IFRS Knowledge Gap

Staff Knowledge and expertise in IFRS is important for effective adoption and implementation of IFRS. Knowledge and skills gap in this context includes limited access to IFRS training and education, lack of personnel with IFS Knowledge and expertise, limited access to IFRS experts and consultants, limited knowledge and expertise of IFRS among users of financial reports and auditors.

Systems and Procedures Compatibility

This dimension covers all challenges of IFRS adoption relating to systems and regulatory environment of an entity including, unavailability of IFRS compatible software, incompatibility of IFRS with existing systems, lack of IT infrastructure for complying with

IFRS requirements, incompatibility of IFRS with other regulatory requirements and insufficient transition period.

In the literature, well established indicators of the challenges of IFRS adoption are scarce. Different authors identified different indicators of challenges of IFRS adoption depending on the focus and context of their study. Table 2 show a summary of the indicators of the challenge of adopting IFRS reviewed in the literature.

Table 2. Indicators of the Challenge of IFRS adoption

Indicators	*Authors*
Cost of training cost of training existing staff, Cost of hiring new staff, costs of acquisition of new technology, cost of setting an appropriate internal control system, It takes time to learn IFRS and cost of restructuring internal controls	Jermakowicz (2004), Boateng, Arhin, & Afful (2014)
Limited technical expertise in applying IFRS in the measurement of accounting value	Healy and Palepu (2012)
Determining the appropriate accounting values consistent with IFRS requirements	Ball, Li, and Shivakumar (2015
Lack of requisite IT support system for complying with IFRS requirements (e.g. terms of recognition and measurement)	Borker (2016a)
Lack of accountants with IFRS knowledge	Faraj and Firjani (2014), Zakari (2014), Landsman (2007)
Incompatibly of IFRS with existing accounting system, and limited knowledge of IFRS requirements	Jones and Higgins (2006) Faraj and Firjani (2014),
Significant differences between the legal system and IFRS	Michas (2010), Osemeke and Adegbite (2016), Alsaqqa & Sawan (2013)
Limited time for: awareness creation, the necessary training, and changes in information technology	Tsunogaya et al., (2015)
Lack of reliable markets to determine the fair value of assets and liabilities, incompatibility of IFRS with existing systems, subjectivity in IFRS, lack of understanding of IFRS, and inadequate supply of IFRS certified accountants	Landsman (2007), Laux and Leuz (2009
Managerial incentive and support	Ball, Robin and Wu (2000)

3. Research Methods

3.1 Design

In terms of design, this paper is descriptive in purpose, deductive in approach and a survey in strategy. The population of the study consists of all finance officers of unlisted firms in Ashanti Region of Ghana.

3.2 Sample

Though the size of the population is not known, a total of 120 firms were approached to participate in the survey and only 88 actually participated. The criterion for selection of a firm to participate in the study was whether the firm existed prior to the adoption of IFRS in Ghana, whether the finance officer was in the firm before the firm adopted IFRS in preparing financial reports and the willingness of the finance officer to participate.

3.3 Instruments for Data Collection

Under the literature review, the challenge of IFRS adoption confronting firms in Ghana was identified to be multi-facet with various indicators. With this conceptualization of the challenges of IFRS adoption, a pool of items and indicators were generated for each dimension as suggested by Tabachnick and Fidell (2006) and Hinkin (1995) as well as Spector (1992). A total of 25 items were generated taking into account commonly touted indicators of the challenge of IFRS adoption in the literature (see Table 1). Each item was written as a likert scale item with responds ranging from 1 = strongly disagree, 2 = disagree, 3 = Neutral, 4 = agree, to 5 = strongly agree The items were given to two faculty members of Faculty of Business Education of the University of Education, Winneba to assess the content validity of the items. Base on the reviewer's comments, the necessary corrections were made. The items were pilot tested on accounting academics about their perception of the challenges firms may encounter in adopting and complying with IFRS in Ghana. After analyzing the data, two of the items were deleted. The final set of 23 items was administered to respondents.

3.4 Data Analysis

To achieve the objective of the study, descriptive statistics (percentages, mean and standard deviation) and factor analysis was employed to analyze the data.

3.4.1 Suitability of Data for Exploratory Factor Analysis

*T*o this end, correlation matrix of the observed indicators of challenges of IFRS adoption was computed to examine the suitability of the data for factor analysis. All items with low correlation with the other items were excluded. In all 8 items were deleted. The remaining items were retested for suitability Kaiser and Bartlett's test. The Kaiser-Meyer-Olkin measure of sampling adequacy was 0.623 and this is a little below the required figure of 0.700. However, Kaiser (1974) as reported in Field (2005) recommended that KMO value of 0.5 or more is acceptable. Bartlett's test of sphericity was significant ($\chi 2$ (84) = 562.832, p = 0001) and the determinant of the correlation matrix of the data used in the factor analysis was 0.001 and this is higher than the minimum required value of 0.0001 for factor analysis.

3.4.2 Criterion for Factor Extraction and Selection

Principal axis factoring method was used for factor extraction because the purpose of the analysis was to identify the underlining factors and not components of the indicators of challenges of IFRS adoption. Varimax with Kaiser Normalization rotation method was used to achieve a simple factor structure. The Kaiser's criterion and the scree plot were used to select the extracted factors. Thus, factors with initial eigevalue of 1 or more were retained. The scree plot was used to confirm the outcomes of the Kaiser's criteria. Five factors were selected and reported in this study base on the criteria outlined above.

4. Results and Discussions

4.1 Challenges and Challenge of IFRS Adoption

The main concern of this study was to investigate and identify key challenges firms encounter in adopting and complying with IFRS in Ghana where IFRS adoption is mandatory. Table 2 shows a summary of the data collected.

Table 2. Perceived challenges encountered in IFRS adoption and compliance

Indicators	N	**% DA&SDA**	**% Neutral**	**% A&SA**	Mean	SD
IFRS has cumbersome requirements	84	4.8	50	45.2	3.55	.784
Difficult to understand apparent technical complexities in IFRS	84	8.3	48.8	42.9	3.48	.838
Difficulty in correctly applying IFRS to local realities	84	1.2	47.6	51.2	3.75	.752
Lack of implementation guidance	84	26.2	29.8	44	3.30	1.050
Difficulty in determining fair value of assets and liabilities,	84	9.5	45.2	45.3	3.46	.872
Difficulty in making a good choice where IFRS is not specific	84	14.3	39.3	46.4	3.55	.898
Lack of personnel with necessary knowledge and expertise of IFRS	84	9.5	38.1	52.4	3.70	.938
Scarcity of experts for consulting	84	9.5	42.9	47.6	3.55	.926
Limited access to IFRS education and training program	84	16.7	44	39.3	3.35	1.024
Limited experiences in applying IFRS	84	6	48.8	45.2	3.64	.833
Lack of top management's commitment and support	84	8.3	42.9	48.8	3.57	.905
Lack of commitment to transparency	84	10.7	40	49.3	3.50	.944
Lack of cooperation among departments	84	26.2	32.1	41.7	3.32	.977
Resistance to change	84	4.8	44	51.2	3.62	.788
Lack of IFRS compatible software packages	84	4.8	42.9	52.3	3.76	.816
Difficulty of integrating IFRS with the current accounting system	84	10.7	39.3	50	3.45	.856
Weak regulatory enforcement	84	5.9	43.1	51	3.75	.805
Significant differences between the legal system and IFRS	84	11.9	39.3	48.8	3.42	.925
Limited time for preparation and transition before full convergence	84	3.6	47.6	48.8	3.56	.750
High cost of IFRS consulting and auditing	84	16.7	36.9	46.4	3.40	1.027
Involves a great deal of work	84	16.7	27.4	55.9	3.65	1.032
High cost of training	84	10.7	44	45.3	3.52	.944
Cost of altering information systems and software	84	7.1	48.8	44.1	3.58	.847

Note: **N** is number of observations **DA** is disagree, **SDA** is strongly disagree, **A** is agree, and **SA** is strongly agree and **SD** is standard deviation

From Table 2, it is observed that not more than 26.2% of the cases disagree that any of the possible challenges of adopting IFRS were encountered upon the mandatory adoption and compliance with IFRS. Apart from limited cooperation among departments (A&SA = 41.7), limited access to IFRS education and training program (A&SA = 39.3), lack of implementation guidance (A&SA = 44), difficulty in understand technicality complexities of IFRS (A&SA = 42.9) and cost of altering information system and software (A&SA = 44.1) between 45% and 56% of the cases agree or strongly agree that the indicators of challenges of IFRS adoption identified in this study were encountered upon the mandatory adoption of IFRS. Table 2 shows that between 40% and 50% of the respondents was neutral on whether the indicators of challenges on IFRS adoption were encountered upon the mandatory adoption of IFRS except lack of implementation guidance (Neutral = 29.8), lack of personnel with necessary knowledge and expertise of IFRS (Neutral = 38.1), lack of cooperation among departments (Neutral = 32.9), high cost of IFRS consulting and auditing (Neutral = 36.9%), and increase in reporting requirements (Neutral = 27.4%). In absolute terms half or more of the cases either agree or strongly agree that correctly applying IFRS (51.2%), personnel with knowledge and expertise in IFRS (52.4%), resistant to change (51.2%), compatible software packages (52.3%), integrating IFRS with existing systems (50%), weak regulation enforcement (51%) and involves a great deal of work (55.9%) were encountered upon the mandatory adoption and compliance with IFRS. For the rest of the challenges, relative to the percentage of cases that disagree, it may be said that significantly higher percentages of the cases agree that such challenges were encountered upon the adoption and compliance with IFRS.

4.2 Dimensions of the Challenge of IFRS Adoption

The next concern of this paper was to establish, if any, the factors underlining the indicators of challenges of IFRS adoption and compliance presented in Table 2 using exploratory factor analysis. Table 3 presents the factor loadings of in the rotated solution for each of the factors.

Table 3. Factor loadings of items for a five-factor solution

Items/Indicators	Code	Factor loadings					Communalities
		1	2	3	4	5	
Understanding technicalities of IFRS	**SC2**	**.793**					.684
IFRS has cumbersome requirements	**SC1**	**. .600**					.458
Determining fair value of assets and liabilities,	**SC5**	**.703**					.507
Correct application of IFRS to local reality	**SC3**	**.444**					.390
Lack of personnel with IFRS knowledge and expertise	**KE1**		**.910**				.893
Scarcity of experts for consulting	**KE2**		**.659**				.452
Access to IFRS education and training program	**KE3**		**.539**				.405
High cost of training	**R3**	.395	**.712**		.300		.662
Integrating IFRS with the current accounting system	**RSP2**			**.922**			.922
Limited time transition period before full convergence	**RSP5**			**.688**			.534
Inconsistency between regulations and IFRS	**RSP4**			**.694**			.501
Lack of top management's commitment and support	**IS1**				**.929**		.928
Limited institutional commitment to transparency	**IS2**				**.702**		.607
Cost of altering information systems and software	**R4**					**.892**	.829
Lack of IFRS compatible software packages	**RSP1**			.310		**.749**	.588
Eigenvalues		3.755	2.390	1.922	1.685	1.227	
% of variance explained		15.246	12.735	12.640	10.901	10.343	
% of total variance explained				61.86			

Note: Extraction Method: Principal Axis Factoring

Rotation Method: Varimax with Kaiser Normalization.

Factor loadings < 0.300 are not reported

From Table 3, indicator SC2, SC1 and SC5 had their highest loadings in Factor 1, items KE1, KE2, KE3 and R3 strongly loaded into Factor 2 and factor 3 had high loadings from item SP2, SP5 and SP4. Indicator IS1 and IS2 had their high loadings in Factor 4 whiles indicators R4 and SP1 had their high loadings in Factor 5. In accordance with the tentative factors in the conceptual framework of the study (see figure 1) factor one is designated Nature of IFRS, factor 2 is named IFRS knowledge gap and factor 4 is designated institutional support. However, Factor 3 and factor 5 which contain items from the same tentative factor "systems and procedures compatibility" seems to reflect a split of the tentative factor into regulatory factor and system and process factor. Factor 3 is hence designated regulatory compatibility and factor 5 is designated system and process compatibility. The five factors together explained 61.86% of the variance in the items. Internal consistency of each of the extracted factors scales was examined using Crombach alpha. Table 4 presents the descriptive and reliability statistics of the five factors.

Table 4. Descriptive statistics and reliability of factor scales

Factor	Items/Indicators	Crombach alpha	Mean	Std. Deviation
IFRS complexities	Understanding technicalities of IFRS IFRS has cumbersome requirements Determining fair value of assets and liabilities, Correct application of IFRS to local reality	0.733	3.5774	0.39572
Knowledge and expertise	Lack of personnel with IFRS knowledge and expertise Scarcity of experts for consulting Access to IFRS education and training program High cost of training	0.806	3.5744	0.68743
Regulations	Integrating IFRS with the current accounting system Limited time transition period before full convergence Inconsistency between regulations and IFRS	0.800	3.5635	0.50955
Institutional Support	Lack of top management's commitment and support Limited institutional commitment to transparency	0.845	3.4464	0.92169
Systems and process	Cost of altering information systems and software Lack of IFRS compatible software packages	0.807	3.5893	0.97918

Table 4 shows that each of the factor scales has a Crombach alpha which is higher than the minimum value of 0.7 and hence the scales could be described as reliable on the bases of the Crombach statistics. The mean scores of all the factors, except Institutional Support, are about 3.5 or higher. On a likert scale of strongly agree (1) to strongly disagree (5), the 3.5 could be interpreted to mean that the respondents slightly or marginally agree that the four factors (IFRS Complexity, Knowledge and expertise, regulation and system and processes) were challenges encountered upon the mandatory adoption of IFRS. Institutional support as a factor with a mean score of 3.4464 arguably may indicate ambivalence response. It may or may not have been a significant challenge in the mandatory adoption of IFRS.

5. Conclusions and Implications

5.1 Conclusion

As generally asserted in the literature, firms in Ghana, like other firms, did encounter some challenges in the mandatory IFRS adoption and compliance. The findings suggest that correct application of IFRS, limited personnel with knowledge and expertise in IFRS, resistant to change, availability of compatible software packages, integrating IFRS with existing systems, weak regulation enforcement and increased work load (IFRS involves a great deal of work) are the clearly outstanding challenges encountered by firms upon the mandatory adoption and compliance with IFRS. Without considering the cases of neutral responds, it may be concluded that the rest of the indicators of challenges identified and included in the survey were most likely encountered by firms in the mandatory adoption and compliance with IFRS.

The findings also suggest that the challenges of IFRS adoption may be explained by five factors namely: *Nature of IFRS, IFRS Knowledge gap, Regulatory compatibility, System and Processes compatibility, and Institutional Support.* Cost could not be confirmed as a factor of IFRS adoption challenge. Cost as a challenge of IFRS adoption is explained by the cost driver. For instance, cost of training is explained by knowledge and expertise factor and cost of altering systems and process is explained by the systems and processes factor.

5.2 Implications

Correct application of IFRS is identified as one of the challenges firms in Ghana encountered in the adoption of IFRS. This implies that to promote full compliance, local accounting professional bodies must provide guidelines and explanations as to how apparently difficult standards should be applied in the local reality. To enhance knowledge and expertise of accounting practitioners in IFRS, academic and professional accounting program, courses and modules should be revised to reflect the change in reporting standards in the curricula. This will eliminate the situation where people are trained in GAAPs or local standards and will practice with IFRS. The external environment of the firm especially, availability of support systems and services (compatible software, consultancy services, experts serves, national guidance, regulatory support) is an important factor in IFRS adoption and compliance. It is therefore crucial for governments prior to opting for full compliance with IFRS to ensure that the local environment is prepared to support firms in adoption and compliance. In cases of mandatory adoption of IFRS, institutional support may not be a challenge and this may be attributed to the fact that management and staff have no option but to comply with the reporting requirement as their peers do or even better.

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