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Fair Value Accounting: Implementation Challenges Facing Small and Medium-Sized Entities in the Agricultural Sector

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Abstract

Nowadays, the relevance of fair value in financial reporting is gaining impetus and recent discussions are moving in the trend of full fair value reporting. Small and medium-sized entities are not ignored in this instance. The move to new reporting standards results in various challenges for different interest groups such as auditors, preparers and regulators. The main objective of the study was to establish the fair value implementation challenges facing SMEs in the agricultural sector with evidence from regulatory bodies in Ghana. The study established that there is lack of methodological relationship between existing local laws and IFRS and absence of involvement of regulatory bodies in financial reporting standards setting. In light of these challenges, the study recommends involvement of regulatory bodies in

standard setting and consideration should also be given to local laws when setting international standards.

Keywords: Agricultural sector, Small and medium-sized entities, Fair value, Regulatory bodies

1. Introduction

The agricultural sector is the most important sector in the Ghanaian economy in terms of its share of Gross Domestic Product (GDP), employment and foreign exchange earnings. This is evident as the agricultural sector employs about 55 per cent of the labour force and contributes about 35 per cent to GDP (Republic of Ghana, 2012). The agricultural sector also contributes to almost 45 per cent of all export earnings and 12 per cent of tax revenue of Ghana. In addition, the agricultural sector is an important source of raw materials for manufacturing, and finally the agriculturally dependent rural households, which form about 80 per cent of the population (Republic of Ghana, 2009).

In July 2009, the IASB issued IFRS for Small and Medium-sized Entities (IFRS for SMEs). Section 34 (1) of this statement outlines the application of fair value by small and medium-sized entities engaged in agricultural activity by indicating that every entity shall determine, for each of its biological assets, whether the fair value of that biological asset is readily determinable without undue cost or effort apply the fair value model in paragraphs 34.4-34.10 of IFRS for SMEs (IASB, 2013). This IFRS for SMEs (IASB, 2013) is a standalone document and it requires entities engaged in agricultural activity to determine without undue cost or effort, for each of its biological assets, where the fair value is readily determinable. Where the fair value is readily determinable the entity must use the fair value model while, in cases in which the fair value is not readily determinable, the entity must use the cost model for the relevant biological asset.

IFRS for SMEs defines SMEs as those entities that publish financial statements even though such entities do not have public accountability (IASB, 2012). However, in Ghana various definitions have been given for Micro, Small and Medium scale enterprises but the most commonly used criterion is the number of employees of the enterprise (Kayanula & Quartey, 2000).

National Board for Small Scale Industries (NBSSI, 1990) has defined SMEs in Ghana by applying both the fixed asset and number of employee's criteria. It defines a small-scale enterprise as a firm with not more than 29 workers, and has plant and machinery (excluding land, buildings and vehicles) not exceeding 10 million Ghanaian cedis. However, for the purpose of this study, the definition given by IFRS for SMEs was applied. This was linked to SMEs in the agricultural sector in Ghana that publishes financial statements but do not have public accountability.

Unlike GNAS, IAS 41 sets forth the recognition and measurement criteria of biological assets. This standard (IASB, 2013) details how companies that engage in agricultural activities measure their assets. Companies in industries like the cultivation of farm produce e.g. timber; palm trees, sugar cane, dairy products, wine production, and meat production measure their assets in line with IAS 41. The standard provides that companies should measure their biological assets at fair value and any resulting changes in fair values less estimated cost at the point of sale be recognised in the statement of comprehensive income (IASB, 2013). The Institute of Charted Accountants Ghana (ICAG) adoption of IFRS was based on a study conducted by the World Bank in 2004. This study was presented in a 'Report on Observance of Standards and Codes' (ROSC). The study was to "assess the weaknesses and strengths of the accounting and auditing requirements, and to evaluate the reporting requirements against actual practices" (ROSC, 2004). The World Bank used the IFRS and International Standards on Auditing as the yardsticks for assessing national standards. The Report on the Observance of Standards and Codes published by the World Bank in June, 2004 was the outcome of the assessment of the Ghanaian accounting and auditing standards. However, the World Bank in December, 2010 published another ROSC report on 'Corporate Governance Country Assessment on Ghana'. This report enclosed policy recommendations to improve the financial reporting structure in Ghana. The ICAG, according to the World Bank, has made an effort to raise awareness of the need to apply IFRS, but has done less to build accountant and auditor capacity. It does not review the quality of reports or their compliance with IFRS, and peer review is not established.The absence of a national standard based on IAS 41, is significant in agriculture-dominant Ghana (ROSC, 2010). In Africa including Ghana almost 15 countries currently have converged to or have fully adopted the IFRS as a basis for preparing annual reports (World Bank Report, 2011). It is compulsory for all firms listed on the Ghana Stock Exchange to prepare their accounts using IFRS. ICAG recommended that all SMEs and unlisted companies also prepare their financial statements in line with IFRS for SMEs and IFRS respectively (ICAG, 2010). Through the examination of financial statements and interviewing some of the accountants who prepare financial reports for SMEs in the agricultural sector in Ghana, it was ascertained that almost all the SMEs in the agricultural sector have not implemented the accounting standards (IAS 41 & IFRS 13) for reporting of biological assets. IAS 41or IFRS 13 has not been implemented on adoption as a standardised basis to account for biological assets in the agricultural sector in Ghana. As it stands now, the financial information of SMEs in the agricultural sector in Ghana cannot be compared with international competitors because they are not prepared on a homogeneous basis. Madawaki (2012:152) also mentions that the successful adoption and implementation of IFRS will remain a fantasy in any country, from which Ghana is not exempted. In recent development, Nana Sackey, Deloitte Country Managing Partner, stated in a seminar organised by Deloitte to engage SMEs in global financial reporting standards in Kumasi on 11 February 2013 that SMEs in Ghana should clearly identify and deal with the challenges of adopting and implementing the new set of standards for the preparation of financial statements (Domfeh, 2013). He recognised the fact that SMEs that will adopt and implement IFRS for SMEs would face some challenges. As Ghana's most important economic sector employing more than half the population, agricultural accounting in Ghana is an unexploited area to boost investment opportunities. It is clearly believed that the preparers of financial statements in the agricultural sector in Ghana will face some challenges in the implementation and application of IAS 41. On the other hand, Ghana National Accounting Standard and the Ghana Companies Code 1963 (Act 179), which serve as a yardstick for the preparation and treatment of financial transactions in the financial statements did not provide guidance for the treatment of biological assets in the financial reports.

2. Literature Review

2.1 IFRS Implementation Challenges in Africa

Deloitte Touche Tohmatsu Limited and PricewaterhouseCoopers (2012) state that most African countries fail to prepare financial statements on the basis of IFRS. Their study concluded that countries in Africa that have adopted IFRS as a guide to prepare financial statements face some challenges. The study highlighted implementation challenges facing countries in Africa like South Africa, Kenya and Nigeria. Notably, in spite of such challenges, some countries have taken the risk and have effectively implemented IFRS. According to a report of Deloitte Touche Tohmatsu Limited (2012), 18 out of 53 countries in Africa, representing 34%, have successfully adopted IFRS. The following countries were listed: Ghana, Lesotho, Botswana, Kenya, Libya, Mauritius, Mozambique, Namibia, Nigeria, Sierra Leone, South Africa, Swaziland, Tanzania, Uganda, Zambia, Morocco, Zimbabwe and Malawi.

At the United Nations Conference in Geneva in 2008, Kenya and South Africa were identified to have experienced three main categories of challenges in the IFRS adoption process. The challenges were identified and categorised on the basis of institutional, enforcement and technical challenges (UNCTAD, 2008).

2.1.1 Institutional Challenges

At the conference organised by the UN on Trade and Development, the UN recognised challenges that cropped up with regard to the introduction of IFRS as an element of the governance of firms in any jurisdiction, where laws and regulations already exist. These challenges were palpable in the case studies of Kenya and South Africa, where the IFRS adoption is likely to result in divergence amid IFRS requirements for financial reporting and existing laws (UNCTAD, 2008:3).

2.1.2 Enforcement Challenges

Challenges in relation to institution result in issues relating to enforcement. The challenge for Africa is not being unable to adopt IFRS; instead it is the challenge of putting measures in place to enhance the enforcement of IFRS implementation (UNCTAD, 2008). Ridley (2011) is of the view that ensuring quality implementation is more advantageous than influencing countries to adopt IFRS. Poor adoption of IFRS would certainly bring about additional challenges. In the countries where IFRS is being adopted, accounting professional bodies must be responsible in the process of enforcement. In some countries, this enforcement has been supported by securities exchange commissions, banking and insurance supervisory authorities, stock exchanges and capital markets authorities (UNCTAD, 2008).

2.1.3 Technical Challenges

It can be deduced from the United Nations Conference on Trade and Development

(UNCTAD) that Africa faces a deficiency of qualified accountants (technical capacity) who are sufficiently educated in IFRS. This was recognised as a national issue faced by a lot of countries in a Global Leadership Survey performed by the IFAC, through their member bodies (UNCTAD, 2007). There are scarcely adequate professionals to ensure first-time adoption. Therefore, the invariable updating of IFRS by the IASB makes it even more complicated for countries with shortage of capacity to stay familiar with challenges. However, the challenges of implementing IFRS in South Africa, Kenya and Nigeria, as discussed at the United Nations conference, are summarised in table 2.1 below:

2.2 Fair Value Implementation Challenges in the Agricultural Sector

The World Bank Group (2007) mentions that a major concern is the way in which to contain the price volatility of agricultural produce, to improve access to markets and to develop modern market chains in order to reduce the cost of market access of small and medium-sized entities. Nevertheless, in view of the fact that such fair value models are proposed from the perspective of the developed countries the implementation of the fair value model faces numerous challenges in developing countries.

The United Nation Conference on Trade and Development (UNCTAD) (2002) found the need for common ground since reliable, transparent and comparable financial information is deemed necessary for growth and development in general, as well as in terms of attraction of foreign direct investment and for successful privatisation. Since 2008, companies have been asked to make use of International Financial Reporting Standards (IFRS) in Ghana. These have been promulgated by the Institute of Chartered Accountants of Ghana (ICAG). ICAG has made an effort to raise awareness of the need to apply IFRS, but has done less to build accountant and auditor capacity (World Bank, 2010).

Researchers agree that there could be IFRS implementation problems in practice which could give rise to unintended consequences (Kothari & Lester, 2011; Laux & Leuz, 2009). Therefore, some of the fair value implementation challenges that SMEs in the agricultural sector in Ghana may face are discussed below:

2.2.1 Enforcement of Accounting Standards

The use of IFRSs remains largely voluntary in some countries. In certain countries, such as Australia and China, the accounting standards are integrated with the legal systems, thus making their application mandatory for all companies. Kothari (2000), Ball (2001), and Benston (2003) opined that accounting standards are fruitless instruments of regulation on their own. The authors made it clear that for accounting standards to provide useful accounting for capital markets, necessary mechanisms for implementing and enforcing standards are also significant. This implies that high quality financial reporting will boost the confidence of investors in financial reports as the financial reports will show a true and fair view of the state of affairs of the firm. According to these authors, the perception of truthful reporting will add to the value significance of financial accounting information of the companies of that country. Hope (2003) expressed that the accuracy of forecast is correlated to strong enforcement of accounting and related rules. This implies that managers are encouraged by enforcement to stick to approved accounting rules, thus reducing the doubt from analysts about future earnings.

2.2.2 Knowledge on the Part of the Preparer of Financial Statements

According to the IASB (2009), management is in charge of the preparation and presentation of financial statements. Accordingly, the level of financial reporting knowledge on the part of management goes a long way in determining the content of the financial statements. Most small and medium-sized entities are managed by owners who may not have the necessary skills for preparing financial statements. A study conducted by the Professional Oversight Board (POB) (2006) found that the limited financial expertise available in many small businesses in the United Kingdom caused such businesses to turn to external accountants for assistance. Although management may depend on consultants, the opinion of any expert depends on the information provided by the owner-managers.

Rules of IFRS are based on principles. The application of IFRS necessitates explanations and opinions, which, consecutively, need circumstances such as knowledgeable and efficient managers; self-determining auditors; accountants; extensive investor protection laws; and professional systems of law enforcement. Nevertheless, the current environment of Ghana does not have these conditions as the Ghana National Accounting standards and the Companies Code 1963 (Act 179) do not provide guidance on how to account for agricultural and biological assets.

2.2.3 Cost of the Preparation and Presentation of Financial Statements

The cost of the preparation of financial statements is cited as one of the main limitations of financial statements (IASB, 2009). The balance between cost and benefits has also been the subject of various debates. One point of perspective is to focus on the information that management uses internally to manage the business (IASB, 2006). However, it may not always be the case that the information which management uses will be either sufficient or appropriate for external reporting purposes. In addition, the question arises as to whether the information that management does not need would actually be useful. Any disclosure that requires management to reformat existing information in a slightly different way compounds the cost of presenting financial statements (IASB, 2006). Nevertheless, those setting standards as well as the drafters and users of financial statements should be aware of this constraint (IASB, 2009).

2.2.4 Level of Awareness

The adoption of IFRS (IASB, 2009) and its repercussions for those who prepare and use financial statements, educators, supervisory bodies and other interest groups have to be successfully synchronised and be in touch. It takes into consideration the creation of knowledge on the possible effect of the adaptation, the recognition of regulatory synergies to be derived, and the exchange of momentary effects of the transition on business performance and financial position. The functioning of IFRS needs significant groundwork to ensure consistency and present lucidity on the influence that IFRS will have on existing countrywide laws (IASB, 2009).

2.2.5 Accounting Education and Training

Realistic implementation of IFRS 13 demands enough scientific ability amongst those who prepare and use financial statements, auditors and regulatory authorities. Countries that have implemented IFRS encountered a diversity of issues relating to capability. One of the major challenges Ghana may come across in the realistic implementation process may be the shortage of auditors and accountants who are technically knowledgeable in IFRS implementation (ICAG, 2010). Typically, there is inadequate time to train individuals to gain knowledge to apply the international standards during adoption. It is the responsibility of accounting professionals to see to it that IFRS is implemented successfully. Along with these accountants, financial analysts, officials of government, auditors, tax authorities, accounting lecturers, regulators, stock-brokers, information officers and preparers of financial statement are inclusive in the process of IRFS adoption (ICAG, 2010). IFRS training materials may be inaccessible at reasonable cost in Ghana to educate those groups of people who face challenges in the adoption of IFRS (ICAG, 2010).

2.2.6 Taxation Reporting

The issues of taxation in relation to the conversion of IFRS are multifaceted (IASB, 2009). IFRS implementation needs a comprehensive re-examination of tax laws and administration. Explicit rules of taxation should be restructured to address these adjustments. For instance, laws of taxation which bound taxation relief losses to four years should be reconsidered (IASB, 2009). This is due to the fact that losses that may arise as a result of transition adjustments may not be recouped in four years (IASB, 2009).

2.2.7 Existing Laws

In Ghana, the practices of accounting are overseen by the Companies Code 1963 (Act 179), and the Ghana Accounting Standards issued by the ICAG and other existing laws such as Securities and Exchange Commission Regulations (2003), the Securities Industry Law (1993), and Banking Act (2004). All these provide some guidelines on the preparation of financial statements in Ghana. IFRS does not recognise the presence of these laws, and the accountants have to follow the IFRS fully with no prevailing provisions from these laws (ICAG, 2010). Ghanaian law makers may have to make necessary amendments to ensure a smooth transition to IFRS.

3. Research Methodology

There are many SMEs spread across Ghana. This study was limited to a selected number of agricultural entities in the Ashanti and Western regions of Ghana. There are ten regions in Ghana but it is noted that these two regions are dominated by small and medium scale farming. The Ashanti and Western regions of Ghana were considered because they are the hub of agricultural activities. This study was conducted on owners/managers and accountants of SMEs in the agricultural sector within the two regions of Ghana (Ashanti and Western regions).

The study also considered the regulatory bodies with respect to financial reporting in Ghana such as the Institute of Chartered Accountants Ghana (ICAG), Ghana Stock Exchange (GSE), Chartered Accountants in audit firms, Stock Exchange Commission (SEC), Ghana Revenue Authority (GRA) and Ghana Audit Service (GAS). These regulatory bodies were considered because ICAG is responsible for the issuance of national accounting standards which regulate the preparation of financial statements by various entities in the country; and Chartered Accountants in Audit firms offer professional services like audit and assurance, tax and consultancy.

3.1 Population and Sample

In this study, the population was addressed as the number of regulatory bodies of SMEs in the agricultural sector which have adopted IFRS 13/IAS 41 and are located in both the Ashanti and Western regions of Ghana. The population for this research is made up of regulatory bodies. According to the ICAG (2015), the number of licensed Chartered Accountants in audit firms operating in the Ashanti and Western regions of Ghana is 20. Additionally, the study will target two officers each of the Institute of Chartered Accountants Ghana, Ghana Stock Exchange (GSE), Stock Exchange Commission (SEC), Ghana Revenue Authority (GRA) and the Ghana Audit Service (GAS).

A sample size of 30 regulatory bodies was considered. The distribution of the sample size is shown on the table below:

Table 1. Determination of sample size of regulatory bodies

Regulatory bodies	**Characteristics**	**Activities**	**Total number of regulatory bodies**	**Number of regulatory bodies selected**	
				Western	**Ashanti**
Chartered Accountants in audit firms	Licensed chartered accountants in audit firms	In charge of auditing financial statements for listed and unlisted entities	20	10	10
Institute of Chartered Accountants Ghana (ICAG)	Accounting regulatory body	Regulating and enforcing financial reporting laws	1	1	1
Ghana Stock Exchange (GSE)	Listed companies market	In charge of all listed companies in Ghana	1	1	1

Stock Exchange Commission (SEC)	Listed companies regulator	Regulates the stock exchange market in Ghana	1	1	1
Ghana Revenue Authority (GRA)	Revenue mobilisation authority in Ghana	In charge of revenue mobilisation in Ghana	1	1	1
Ghana Audit Service (GAS).	Auditing public sector	In charge of auditing governmental and non-governmental organisations	1	1	1
Totals			**25**	**30**	

Source: Author

Table 1 illustrates the distribution of the sample size in respect of the various financial reporting regulatory bodies. As a result of the varied distribution of the target population and limited resources, a sample size of 30 was adopted.

A purposive sampling, which is non-probability sampling, was adopted in this study. A purposive sampling method was considered because there was no access to a full listing of all the units in the target population as required under probability sampling (Mugenda, 2008). The study selected the regulatory bodies of financial reporting, and auditors in the Ghana Audit Service as the samples. The research problem of this study was of a technical nature and, thus, the study engaged the expert sampling method in respect of each category. Expert sampling, according to Mugenda (2008:198), is a branch of purposive sampling that involves identifying the respondents who are likely to provide certain information. This study was interested in small and medium-sized entities that publish financial statements. In view of the fact that the small and medium-sized entities that publish financial statements are not listed, this study also employed the snowball sampling technique, also known as the chain referral sampling method, to complete the questionnaires.

3.2 Questionnaire

A research instrument used in this study was a questionnaire with closed-ended questions. The questionnaire was administered personally to each respondent in accordance with each objective of the study.

3.3 Data Analysis Method

The interpretation of the data collected is analysed by the use of statistical tools such as tables and charts. The Statistical Package for the Social Sciences (SPSS) was used in this study for the interpretation and analysis of data.

3.4 Limitations

The empirical investigation was expected to face certain challenges ranging from a small sample to a poor understanding of IFRS on the part of the respondents. However, since this is an exploratory study, the limitations are not expected to influence the research findings and the inferences in any significant way.

4. Research Findings

The empirical study comprised personally administering questionnaires to 30 regulatory bodies. The snowball sampling technique accounted largely for the high level of responses at the rate of 100%. The analysis was completed by means of the 30 completed and returned questionnaires.

4.1 Farm Profile

The findings indicate that 17.8% of the respondents stated the type of farming operations as family controlled, 72.2% of the respondents indicated the type as private company, 5.6% were joint ventures whilst 4.4% respondents indicated other such as partnership. The findings clearly indicate that the majority of the entities in the agricultural sector of Ghana are privately owned. This finding is contrary to the assumption that most SMEs are family controlled. Maina (2008) in Kenya also affirmed the same fact that most SMEs are private companies.

The respondents indicated that, 32.2% of the respondents use cash basis of accounting for agricultural produce, 56.7% of the respondents use accrual basis, while 11.1% use modified accrual basis. Therefore, the majority of the respondents (56.7%) use accrual basis of accounting for agricultural produce.

4.2 Objectives in Preparing Financial Statements

Table 2. Importance of components of financial statements

	N	Minimum	Maximum	Mean	Std. Deviation
Statement of comprehensive Income	30	4.00	5.00	4.0444	.20723
Statement of financial position	30	1.00	2.00	1.0444	.20723
Statement of cash flows	30	3.00	5.00	3.8889	.46069

Statement of changes in equity	30	1.00	5.00	3.4333	1.12230
Notes and explanations to the financial statements	30	2.00	5.00	3.7222	.99468
Valid N (listwise)	30				

Source: SPSS results

With reference to Table 2 above, the *not important* is represented by 1, while the *extremely important* is represented by 5. According to the results presented in Table 2, ranked first is the statement of financial position with an average score of 1.0444 and standard deviation of 0.20723.

Ranked second is the statement of changes in equity, with a mean score of 3.4333 and a standard deviation of 1.12230, while ranked third is the notes and explanations to the financial statements with an average score of 3.7222 and a standard deviation of 0.99468.

Ranked in the fourth position is statement of cash flows, with a mean score of 3.8889 and a standard deviation of 0.46069; whilst ranked fifth is the statement of comprehensive income, with a mean score of 4.0444 and a standard deviation of 0.20723.

Section C, Question C2: *Reasons for preparing financial statements*: The aim of the question was to establish the main reasons why farmers prepare financial statements. The respondents were asked to rank the importance in the form of: 5 – Extremely important, 4 – Very important, 3 – Of moderate importance, 2 – Of little importance, 1 – Not important.

Table 3. Reasons for preparing financial statements

	N	Minimum	Maximum	Mean	Std. Deviation
Loan requirement	30	1.00	5.00	3.2000	1.11375
Shareholders	30	3.00	5.00	4.1333	.42927
Tax compliance	30	1.00	5.00	3.5000	1.26536
Decision making	30	3.00	5.00	4.0333	.54977
Compliance with accounting standards	30	1.00	5.00	3.4333	1.18084
Valid N (listwise)	30				

Source: SPSS results

With reference to Table 3 above, the ***not important*** is represented by 1, while the ***extremely important*** is represented by 5. According to the results presented in table 3, ranked first is the loan requirement, with an average score of 3.2000 and standard deviation of 1.11375.

Ranked second is compliance with accounting standards with a mean score of 3.4333 and a standard deviation of 1.18084; while ranked third is the tax compliance, with an average score of 3.5000 and a standard deviation of 1.26536.

Ranked in the fourth position is decision making with a mean score of 4.0333 and a standard deviation of 0.54977; while ranked fifth is shareholders' satisfaction, with a mean score of 4.1333 and a standard deviation of 0.42927.

According to Figure 1, 20% of the respondents strongly disagreed that preparers of financial statements in SMEs in the agricultural sector of Ghana have excellent knowledge of IFRS, 56.7% disagreed with the above view, 13.3% agreed, while 10% strongly agreed with the above statement.

Figure 1: Section D, Question D1 (1.2): *IFRS 13 is complex and, thus, too difficult to enforce at the SMEs' level in the agricultural sector.* The aim of this question was to determine whether or not IFRS 13 is complex and too difficult to enforce in the agricultural sector.

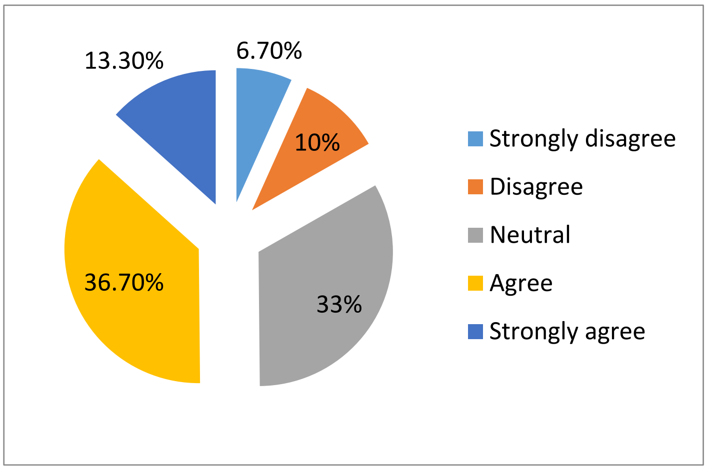

Figure 1. IFRS 13 is complex and too difficult to enforce

Source: Field data, 2018

According to Figure 2, out of the 30 respondents being accountants and preparers of financial statements sampled for the study, 6.7% strongly disagreed that IFRS 13 is complex and, thus, too difficult to enforce at the SMEs level in the agricultural sector, 10% disagreed with the view above, 33% remained neutral, 36.7% agreed, whilst 13.3% strongly agreed.

Figure 2: Section D, Question D1 (1.3): *Fair value implementation challenges have resulted in a significantly better quality of financial reporting in Ghana.* The aim of this question was to determine whether the implementation challenges of fair value have necessitated quality financial reporting.

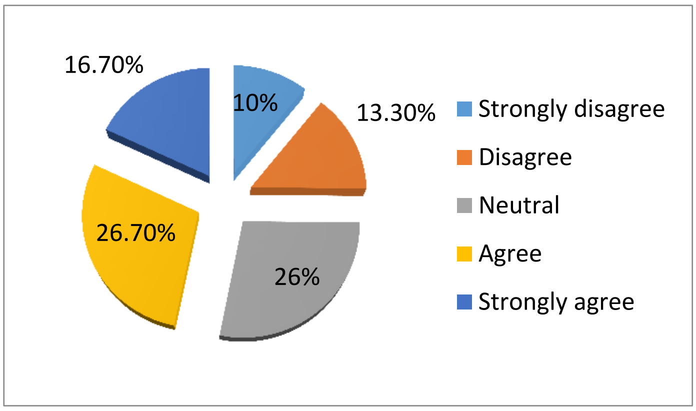

Figure 2. Fair value implementation challenges have resulted in a significantly better quality of financial reporting in Ghana

Source: Field data, 2018

Figure 2 indicates that, out of the 30 respondents being accountants and preparers of financial statements, 10% strongly disagreed that fair value implementation challenges have resulted in a significantly better quality of financial reporting in Ghana, 13.3% disagreed, 26% remained neutral, 26.7% agreed, while 16.7% strongly agreed.

4.3 Analysis of Responses From Regulatory Bodies

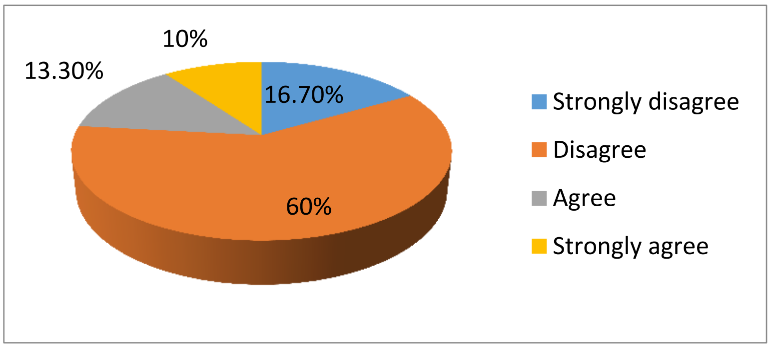

Figure 3. Preparers of financial statements

Source: Field data, 2018

As established by Figure 3, 16.7% of the respondents strongly disagreed that preparers of financial statements in SMEs in the agricultural sector of Ghana have excellent knowledge of IFRS, 60% disagreed, 13.3% agreed, while 10% strongly agreed.

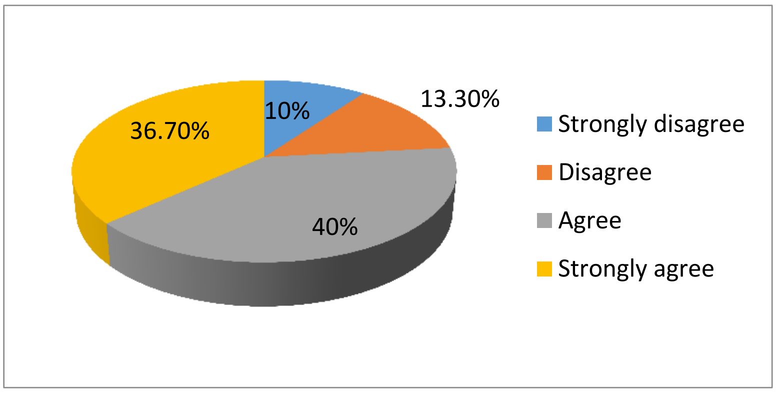

Figure 4. IFRS 13 is complex and too difficult to enforce

Source: Field data, 2018

Figure 4 shows that, out of the 30 respondents from regulatory bodies sampled for the study, 10% strongly disagreed that IFRS 13 is complex and thus too difficult to enforce at the SMEs level in the agricultural sector, 13.3% disagreed, 40% agreed, while 36.7% strongly agreed.

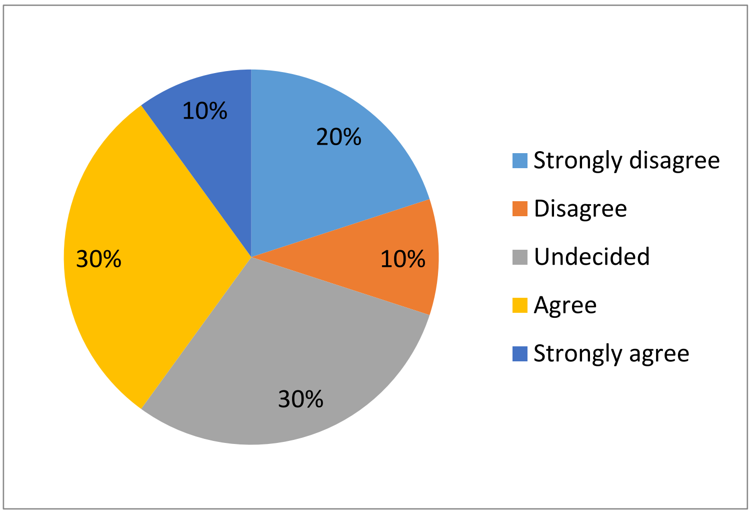

Figure 5. Fair value implementation challenges have resulted in significantly better quality of financial reporting in Ghana

Source: Field data, 2018

Figure 5 shows that, out of the 30 respondents from regulatory bodies, 20% strongly disagreed that fair value implementation challenges have resulted in significantly better quality of financial reporting in Ghana, 10% disagreed, 30% were undecided, 30% agreed, while 10% strongly agreed.

4.4 Level of Accounting Education and Training in Ghana

The aim of this section (Section D) was to establish from both the preparers of financial statements for agricultural entities and the regulatory bodies how the level of accounting education and training in Ghana affect the implementation of IFRS 13.

Table 4. Descriptive statistics of level of accounting education and training (Responses from regulatory bodies)

	SD (%)	D (%)	U (%)	A (%)	SA (%)
There is shortage of educational institutions	6(20)	6(20)	9(30)	9(30)	0(0)
There is limited access to training materials, seminars and workshops	3(10)	6(20)	9(30)	9(30)	3(10)
There is low level of public awareness on IFRS	3(10)	3(10)	9(30)	12(40)	3(10)
Academic education does not focus on IFRS	3(10)	3(10)	9(30)	12(40)	3(10)
Academic education does not focus on agricultural accounting	1(3.3)	2(6.7)	2(6.7)	19(63.3)	6(20)
There is insufficient training and education for accounting personnel toward the implementation of IFRS 13	3(10)	6(20)	12(40)	6(20)	3(10)
Valid N (listwise)	30				

4.5 Responses From Regulatory Bodies

The aim of this section was to identify the differences and similarities of responses from both the accountants and the regulatory bodies in relation to how the level of accounting education and training affect the implementation of IFRS 13.

In response to the question whether there is shortage of educational institutions, 40% of the regulatory bodies disagreed. This means that majority of the respondents were in disagreement that there is shortage of educational institutions in Ghana. United Nations Conference on Trade and Development (UNCTAD, 2008:92-120) made a similar assertion that inadequate educational and training facilities of accountants complicate IFRS implementation.

In response to the question whether there is limited access to training materials, seminars and workshops for working professionals, 40% of the regulatory bodies attested to the fact that there is limited access to training materials, seminars and workshops for working professionals. This finding affirms the outcome of the survey conducted by the United Nations Conference on Trade and Development (UNCTAD, 2008:92-120) which indicated that the high cost of materials, seminars and workshops for qualified accountants makes the implementation of IFRS complex.

In response to the question whether there is a low level of public awareness by regulators and other stakeholders of IFRS, 50% of the regulatory bodies affirmed that there is a low level of public awareness by regulators and other stakeholders of IFRS in Ghana. This finding confirms the assertion made by the World Bank. The Institute of Chartered Accountants, Ghana (ICAG) has made an effort to raise awareness on the need to apply IFRS, but has done less to build accountants and auditors capacity (World Bank, 2010).

In response to the question whether academic education in Ghana does not focus on IFRS, 50% of the regulatory bodies agreed that academic education in Ghana does not focus on IFRS. The survey conducted by UNCTAD (2008:92-120) also affirms that there is a lack of synchronisation of developments between conventional university training, and training through professional programmes.

In response to the question whether academic education in Ghana does not focus on agricultural accounting, 83.3% of the regulatory bodies affirmed that academic education in Ghana does not focus on agricultural accounting.

In response to the question whether there is insufficient training and education for accounting personnel toward the implementation of IFRS 13, 30% of the regulatory bodies affirmed that there is insufficient training and education for accounting personnel toward the implementation of IFRS 13. Meanwhile, 40% of the regulatory bodies remained undecided. ICAG (2010) made an assertion that typically, there is inadequate time to train individuals to gain knowledge to apply the international standards during adoption.

4.6 Existing Laws on the Implementation of IFRS 13/IAS 41 in the Agricultural Sector of Ghana

The aim of this section (Section B3) was to establish from the regulatory bodies how the existing laws affect the implementation of IFRS 13/IAS 41 in the agricultural sector of Ghana. The respondents were asked to state the extent to which they agreed with the statements in a Likert scale with; 5 – Strongly agree; 4 – Agree; 3 – Neutral; 2 – Disagree; 1 – Strongly disagree. In order to analyse the results, it was necessary to enter the questions and then to compute the statistical values, using the Statistical Package for the Social Sciences (SPSS). The results of the statistical analysis are represented in Table 4.3 below with the questions as follows:

Table 5. Descriptive Statistics of existing laws on the implementation of IFRS 13/IAS 41 in the agricultural sector of Ghana

	SD (%)	D (%)	U (%)	A (%)	SA (%)
IFRS implementation costs are high	3(10)	6(20)	1(3.3)	17(56.7)	3(10)
IFRS enforcement costs are high	3(10)	(13.3)	0(0)	16(53.3)	(23.3)
Lack of adequately trained human resources makes enforcement difficult	3(10)	6(20)	2(6.7)	16(53.3)	3(10)
Constant professional development is not well monitored	6(20)	9(30)	3(10)	3(10)	9(30)
Absence of involvement of regulatory bodies makes enforcement difficult	3(10)	3(10)	1(3.3)	18(60)	(16.7)
High inflation that erodes benefits of exchange rate gains from exports	3(10)	6(20)	6(20)	12(40)	3(10)
Frustration with the Ghanaian culture of not doing things according to schedule resulting in economic losses	3(10)	2(6.7)	2(6.7)	11(36.7)	12(40)
There is lack of methododical relationship between existing local laws and IFRS	3(10)	8(26.7)	2(6.7)	11(36.7)	6(20)
There is lack of methododical relationship between regulatory systems of the country and other regulatory structures	6(20)	3(10)	1(3.3)	(56.7)	3(10)
Valid N (listwise)	30				

Table 5 shows that 10% of the respondents strongly disagreed that IFRS implementation costs are high, 20% disagreed with the above view, 3.3% were undecided in their opinion, 56.7% agreed, while 10% strongly agreed with the bodies, 20 respondents, representing 66.7.4% were in agreement that IFRS implementation costs are high. However, Smith (2009) commented on IFRS transition cost that it may differ from company to company and some may be common to all companies across the globe (Smith, 2009). The outcome of the survey conducted by UNCTAD (2008:92-120) indicated that high cost including an increase in staffing cost above view makes implementation of IFRS difficult.

Thus, out of the total 30 respondents from regulatory bodies, 23 respondents, representing 76.7% were in agreement that IFRS enforcement costs are high. Ridley (2011) indicated that poor adoption of IFRS would certainly bring about additional challenges. In the countries where IFRS is being adopted, accounting professional bodies must be responsible in the process of enforcement. However, this study has revealed that IFRS enforcement cost is high in Ghana.

Figure 6: Section B, Question B3 (3.3): *Lack of adequately trained human resources makes the enforcement difficult.* The aim of this question was to determine whether the inadequately trained human resources make enforcement of IFRS in Ghana difficult.

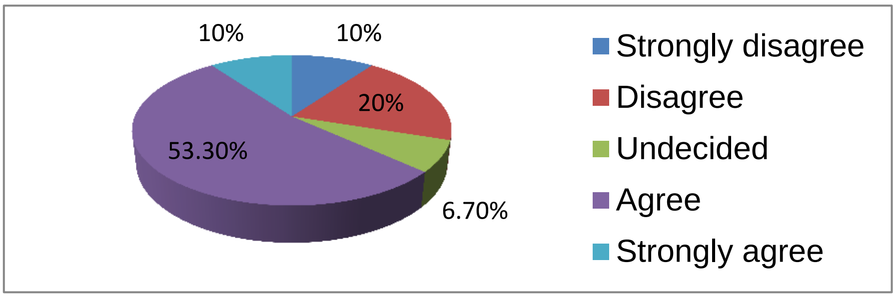

Figure 6. Lack of adequately trained human resources makes enforcement difficult (Responses from the regulatory bodies)

Source: Field data, 2018

Figure 6 shows that 10% of the respondents strongly disagreed that lack of adequately trained human resources makes enforcement difficult, 20% disagreed with the above view, 6.7% were undecided in their opinion, 53.3% agreed, whilst 10% strongly agreed.

Therefore, out of the total of 30 respondents from regulatory bodies, 18, representing 63.3% were in agreement that lack of adequately trained human resources makes enforcement difficult. This finding affirms a study conducted by Ali and Ustundag (2009) in Turkey. The study revealed several challenges in the IFRS implementation such as potential knowledge shortfalls in application and enforcement difficulties. Also, a survey conducted by the United Nations Conference on Trade and Development (UNCTAD, 2007) revealed that there is lack of guaranteed trained persons who understand the use of IFRS.

Therefore, out of the total of 30 respondents from regulatory bodies, 15, representing 50% were in disagreement that constant professional development is not well monitored. This implies that regulatory bodies do monitor professional development constantly. Nevertheless, there has been a similar assertion that there is a lack of continued professional development of professional accountants (UNCTAD, 2008:92-120).

Therefore, out of 30 respondents from regulatory bodies, 23 respondents, representing 76.7%, were in agreement that absence of involvement of regulatory bodies makes enforcement difficult. This finding affirms the assertion made by the study conducted by (UNCTAD, 2008:92-120) which revealed that the lack of representation in the standard-setting process makes enforcement of IFRS difficult.

Therefore, out of 30 respondents from regulatory bodies, 17 respondents, representing 56.7% were in agreement that there is a lack of a methodological relationship between existing local laws and IFRS. Notably, UNCTAD (2008:92-120) made a similar assertion that there is inconsistency between existing IFRS and laws at the level of entity and country.

Therefore, out of 30 respondents from regulatory bodies, 20 respondents, representing 66.7% were in agreement that there is a lack of a methodological relationship between regulatory systems of the country (i.e. between government and other regulatory structures). UNCTAD (2008:92-120) made the same assertion that there is lack of coherence in the regulatory system, which makes enforcement of IFRS difficult.

Therefore, out of 30 respondents from regulatory bodies, 15 respondents, representing 50% were in agreement that high inflation erodes the benefits of exchange rate gains from exports. Thus, out of 30 respondents from regulatory bodies, 23 respondents, representing 76.7% were in agreement that frustration with the Ghanaian culture of not doing things according to schedule results in economic losses.

5. Conclusions and Recommendations

The objective of this study was to ascertain the fair value implementation challenges facing SMEs in the agricultural sector of Ghana. The study reviewed literature on fair value implementation challenges of selected African countries. The study established that IFRS 13 is complex, and thus, too difficult to enforce at the SMEs level in the agricultural sector of Ghana. As a result of this, regulatory bodies might provide summary information on the application of IFRS 13 in the agricultural sector of Ghana. It was also indicated clearly that fair value implementation challenges have resulted in a significantly better quality of financial reporting in Ghana. This implies that high quality financial reporting will boost the confidence of investors in financial reports as the financial reports will show a true and fair view of the state of affairs of the firm.

It was clearly established from the respondents that academic education does not focus on IFRS. This confirms that there is lack of synchronisation of developments between conventional university training, and training through professional programmes. It was again indicated by the respondents that there is insufficient training and education for accounting personnel for implementing IFRS in the agricultural sector of Ghana. Thus, management of agricultural entities and the regulatory bodies have to organise training programmes for preparers of financial statements in order to ensure an efficient implementation of IFRS 13.

Additional challenges established were that IFRS implementation costs and the enforcement costs are high. According to Smith (2009), transition costs may differ from company to company, and some may be common to all companies across the globe. This suggests that accounting professional bodies must be responsible for the process of enforcement. This also implies that management of SMEs in the agricultural sector should recruit and select qualified personnel during the employment process in order to avoid training cost after recruitment.

Lack of a methodological relationship between existing local laws and IFRS was also brought to light as one of the IFRS implementation challenges of Ghana. A similar assertion was made that there is inconsistency between existing IFRS and laws at the level of entity and country. This implies that the financial reporting standards in Ghana are completely different from the IFRS. It was also established that there is lack of a methodological relationship between the regulatory systems of Ghana and other regulatory structures. This means that the accounting standard setting body in Ghana is not involved at the international level where IFRS is set.

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