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IMPACT OF INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS) ADOPTION ON THE FINANCIAL PERFORMANCE OF AN ORGANISATION: A CASE OF GUINNESS GHANA BREWERIES

DANIEL AKWASI ASUBOAH

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IMPACT OF INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS) ADOPTION ON THE FINANCIAL PERFORMANCE OF AN ORGANISATION (A CASE OF GUINNESS GHANA BREWERIES)

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JUNE, 2019

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DECLARATION

STUDENT'S DECLARATION

I, **DANIEL AKWASI ASUBOAH**, declare that this project report, with the exception of quotations and references contained in published works which have all been identified and duly acknowledged, is entirely my own original work, and it has not been submitted, either in part or whole, for another degree elsewhere.

SIGNATURE:…………………………….

DATE:…………………………………….

SUPERVISOR'S DECLARATION

I hereby declare that the preparation and presentation of this work was supervised in accordance with the guidelines for supervision of project report as laid down by the University of Education, Winneba.

SUPERVISOR'S NAME: DR. JOSEPH MBAWUNI

SIGNATURE :…………………………

DATE:………………………………….

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DEDICATION

This work is dedicated to my wonderful parents Mr. George Opoku, Madam Yaa Addai and Madam Akua Asantewaah. Finally to my spiritual counselor Apostle Israel Frimpong for all his prayers and support, God richly bless them all.

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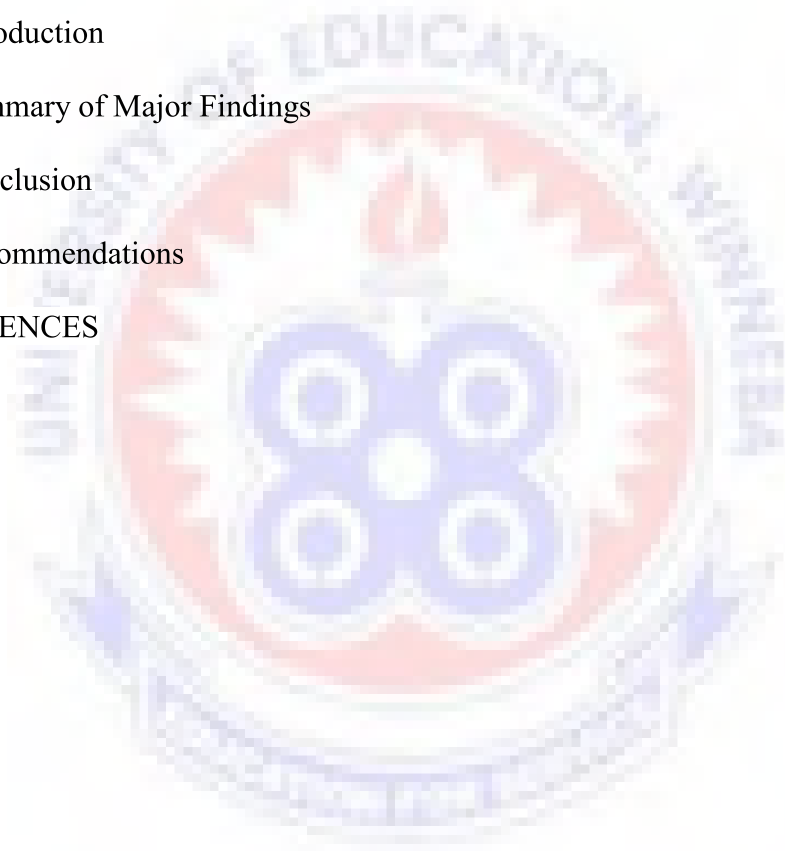

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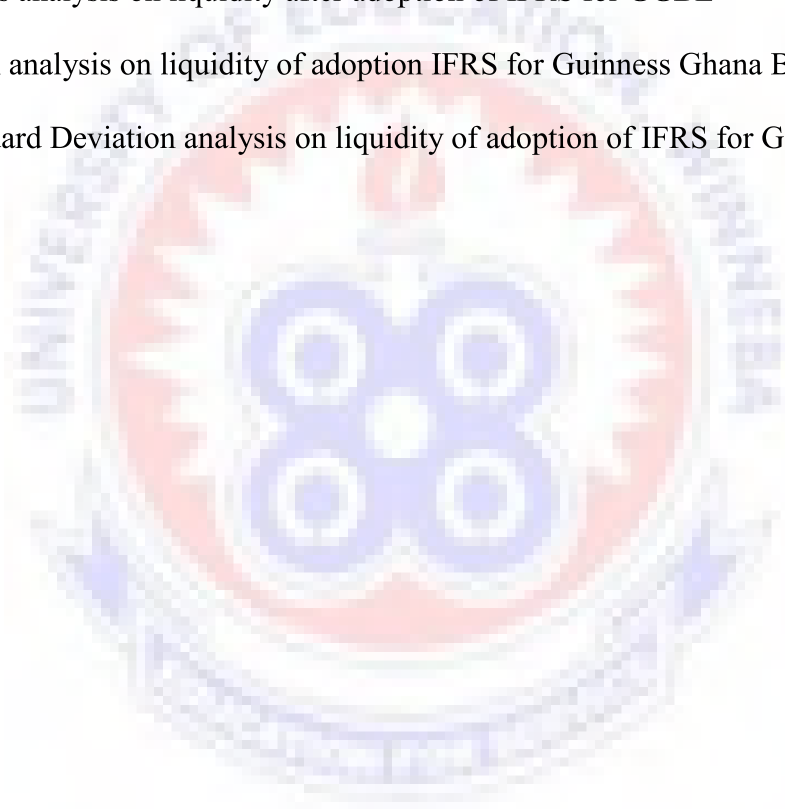

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ABSTRACT

The globalization of the world‟s economy and markets led companies and nations to become world global players. Before the adoption of International Financial Reporting Standards (IFRS), different countries developed their own national accounting standards. However, movement of business toward global economy brought challenges in comparability, objectivity, reliability, understandability among others. In view of this, this paper attempts to assess the impact of International Financial Reporting Standard adoption on financial performance of organizations and to the extent at which financial performance of Guinness Ghana Breweries Limited before and after the adoption of IFRS. Ratios and descriptive design was adopted using the published financial statements of company listed on Ghana stock exchange for ten years periods. Microsoft Excel was also used to obtain the mean and Standard deviation. It observed that the adoption of IFRS in Ghana, under the profitability and liquidity ratios there were no significant impact on financial performance of an organization though it enhance credibility to financial statements. This paper therefore recommends that there is the need to bring organizations system under control and make them to fit for the service and the interest of stakeholders and needs to work on skills and expertise gap by training and workshops.

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CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The first Statement of Standard Accounting Practice (SSAP) was published in 1970 in the United Kingdom. Prior to this, there were relatively few financial reporting requirements for companies. It was the highly publicized scandals of the late 1960s, such as the General Electric Company (GEC) takeover of Amalgamated Electrical Industry (AEI) that brought the need for more extensive regulations and the instigation of a standards-setting body.

On the 29th July, 1973 International Accounting Standards Committee (IASC) was inaugurated. This organization was formed with the aim of highlight the need for small countries use standards with which they could create their own. IASC from the starting was mandated to progress with public interest as a guiding concern. IASC was tasked to formulate and to put out international accounting standards to be used in the presentation of financial statements and to ensure that world-wide the use of the statements promoted.

Generally accepted accounting principles (GAAP) was set up to guide companies in recording and reporting financial information. GAAP comprises a broad set of principles that have been developed by the accounting profession and the Securities and Exchange Commission (SEC). Two laws, the Securities Act of 1933 and the Securities Exchange Act of 1934, give the SEC authority to establish reporting and disclosure requirements. However, the SEC usually operates in an oversight capacity, allowing the FASB and the Governmental Accounting Standards Board (GASB) to establish these requirements. The GASB develops accounting standards for state and local governments. The current set of principles that accountants use rests upon some

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underlying assumptions. The basic assumptions and principles presented on the next several pages are considered GAAP and apply to most financial statements. In addition to these concepts, there are other, more technical standards accountants must follow when preparing financial statements.

International Financial Reporting Standards (IFRS) are a set of accounting standards developed by the International Accounting Standards Board (IASB) that is becoming the global standard for the preparation of public company financial statements. Kunle et al. (2011), observe that just like every other system, IFRS is a systematic approach that promotes understandability, reliability, relevance and comparability. However, unlike the generally accepted accounting standard (GAAP) that has being in existence, the IASB is an independent accounting standard-setting body, based in London. The Board comprises of 15 members from nine countries, including the United States. It began operations in 2001 when it succeeded the International Accounting Standards Committee. It is funded by contributions from major accounting firms, private financial institutions and industrial companies, central and development banks, national funding regimes, and other international and professional organizations throughout the world (Adegbie2011).

The fact that users of financial information rely on financial statements for useful economic decisions, makes it important for the purchase of standards to regulate the preparation of such statements to enhance their reliability. The International Accounting Standards Board (IASB) has become increasingly influential in the world. Its principal objective is to issue International Accounting Standards (IAS) in order to increase comparability in financial reports produced by companies regardless of their country of origin. These standards were developed by different countries to regulate the accounting system peculiar to their environment. Considerable there have been

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significant amount of progress that have been achieved in terms of harmonization and convergence of accounting standards although there are still differences among the national reporting practices. 1 January 2005 marks the day for the start of global accounting convergence. Effective from this date on, European Union (EU) required the companies whose shares are traded in the EU Stock Exchanges to prepare their consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. Some other countries also either required the use of IFRS as is or adopted the standards by building into their national accounting standards around the same date (Akman, 2011). In line with the World Bank recommendation in January 2007, Mr. Kwadwo Baah Wiredu, who is the acting Minister of Finance & Economic Planning of Ghana formally, announced the launching of Ghana"s adoption of International Financial Reporting Standard (IFRS) and the subsequent replacement of the local Ghana Accounting Standard (GAS). Ghana in its efforts to promote accelerated growth of the economy through private sector-led growth converge its outdated Ghana National Accounting Standard (GNAS) to International Financial Reporting Standard (IFRS) effective 1st January, 2017.

The council of the Institute of Chartered Accountants Ghana (ICAG), formally launched the adoption on 23rd January, 2007 and required all listed companies, public entities, banks, and insurance companies to comply with the IFRS as at 31st December, 2007 and other entities were given an additional transition period of two years to comply (United Nations , 2007). As at January 2019, below are lists of countries that have adopted IFRS in Africa: Botswana, Egypt, Ethiopia, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Sierra Leone, South Africa,

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Tanzania, Zimbabwe, Swaziland, Uganda and Ghana (Zori, 2011; PricewaterhouseCoopers, 2010).

1.2 Statement of the Problem

Controversies always existed over the suitability of applying IFRS in developing countries with researchers such as Singh and Newberry (2008) and Chen et al. (2010) arguing that there exist two schools of thought in this area. The first supports a single set of global standards as being suitable for application. Barth, (2008), for instance, argues that by adopting a common body of international standards, countries can expect to lower the cost of information processing and auditors of financial reports can be expected to become familiar with one common set of international accounting standards than with various local accounting standards. The second opposes the use of IFRS. Barth et al. (2008) and Bartov et al. (2005) argue that there is no conclusive evidence that standards have contributed to improvements in accounting quality. Furthermore, it has been argued that one single set of accounting standards cannot reflect the differences in national business practices arising from differences in institutions and cultures (Armstrong, et al, 2007; Access Bank, 2010). In developing countries it has been argued that the characteristics of local business environments and institutional frameworks determine the form and contents of accounting standards. Ghana and many developing countries are characterized by weak institutions and volatile economic and political environments which are not very conducive to assimilation of IFRS. In spite of the arguments, many countries and companies have adopted IFRS and the need to evaluate their impact has been overwhelming. Barth et al. (2008) indicate that accounting amounts results from interaction of features of the financial reporting system which include accounting

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standards, their interpretations, enforcement, and litigation and this obviously leads to obtaining different results from application of the same standards. Ball et al. (2003) by extension argue that high quality standards like IFRS may also lead to low quality accounting information depending on the incentives of the preparers. It is these contradictions that led Ball et al. (2003) and others to conclude that poor preparer incentives, underlying economic and political factors influence manager and auditors incentives as opposed to accounting standards. Many factors have also been cited as impacting financial reporting practices such as effective enforcement of standards and strong corporate governance.

Corporate financial statements are only as useful as the underlying accounting data and degree of accounting information provided. Unfortunately, uniform, standards of accounting do not exit worldwide; each country has its own unique financial reporting system. The lack of uniform creates information barriers for the international investment community. Unfamiliar foreign accounting principles and lack of disclosure can prevent investors from diversifying their portfolio internationally in an optimal manner (Eitemann, Stonehill & Moffett, 1992). In addition, differences in accounting standards across countries act as impediment to the international offering of securities (IASC, 1989)

Researches also presents mixed result as to whether the adoption of the standard improves the performance of firms or not. Lantto and Sahlström (2009) for instance, present such results as the adoption of IFRS affects financial ratios of firms in Finland. They found that liquidity ratios decrease under IFRS, while leverage and profitability ratios increase. According to Street and Gray (2002), it appears that there is an evidence of non-compliance with the various standards that the IASB has come up with a compilation of companies that claim to have adopted them. This was later

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ascertained and confirmed by Street and Bryant (2000) when they suggested that, the activities and effectiveness of enforcement of bodies that are responsible for promoting IAS compliance have been questioned. Ghana claimed to have adopted IFRS in financial reporting since 2007. This has become necessary to ensure financial statement comparability among countries as a result of globalization. What is however missing is the dwelling on past experiences, there is always a significant gap between claiming to have complied and actually complying with accounting standards among most of the Ghanaian companies who claim to have complied.

The standards gap is created by the fact that Ghana National Accounting Standards are still allowed by the law. All entities that are not mandated to use IFRS have a choice between IFRS for SMEs and Ghana National Accounting Standards. The Ghana National Accounting Standards have never been updated from the time they were developed, in the late 1990s, which creates a significant standards gap between their requirements and those of IFRS.

Because of the open issue which allows companies that are not mandated to use IFRS, some large companies with public interest, given their size and other quantitative characteristics, are preparing financial statements using the Ghana National Accounting Standards. That, there was review to prove and identify that financial statements prepared in accordance of Ghana National Accounting Standards was generally low quality. That is the Qualitative characteristics of financial Statements were not visible in GNAS. The many weaknesses identified included: inadequate notes to support the figures in the financial statements, inadequate presentation and disclosures in the financial statements of the accounting policies adopted, no comments on fair value and impairment, non-disclosure of employee benefits and related party information, lack of segment information in financial statements that

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clearly have segment operations, among others. Collectively, these deficiencies make it practically impossible to understand the financial position and results of these entities. (ROSC, 2014)

International Financial Reporting Standards address this challenge by providing a high quality, internationally recognized set of accounting standards that bring transparency, accountability and efficiency to financial markets around the world. IFRS bring transparency by enhancing the international comparability and quality of financial information, enabling investors and other market participants to make informed economic decisions.

IFRS strengthen accountability by reducing the information gap between the providers of capital and the people to whom they have entrusted their money. Our Standards provide information that is needed to hold management to account. As a source of globally comparable information, IFRS are also of vital importance to regulators around the world. And IFRS contribute to economic efficiency by helping investors to identify opportunities and risks across the world, thus improving capital allocation. For businesses, the use of a single, trusted accounting language lowers the cost of capital and reduces international reporting costs.

It is against this backdrop that, the researcher investigates the impact of the compliance of firms in Ghana with the provisions of the international financial reporting standards on the quality of their financial reports. The paper also analysed the effect of the adoption of the standards on the performance of the firms quoted on the Ghana stock exchange market. The next section of the paper provides the literature review and section three the methodology is discussed. Analyses were made in section four; while concluding remarks are made in section five.

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1.3 Objectives of the Study

The general objective of this study is to establish the impact of IFRS adoption on organizational financial performance Guinness Ghana Breweries Limited following the specific objectives of this study which includes

1. To examine the five years financial performance of Guinness Ghana Breweries Limited before the adoption of IFRS (2002 to 2006).

2. To examine the five years financial performance of Guinness Ghana Breweries Limited immediately after the adoption of IFRS (2007 to 2011).

3. To identify any differences in performance of Guinness Ghana Breweries Limited before and after adoption of IFRS.

1.4 Research Questions

From the above mentioned objectives the following questions is our guide line to the study:

1. What was the performance of GGBL five years before the adoption of IFRS in Ghana‟s?

2. What was the performance of GGBL five years after the adoption of IFRS in Ghana?

3. What was the differences in performance of GGBL before and after adoption of IFRS?

1.5 Scope and Limitations of the Study

1.5.1 Scope of the study

This study is limited to the impact of IFRS adoption on organizational performance. The study is taken at Ghana as a case study to represent all other countries which have

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adopted IFRS in the global because it is a place where it is easy to collect data. Generally, this study concentrated on Guinness Ghana Brewery Limited which is a listed company on Ghana stock exchange market adopted and practices IFRS in Ghana since the country adopted IFRS.

1.5.2 Limitations of the Study

Lack of enough funds - The fund provided for the research is not enough to meet all expenses like transport cost, meal allowance, accommodations, photocopies and stationeries expenses. Hence the study will be conducted using the fund provided by the researchers own fund.

Unwillingness and non-response from general public - occasionally the respondents may decide not to give out data or correspond to the study as well. This study notified respondents that the data collected for research purpose only and would not be used for any other purpose.

Time factor - The time for the research is not enough to carry out intensive study since some of information is not easily and quickly available. Therefore this research will have to use weekends to collect, analyse and interpret the collected data.

Data availability – The only source and access to data for this study is limited and restricted to Guinness Ghana Brewery Limited only.The chosen period for the study was from 2002 to 2011 and was also limited to these years.

1.6 Significance of the Study

The following are the significance of the study, the outcome of this study will educate stakeholders and owners of companies on the impact, such as the benefits of adoption IFRS in terms of organizational performance in Ghana.

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This study is necessary as it gives reliable embossment to policy makers an avenue of understanding and appreciating the context of IFRS adoption inferring to the strengthening the Ghana's economy, by empowering companies listed on stock exchange market.

The regulator, Institute of Chartered Accountants Ghana (ICAG), GSE and Securities and Exchange Commission are all likely to be interested in non-compliance by the listed companies. The identification of non-compliance is a serious omission and when identified by these regulators could be strictly spoken against and relevant issues raised on ameliorating the situation.

The findings provide existing and potential overseas and domestic investors an unbiased assessment of the extent of compliance with adoption IFRS in Ghana This research will be a contribution to the body of literature in the area of the effect of personality trait on student‟s academic performance, thereby constituting the empirical literature for future research in the subject area.

1.7 Organization of the Study

This research is organized into five chapters. Chapter one is the introduction part and this entails the background of the study including previous studies on the topic, the problem statement, research questions, the objectives of the study, significance of the study, limitations of the research, and the organization of the study.

Chapter two is the relevant literature reviews to the study, the adoption and implementation of the study, history of Ghana stock exchange, accounting principles is also included in this part.

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Chapter three also deals with the methodology of the study. It will include the research design, relevant period, source of data, target population, sampling methods and techniques, research instrumentation, data analysis.

Chapter four has to do with the data analysis and interpretation of results with the aid of Microsoft Office Excel. Data is analyzed using financial ratios.

Chapter five of the study will draw possible conclusions on the basis of the findings and an indication of their relevance or policy making implications and in addition to recommendations.

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CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents the assessment of prevailing literature related to the research topic, this chapter has the following sub-divisions, Adoption of IFRS, Implementation of IFRS, History of Ghana Stock Exchange, Accounting principles, International Accounting Standard Board, The Theoretical Framework as well as the empirical studies towards this research.

2.1 The Adoption of International Financial Reporting Standard (IFRS)

International Accounting Standard Board (IASB), said standards are currently being adopted in more than 100 countries for their financial reporting within the various organizations and institutions. For some countries their national General Accepted Accounting Principles has been switched with the International Financial Reporting Standard, while other countries have had a substantial degree of mergence towards IFRS already. Those standards are primarily applied to private companies, but in some countries they are applied by all organizations for public reporting.

The transition process of IFRS has seen a lot of irregularities and inconsistent even though over 100 countries now adopted it (KPMG, 2007). For instance, the European Union and Australia adopted IFRS during 2005, New Zealand during 2007, and Canada has been committed to the implementation process of IFRS by 2010. With the formation of the IASC, a significant number of IASs and IFRSs have been delivered.

Iyoha and Jimoh (2011), stand against the use of IFRS in developing countries by justified that the characteristics of local business environments and institutional framework determine the form and contents of accounting standards. Outa (2011)

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describe the economy of developing nations as being characterized by low or weak institutions and volatile economic and political environments which are not very flexible to assimilation of the adoption of the IFRS standards. Barth, Landsman & Lang (2008) also describe IFRS standards as been of lower quality than the local standards.

Nevertheless, the levels of non-compliance with these standards have been noted. Street et al. (1999) conducted and studied the 1996 annual reports of 49 sample companies in 12 different countries chosen from a total of 221 companies that had complied with IAS. The report came out that the degree of compliance with IAS varied extensively, their willingness to fulfil all of the requirements involved. Quite a number of researches have noted that the lack of consistency in the use of International Accounting Standard and International Financial Reporting Standard usually results in reporting overstated income (Street and Gray, 2002; Prather-Kinsey and Meek, 2004).

The decision to adopt IFRS is gaining momentum by the day as more countries embark the adoption. Generally, it is strongly believed that the adoption increasing from the understanding that IFRS is a service with network effect. Iyoha and Jimoh (2011) observe that Network effect is said to acknowledge where users and stakeholders find a product or service more precious as additional users use the same product or service. Therefore, it is strongly believed that as more countries adopt IFRS, it becomes more appealing and convincing to others that are yet to consider the adoption. Although, there is a number of challenges have been observed and experienced by countries in their decision to adopt IFRS, its worldwide adoption has been promoted on the premise of its perceived benefits which are considered to outweigh its disadvantages. Throughout the world every implementation process has

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its own challenges and IFRS cannot be an exception. There are a number of factors in the adoption process of IFRS which may necessarily not be technical but rather cultural, legal, educational and political influences (Obazee, 2007). Rong- Ruey Duh in 2006 said that compliance challenges may comprise of interpretation of standards, continuous modification of IFRS, accounting knowledge available and expertise in relation to users of financial statement its preparers and regulators. Furthermore, Soderstrom & Sun in 2007 noted that cultural, political and business differences may continue to impact negatively towards the achievement of a single global financial communication system. Since a single set of accounting standards cannot replicate the differences in national business practices arising from alterations in institutions and cultures. The perception of IFRS quality by users is critical to its implementation. In a recent survey by McEnroe & Sullivan in 2011, "investors felt content with the current US accounting model and did not desire to move towards the implementation of IFRS, likewise, Winney et al (2010) also found out that small businesses in the US had not made up their mind to join the IFRS train for the reason that they did not see benefits in moving from GAAP to IFRS. IFRS has its own problems as it gives way to essential alterations to a country"s regulatory, legal and economic structure. Due to the application of laws and tax issues, the IFRS must be conformed to meet the legal system of every country.

The implementation of IFRS must involve the empowerment of some institutions that will enhance its effective implementation such as; management, auditors who per their status will be independent, regulators such as legal systems or courts, accounting boards, shareholders, analysts, rating agencies, accounting professional bodies, tax authorities and capital market regulators, educational institutions, financial market"(Ball, 2006). Companies in UK, Ireland and Italy respectively and noted that

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diversity of culture around all the three countries has created a system that has led to a fluctuating level of importance on some aspects of financial reporting. In any case, the over-riding benchmark for the IASB in spreading its project of harmonization has been the setting up of valuable data for decision markers. The IASC distributed its Framework for the Preparation and Presentation of Financial Statements in September 1989. This record was drafted in view of the comparing archive issued by the FASB in the US. It was not issued as an accounting standard and thus does not over-ride individual IFRS. The IASC's structure was sub isolated into seven noteworthy segments which are as per the following; underlying assumptions, qualitative characteristics of financial statements, the elements of financial statements, recognition of the elements of financial statements, measurement of the elements of financial statements and concepts of capital maintenance. The first subdivision specified that the objective of financial statements is to be responsible for information in relation to the financial position, performance and changes in financial position of an organization that is essential to a wide variety of users in making economic decisions.

It further suggests to users about profitability rate, financial position, financial adaptability and cash generation of a company. Other related deliberation can be found in the systems of both the FASB and the UK's Accounting Standards Board (ASB's) Statement of Principles. Choice handiness, therefore, offers a consistent methodology for the current study since it permits the research team to evaluate the financial statement delivered under IFRS against the target that the standard setting body has itself proposed. It further suggests to users about profitability rate, financial position, financial adaptability and cash generation of a company. Other related deliberation can be found in the systems of both the FASB and the UK's Accounting

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Standards Board (ASB's) Statement of Principles. Choice handiness, therefore, offers a consistent methodology for the current study since it permits the research team to evaluate the financial statement delivered under IFRS against the target that the standard setting body has itself proposed. Sterling (1972) additionally focused on the convenience of data given by financial statement. Really, he focused on the significance of value over other criteria, for example, verifiability and objectivity, differing on the way that yearly reports ought to give amount data for rational choices that are prone to permit decision makers to accomplish their goals.

By adopting IFRS as global reporting standard multinational companies will be able to save labor cost and time associated with preparing financial statements for various locals. Having one set of statements will simplify investor‟s decisions as they will be able to compare companies using a uniform financial statements. According to Bnet Business Network companies in Europe and Asia have found that converting to IFRS have found that it reduces the cost of capital, improves access to capital, reduces cost of raising capital, increases shareholder confidence, and allows for transparency and comparison among companies (Bnet, 2004). By adopting IFRS, the accounting profession will be required to become educated about the new standards. Colleges and universities will need to revise their curriculums to be consistent will the new standards.

The training of current and new accountants about IFRS will involve substantial time and costs. However, the new IFRS standards are not as difficult to learn as the US GAAP standards. Over time the authors believe that benefits of having a uniform reporting system will outweigh the time and cost associated with learning the new standards. However, in the end the enforcement of these standards will rest with local authorities and inevitably there will still be differences. Proponents of the mandated

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use of IFRS argue that its use will lead to comparable information and expanded financial-statement disclosure, resulting in increased market efficiencies. However, absent effective enforcement, even the best accounting standards will be insignificant (Hope, 2003; Hodgdon, Tondkar, Adhikari & Harless, 2009). Not surprisingly, the IASB and capital-market regulators are increasingly turning their attention to compliance and enforcement issues related to IFRS. The importance of developing institutional mechanisms to encourage compliance with IFRS cannot be over emphasized. There is also a growing realization that while countries can adopt international accounting standards relatively easily, developing the institutional mechanisms to ensure successful implementation and foster compliance is much more complex and time consuming. Developing local regulatory and enforcement mechanisms, instituting corporate-governance structures, and building capacity all require a major commitment and investment both in terms of time and money (Hodgdon et. al., 2009). Global disclosure standards are optimal only if compliance is monitored and enforced by efficient institutions (Healy &Palepu, 2001). Walker (1987) contends that the use of regulation as an enforcement mechanism to monitor compliance and impose punishments in cases of non-compliance would improve the implementation of accounting standards and enhance compliance levels. Companies do not comply with mandatory requirements unless stringent regulations are in place.

2.2 Adoption and Implementation of IFRS in Ghana

In 2004, the World Bank and the Ministry of Finance and Economic Planning [MOFEP] commissioned a Report on the Observance of Standards and Codes (ROSC) in Ghana (the World Bank, 2005). Reporting on the accounting and auditing practices in Ghana, ROSC observed that Ghana suffer from international weaknesses

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in regulation, compliance and enforcement of standards. Also, various weaknesses were identified in the laws and regulations governing financial reporting. In 2004, the World Bank review was to account of "evaluate the weaknesses and strengths of the accounting and auditing requirements, and to review the reporting requirements against actual practices" (ROSC, 2004). One of the major weaknesses identified in the report was that, the Ghana National Accounting Standards was outdated and differ significantly with International Accounting Standards. The World Bank therefore recommended that Ghana should adopt the IFRS. Institute of chartered Accountants" proclamation that all financial reports from 2007 onwards should comply with the IFRS. In justifying the adoption of IFRS in developing countries, Ball (2006) stated that many developing countries where the quality of local governance institutions is low, the decision to adopt IFRS will be beneficial. According to Chamisa (2000), "When developing countries adopt the IASC standards as national standards, the primary objective is not to achieve international accounting harmonization, but to meet their need for appropriate accounting and reporting standards".

The International Accounting Standards Board's (IASB) Framework states that; the objective of financial statements is to provide information about the financial position, performance and changes in financial position of an entity that is useful to a wide range of users in making economic decisions. Publicly traded companies (that is, companies listed on the stock market) are required to make more financial statement disclosure (compared to privately held companies) for the benefit of outside investors. Since the accounting scandals of Enron and WorldCom, the regulatory bodies have focused on companies disclosing information about the relationship with their public audit firm to determine proper independence.

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Although Ghana Accounting and Auditing Standards have been based on International Accounting Standards and International Standards on auditing, respectively, they were no longer needed and significant gaps existed in comparison with the international equivalents. Moreover, full compliance with Ghana National Accounting Standards did not often achieve; some listed companies inappropriately claim compliance with International Accounting Standards. These were as a result of weak capacity and inadequate functioning of the Institute of Chartered Accountants. These also have been standing block of the monitoring and control of professional accountants‟ training and practice. ROSC therefore recommended that the statutory framework, enforcement mechanisms, professional education and adoption of International Financial Reporting Standards (IFRSs) without any modifications or ratification, in place of the existing Ghana National Accounting Standards (World Bank, 2005). The Institute of Chartered Accountants Ghana, the country`s Accounting Standard Setter partner the International Federation of Accountants (IFAC) in the year 2005.

IFAC came out with enforcement with a directive by requesting its member countries to adopt IFRS. Consequently, Ghana put things in place and successfully launched the International Financial Reporting Standards (IFRS) on January 27, 2007.

PricewaterhouseCoopers (n.d.) with their description of the conformity to the international accounting standards as a major event carried out by all to meet the ever increasing demands in the corporate reporting world. This mandated all public interest entity or organization companies such as banks, listed companies, insurance companies, security brokers, pension funds just to mention but few to publish their financial statements for the period‟s covering or after 1 January 2007 in accordance with IFRS. But due to challenges of companies fully implementing the IFRS, 2008

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was set as the reporting date. However, IFRS for Small and Medium Scale Enterprises (SMEs) were expected to be fully adopted in 2010.

Though others peoples have some view that the Institute of Chartered Accountants Ghana should not tight the process but should do some consultations some believed it was a step in the right direction. The full adoption was facilitated because, many believed it was not a matter of satisfaction but convergence and that if it delayed, the world will continue to move ahead (PricewaterhouseCoopers). A regulation is defined as stringent "if it allows only one outcome, has an adequate enforcement mechanism, and sanctions for non-compliance" (Owusu-Ansah &Yeoh, 2005, p.92). The accounting practice in Ghana is regulated by the Companies Act 1963, Act 179, the Ghana Stock Exchange Act, External Auditors and the Registrar of Companies and the Institute of Chartered Accountants (Ghana). The adoption of the International Financial Reporting Standards (IFRS) has revolutionalised the content of corporate financial reports in Ghana. Financial information disclosure is defined as the release of information concerning the economic performance, position or prospects particularly as measured in monetary terms (Gibbins et al., 1990). This chapter traces the development of IFRS adoption, economic benefits, demerits, extent and quality of disclosures in corporate financial reports. The chapter excludes the consideration of detailed and specific accounting principles and application of the International Financial Reporting Standards. Among the factors noted to be influencing the adoption of IAS in developing countries, Zeghal, D. and Mhedhbi, K. (2006), singled out availability of capital market, as very cogent. According to Chamisa (2000) the key determinants of the relevance of IAS in developing countries are: The accounting needs of the country, the size of the private or public sector, the existence of capital market, and the similar environment argument. Prior to the adoption of IFRS in

Ghana, the Generally Accepted Accounting Principles used was the Ghana National Accounting Standards. The Ghana National Accounting Standards was partly based on UK accounting standards; Statements of Standard Accounting Practices (SSAPs) and pre-IFRS, International Accounting Standards. In my most recent article on Ghana`s adoption of IFRS, It did indicate that there are enormous benefits regarding the adoption of IFRS. Although the International Accounting Standards Board, the self-acclaimed global standard setter, has received wide spread criticisms about the development of a single set of accounting standard across the globe, one thing critics all agree on is that, there is the need for the provision of high international accounting quality for users. For example, imagine an investor from Qatar is considering investing in Ghana and has no idea how financial statements are prepared and with what standards they are prepared with. It is difficult for this investor to make financial and investment decisions based on local or regional accounting standards. Hence the move towards IFRS has been largely greeted as a sign of making cross border investments and capital allocation easier.

However, many African countries have been unable to document these benefits of adopting IFRS owning the fact that, these standards were developed in the West and for that matter, with a view of solving western problems. In some sense, this argument may sound plausible and in other context this may seem misplaced as it is generally believed that IFRSs are principle based standards and hence the use of judgment to fit the context within which it is used make sense. Reasons for which international differences in accounting standards are obvious, but for the sake of clarity. It‟s been argued that the extent of economic development within a country plays a major role as to whether it will adopt international standards or develop its own standards. Thus-as countries become more „wealthy‟ they tend to develop their own accounting standards

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(which can be costly, I will advance arguments as to why this may be the case). Less developed countries often adopt accounting standards issued by the IASC (which may, or may not actually be relevant to the information needs of the local people). Furthermore the nature of the domestic business ownership and financing systems can influence the accounting standards used within a country. For example, in countries which have companies that rely relatively more on equity capital (funds from many „outsiders‟) there is a tendency to provide greater disclosures than in countries with companies that rely relatively more on debt capital. Another clear example of why international difference in accounting exits is colonial inheritance. Chances are, colonial inheritance or history of a country association with a colonial master will impact the accounting standards employed. A commonly mentioned reason for international differences in accounting is tied to the broad notion of „cultural difference‟. Culture itself could be expected to influence other things, such as legal systems, tax systems, and how businesses are formed and financed, which will in turn influence the types of information demanded.

A simple example will be the case of Islamic finance where the notion of charging interest on loans is unacceptable in the Arab world hence the reason for non-adoption of IFRS. Sources of aid or finance might also influence the accounting standards used. For example, an international funding organization (such as the World Bank, IMF) might require that particular accounting rules be used as a condition of providing funds to a country. Nevertheless organizations such as the IASB are either ignoring the literature which suggests that there is a need for different countries to adopt different accounting approaches (due to issues such as differences in culture, religion, financing systems, economic development and so forth) or they believe that the advantages that accrue as a result of harmonization of international standards out-

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weigh the need to consider cultural, religious and other differences. In many respects, wealthy countries turn to shy away from IFRS for reason of the loss of power to set their own accounting standards, whilst developing countries turn to adopt IFRS without any major changes. Some of the reasons for this may be attributable to the huge costs associated with the development of such standards, the edge to join the international harmonization train, to facilitate the growth of foreign direct investments, to enable the accounting professionals to emulate well established professional standards, conduct and ethics and finally to legitimize the status of a country as a full fledge member of the international community for example, the IFAC, i.e the International Federation of Accountants of which the Institute of Chartered Accountants Ghana has been a part since 90s . Having said this, a rich set of literature pioneered by Nobes and Paker, Peiera, Larson, Abu Rahaman all argue that there is little evidence that the claimed benefits of international standards to developing countries are quite obvious. IFRS Ghana National Accounting Standards 1 Framework for the preparation of financial statements includes a detailed framework for the preparation and presentation of financial statements.

A revised Framework has been published in 2010 September Jointly by the IASB and the FASB. Several aspects of the framework were omitted. Particularly, the qualitative characteristics of financial Statements were not visible in GNAS. Statement of changes in equity requirements to include statement of Changes in Equity this is not required under GNAS. However, the Companies code requires the disclosure of Capital Surplus and Income Surplus which could include some of the items to be included in the statement of changes in Equity. Changes in Accounting Policy IAS 8 specifically deals with changes in accounting Policy GNAS requires that the effect of certain changes in accounting policies should be included in the

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extraordinary items in the current period. Minority Interest. (Now Non-controlling interest) IAS 27 requires non-controlling interest to be separately disclosed for both parent and subsidiary on the face of the income statement and the statement of financial position GNAS omits the IAS disclosure of minority interest on face of income statement. Deferred income tax, IAS 12 requires recognition of deferred tax assets and liabilities for all temporary differences. In contrast, the GNAS requires deferred tax assets and liabilities to be created only for timing differences relating to depreciation. Borrowing costs, IAS 23 requires full disclosure but the disclosures are omitted from the GNAS regarding the accounting policy adopted for borrowing costs and the capitalization rate. Accounting for Agriculture IAS 41 provides extensive guidance on how to account for agriculture and biological related assets. GNAS does not have a substantive standard on accounting for Agriculture. Accounting for Intangibles, the basis of recognition and measurement of intangible assets (IAS 38 Intangible Assets) differs depending on whether they are purchased individually or acquired through a business combination, or whether they are internally generated. There is no substantive accounting standard dealing specifically with accounting for intangibles i.e, measurement and recognition except goodwill in business combinations, but requires disclosure for Goodwill, patent, trademarks and similar assets.

Accounting for discontinued operations IFRS 5 specifically provides guidance on the treatment of discontinued operations. It requires separate disclosures for discontinued operations. There is no substantive standard that provides detailed guidance on discontinued operations. Accounting for Investment Property IAS 40 deal with investment property and treats changes in value on investment property directly in the statement of comprehensive income. No substantive standard specifically for

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investment property, however GNAS 23, accounting for investments requires that investment property be accounted for as long term investments or as Property Plant and Equipment. Increases in fair values are credited directly to equity as a revaluation surplus and not income as in IFRS but a decrease is charged to income. Consolidated financial Statements: negative goodwill immediately recognized as a gain in the income statement, treated as deferred income and recognized as income on a systematic basis over a period not exceeding five years unless a longer period, not exceeding twenty years from the date of acquisition can be identified. Goodwill is not amortized but reviewed annually for impairments. Goodwill is amortized over its useful life using straight-line basis unless another amortization basis is deemed more appropriate. Sources: World Bank, Own research.

2.3 History of Ghana Stock Exchange

The Ghana Stock Exchange (GSE) is among the regulatory institutions of the accountancy practices of entities or companies listed in the country. The whole concept of considering the establishment of a Stock Exchange in the country was kept in papers about twenty years before its implementation. Some people suggested the establishment of the Stock Exchange in 1968 in Ghana. Before 1968, the idea of setting up a stock exchange had been reasoned through in 1963 by the legislature, in the Companies Code, 1963 (Act 179) which was then under review.

In the year 1971 Parliament, passed the Stock Exchange Act, 1971 (Act 384) to regulate the trading of shares, bonds, stocks and other financial instruments as well as the establishments and its operations of stock exchanges in Ghana. A serious action was made by the government when it set up 10 member national committee which was chaired by Dr. G. K. Agama, who by then was the Governor of the Bank of

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Ghana. The committee was assigned to put together all work associated to the stock exchange project and also to point out how the establishment was to come about.

In July, 1989 the incorporation of the stock exchange came into force as a private company limited by guarantee under the Companies" Code of 1963. The GSE under section one of the Stock Exchange Act received the authority and powers from the Secretary for Finance and Economic Planning to run as an exchange house and to exercise its powers thereon.

The Exchange received recognition as an authorized Stock Exchange under the Stock Exchange Act of 1971 (Act 384) in October, 1990. On November, 1990 and April, 1994 trading activity started and change from a private company into a company limited by guarantee, public were done respectively.

The Security Law through its amendment stages has to withdraw the Stock Exchange Act under which permission was given to the Ghana Stock Exchange (GSE) to operate. However, Security Industry Law (Amendment) Act, 2000 (Act 590), section 14 (1) gave recognition to the GSE and guaranteed it"s continue existence. Both non-resident and resident foreigners in Ghana can assess the GSE.

Within the African continent, the GSE is considered one of the pacesetting exchanges in the region. This came about when Ashanti Goldfields Company Limited which is one of the elaborate and affluent gold mines globally was included on their exchange. From 1993 to date, the Ghana Stock Exchange is kept in the same class with the best stock exchanges in the evolving markets globally in the light of index returns. In 2003 there was an official confirmation in the position of the GSE as one of the best stock markets performing world-wide, when it recorded an index return of 144% and 157% in terms of US dollars and the domestic currency respectively (Ghartey, 2004).

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2.4 Accounting Principles

Accounting principles are accounting rules set by regulators that are to be followed by the companies registered in these countries. These rules are qualified as the General Accepted Accounting Principles (GAAP) and though each country has its own rules, the General Accepted Accounting Principles is often referred to with the country code. For United Kingdom it is UK General Accepted Accounting Principles (GAAP) and for the Netherlands for example, Dutch General Accepted Accounting Principles (GAAP). In addition each country has its own regulatory bodies, which are sole responsible for the issuance of these principles and consists out of accountants.

The International Accounting Standards Committee (IASC) in 1973 was founded and they were accountable for developing the International Accounting Standards (IAS). The foundation of International Accounting Standards Committee (IASC) was initiated by the arrangement between the national accounting bodies of nine countries. The objective of the committee was to develop and promote the international accounting standards, which were not obliged for use in that time, but could be voluntary, adapted for use. In the early 70‟s the IASC board was compounded of public accountants only, with three main objectives:

To develop and circulate for public interest accounting standards to be observed in the presentation of financial statements and to promote their worldwide approval and adherence.

And perform generally in respect of the enhancement and the harmonization of accounting regulations, standards and measures relating to the presentation of financial statements.

To implement for public interest a high quality, easily understand and enforceable accounting standards of entities and countries who have accepted the use of

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international accounting standards. During the last decades of the 20th century, concerning companies‟ globalization became more important and the country boarders did no longer limit companies. Because in addition the government borders no longer limited the investors (shareholders), the need concerning harmonization in the accounting standards became more important.

In the 90‟s the work of International Accounting Standards Committee (IASC) was used more widely and the work of International Accounting Standards Committee (IASC) has become more and more important, resulting in a restructure of the IASC in 2001. In that year the International Accounting Standards Board (IASB) was founded and responsible for the development of IFRS. The purpose of IASB was to develop a single set of high quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly effective principles.

2.5 International Accounting Standards Board (IASB)

Under the latest structure, IASB is the main body. The composition of the board is fourteen full time council members chosen from twelve different countries and has varying professionals. The members of the Board are appointed by and owe accountability to the IFRS Foundation Trustees who are expected to consider the best available combination of technical expertise and diversity of global and market experience. IASB primarily uses fundraising as the medium to raise its fund.

According to Delliote IFRS, 2006 the basic goal of the IASB is to promulgate IFRS and the main duties of the International Accounting Standards Board are as follows:

Prepare and issue Exposure Drafts and IFRS, both of which incorporate any dissenting opinions and Final approval of Interpretation by the Standard Interpretations Committee.

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Publish Exposure Draft on all projects and Draft Statement of Principles or other discussion document for public comment on major projects. Exercise total judgment over the technical agenda of IASC and over project assignments on technical issues, in organizing the conduct of its work, the Board may outsource detailed research or other work to national standard setters or other organizations, Form Steering Committees or other types of specialist advisory groups to give advice on major projects, consult the Standards Advisory Council on major projects, agenda decisions and work priorities, Consider undertaking field tests (both in developed countries and in emerging markets) to ensure that proposed standards are practical and workable in all environments, although there is no requirement to undertake field tests for every project. (Delliote IFRS, 2006)

The principal qualification for Board membership is technical expertise. Trustees of the IASB body do not engage in technical issues, however; they are responsible to the monitoring board. Trustee"s appointment can be subject renewed three years after a term of service.

There is an expectation from each Trustee to understand and be sensitive to global matters pertinent to fruition of such a global body responsible for the production of set of international standard which has a high quality world-wide use in capital markets and by other interested users.

There is a stated quota from each region. Asia, Europe and North America has six trustees each representing them, one person from Africa specifically South Africa, a nominee from South America and two from anywhere in the world. (Delliote IFRS, 2006)

IASB has half of its fourteen total memberships having the duty with one or more local standard-setters. In terms of the technicalities the Board has total discretion. The

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Board examines the need to hold public briefing or may even check field tests for project implementation notwithstanding the fact that there is no requirement. The final Interpretation of the International Financial Reporting Interpretation Committee (IFRIC) and publishing of Exposure draft may require the authorization of more than half of the fourteen Board members. However, the condition or requirement states that a simple majority of members present during a meeting holds have the powers to give approval.

2.6 Theoretical framework

In many times studies show on the level of disclosure and compliance degree with IAS/IFRS began approximately the year 2000, and the outcomes showed a huge deal of non-compliance with IAS necessities in various fields (Chamisa 2000; Tower, Hancock, and Taplin, 1999; Street, Gray, and Bryant, 1999). Additionally, Ramanna and Sletten (2009), in a working paper, centred on why countries adopted IFRS, the authors disclosed inter alia, that more powerful countries are less likely to adopt IFRS; a country is more likely to adopt IFRS as the proportion of IFRS adopters in its jurisdiction increases; and there is a quadratic relationship between the quality of local governance institutions and IFRS adoption, where adoption at first increases and then decreases with governance quality.

Daske, Hail, Leuz and Verdi (2007) studied 3,100 companies in 26 countries are mandated to adopt IFRS in "Mandatory IFRS Reporting around the World: Early Evidence on the Economic Consequences." The objective of the study was to examine the economic effects of IFRS adoption for both voluntary and mandated adopters. And found that; a company"s adoption of IFRS creates invulnerable economic gains in countries with uncompromising regulation over financial reporting. These benefits

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include an improvement in the stock‟s market value, an increase in market liquidity, and a less cost of capital; Companies with foremost leaving between GAAP and IFRS standards show the peachiest benefit when endorsed by a strong regulatory environment; The research also investigates possible contributory factors not connected to IFRS acceptance that may have generated these economic benefits: Self-selection comes out to be a principal explanation; companies voluntarily changing to IFRS had factors unconnected to the accounting standard change that covey them with economic benefit.

Armstrong, Barth, Jagolizer and Riedl (2008) used a sample of 3,265 European firms over the period 2002 and 2005. The outcome of the study revealed that Investors in European firms realized that the expected benefits associated with IFRS adoption will override the expected costs. Similarly, Barth, Landsman, and Land (2008) used a sample of 21 countries over a period 1994 and 2003 were engaged. The result revealed that companies that apply IAS were of higher quality than non US companies that do not.

Chua, and Taylor, (2008) in their work on justification for the ever increasing acknowledgment of IFRS suggest other possible explanation for the origin and spreading of IFRS that incorporates social and political factors. The researchers noted that the three economic rationale for the unavoidable diffusion of IFRS (i.e. Transparency, quality and comparability) lack empirical support.

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2.7.1 Empirical studies relating to quality on adoption of IFRS

Empirically, in comparing domestic standards to IFRS, some studies have shown that there are no remarkable differences in accounting results with the implication that the adoption of IFRS does not result in better accounting quality. Studies in Germany by Tendeloo and Vanstraelen (2005) and Hung and Subramanyam (2007) did find similarities in earnings management and value relevance in comparing results of the national and international standards. Leuz, Nanda and Wysocki (2003) concluded that evidence was mentioned to the effect that a large frequency of small positive earnings is an indication of managing towards positive earnings. The conclusion from this and other similar studies was that firms applying IAS report small positive earnings with lower frequency. Paananen (2008) reports no quality increases in the Swedish case and Elbannan (2011) reports mixed findings in Egypt. Accounting literature has operationalized accounting quality on the basis of earnings management, timely loss recognition and value relevance benchmark.

The higher disclosure requirements and financial reporting quality that truck from IFRSs understood that the adoption of IFRSs would give a positive indicator to investors as information asymmetry and agency costs tend to diminish (Tarca, 2004). It appears, therefore, that firms that adopt IFRSs would tend to display lesser potential for earnings management (Ashbaugh, 2001; Ashbaugh and Pincus, 2001; Leuz, 2003). Less subjectivity would lead to fewer opportunities to influence reported earnings and bonuses and/or mislead investors. Hence, in countries with strong investor protection mechanisms, such as the UK, the costs of IFRS adoption would tend to be lower because the level of earnings management is lower as managers are less inclined to manipulate the reported accounting figures (Nenova, 2003; Dyck and Zingales, 2004). In contrast, in countries with weak investor protection mechanisms, the scope for

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earnings management would tend to be higher and the quality of financial reporting lower, understood that the costs of adopting IFRSs would be higher (Ali and Hwang, 2000; Hung,2001).

A study conducted on Adoption of IFRS in Developing Countries the Case of Ghana by Akiwi, (2010). The purpose of the study is to understanding the development of accounting in Ghana and how accounting has developed over the years. The main objectives of the study are: to assess the factors the influenced the adoption of IAS/IFRS in Ghana, the benefits of the adoption of these standards and the demerits as well. More importantly the question as to whether accounting standards are relevant to developing countries was cleverly considered in this study. The paper stated that the emergence of companies going international or even global has given rise to the need to develop accounting standards that ensure uniformity and standardization of reporting financial information among parent companies and their subsidiaries. The International Accounting Standard Committee (IASC) in its authority to developed accounting standards which seeks to satisfy the need for a global accounting financial reporting system. However, in the year 2001, the IASB which succeeded the IASC developed the IFRS which complement the IAS. Quite number of study has been deals with IFRS in Nigeria and its environments. According to the study conducted by Onafalujo et al., (2011) on the topic "Impact of International Financial Reporting Standards on Insurance Management in Nigeria". The paper revealed that (IFRS) is a global agenda to foster common benchmark in financial information across international borders with the objective of generating enough momentum for economic development. Insurance management handles a large part of entrepreneurial risks and feedback long term capital into the economy; but insurance accounting is operated by contingent liabilities and asset arbitrary that

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requires global standards. The paper finalized that financial measurement model as envisioned by IFRS 4 and 7 are quite relevant to Nigerian financial environment. But, there is need to modify to a more restrictive model in the determination of insurance accounting items to enable future compliance to IFRS be efficient. In a related study by Okafor and Killian, (2011) on Potential Effects of the Adoption and Implementation of (IFRS) in Nigeria. The objective of the study is to examine the potential effects of the adoption and implementation of IFRS in Nigeria from the perspective of stakeholders. It presents the results from a questionnaire survey of a sample of accounting lecturers, auditors and accountants. The data were analyzed using the Chi Square statistical tool. The study revealed that International Financial Reporting Standards have the potential for producing greater benefits than current GAAP, improve business performance management and impact on other business functions apart from financial reporting. The study also finds that IFRS adoption will add to financial reporting complexities and increase compliance with accounting standards.

The study recommends that management should start making comprehensive plans ahead of IFRS adoption. Bozkurta, İslamoğlub and Öz (2013) evaluated the thoughts and perceptions of accounting and auditing professionals on the application/adoption of IFRS and report that respondents view significant advantages in the application of IFRS as IFRS increase comprehensibility and reliability of financial statements, thereby reducing accounting frauds. Ballas, Skoutela and Tzovas (2010) examine the relevance of IFRS in Greece using various secondary information and the results of a postal survey conducted among the finance managers of the top 100 Greek firms. Study finds that although the Greek environment was not appropriate for IFRS application, participants in the survey believe that their adoption improved the quality

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of financial reporting and increased the reliability, transparency and comparability of the financial statements. Jermakowicz (2004) examines the effects of IFRS adoption on BEL-20 companies in Belgium through questionnaire sent to selected companies. The study focused on the effects of IFRS transition on organizational, accounting and financial strategies of companies. They document that IFRS transition improved the comparability of the financial statements.

Jermakowicz (2004) claims that IFRS adoption leads to an elimination of different methods of accounting for the similar transactions, thereby resulting in improved comparability of financial statement, which is more useful to the decision-making of creditors, investors and all other users of the financial statements. Brochet, Jagolinzer and Riedl (2011) examine the effect of mandatory IFRS adoption on the comparability of financial statement. The results suggest that the IFRS adoption lead to improved financial statement comparability across firms, thereby reducing information asymmetry specifically abnormal returns for private information, proxy by insider purchases and analyst recommendation upgrades have reduced following the adoption of IFRS.

Barth et al. (2006) suggest that accounting quality could be enhanced with the elimination of alternative accounting methods leading to earning management. They compare earnings management of firms voluntarily switching to IFRS with that of those using domestic accounting standards and report that after IFRS adoption, firms have higher variance of changes in net income, a higher ratio of variance of changes in net income to variance of changes in cash flows, higher correlation between accruals and cash flows, lower frequency of small positive net income and higher frequency of large losses. Callao, Jarne and Laınez (2007) examine financial ratios and accounting figures based on the GAAP and IFRS and found statistically

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significant differences between financial ratios and accounting figures obtained under two different standards. Total liabilities, long-term liabilities, cash and cash equivalents and shareholders" equity are found to have been affected significantly from the transition to IFRS. In addition, they also report that the book values differed significantly from the market values under IFRS and under Spanish standards. Barth, Landsman and Lang (2008) investigate whether the accounting numbers reported under IAS associate with higher accounting quality. They note that the application of IAS reflects the combined effects of features of the financial reporting system which comprise standards, their interpretation, enforcement and litigation. The research reports that the firms applying IAS from 21 countries (including developed and developing countries) are found to have higher accounting quality than those matched sample firms reporting under non-US domestic standards. Callao, Jarne and Laınez (2007) assessed value relevance under local GAAP with reference to UK and Spain and compared results obtained in both studies. They find that the IFRS have affected negatively to the relevance of financial reporting in both countries, although this effect has only been significant in Spain.

2.7.2 Empirical studies relating to challenges in adoption of IFRS

Another study on The Adoption and Implementation of (IFRS): Evaluation of the Roles of Key Stakeholders in Nigeria by Akhidime, (2010). The paper stated that a lot of challenges face the adoption and implementation of International Financial Accounting Reporting Standards, the foremost being fully prepared for the adoption. Considering that convergence to a single set of globally accepted high quality standards is importance to economic growth and ultimately in the best interest of the public, that it is crucial for all the key stakeholders to consider the need for their

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cooperation in overcoming the attendant problems that come with the adoption and implementation of International Financial Accounting Reporting Standards. It is in these areas and levels of cooperation expected of key stakeholders that are being critically reviewed in this paper. The paper finalized that it is obvious that all those involved in the financial reporting process will need to take one action or the order. A lot of challenges face the adoption and implementation of international accounting reporting standards, the foremost being prepared or being fully prepared for the adoption. The government and regulators up to standard setters must provide the legal and regulatory enabling environment that would make not only for the adoption and implementation but also for effective enforcement of compliance with the standards. International standards setters must provide the necessary backbone towards effective and speedy convergence, while the education and training of professional accountants must keep pace with changing environment of convergence of international accounting standards. Investors, analysts, financial reporters and the general public must be kept alongside of the changes and the associated consequences of adopting the standards.

The Granger Causality, Co-integration and impulse response tests performed on the insurance variables suggest efficient outcome in the long run. This paper argues that, the application of IFRS standards based on the use of observable market inputs, unobservable market inputs and experience variance of operators are still encounter difficult in the short run, and they are achievable in the long run. However, the paper recommends that In view of the uniqueness of high volatilities of the Nigerian stock market, low level of actuarial data and experience, and low demand of insurance; the adoption of IFRS for the Nigerian Insurance could be stylized by Nigerian Accounting Standards Board (NASB) like the FAS 157 into levels 1, 2 and 3 using

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the „fair value hierarchy" to reflect the need for standardized measurements for assets and liabilities. This should be transited in the long-run and not to adopt the „big-bang" approach.

2.7.3 Empirical studies relating to mandatory and voluntary adoption of IFRS

In trying to obtain the opinion of stakeholders in financial reporting in Nigeria, regarding the fundamental of the ongoing mandatory adoption of IFRS in Nigeria, Isenmila and Adeyemo, (2013) on "A Perception Based Analysis of the Mandatory Adoption of (IFRS) in Nigeria" adopt the questionnaire survey method to seek respondents" views on the subject matter. Understanding firms" adoption of IFRS can allow for insights into the benefits and costs colligated with such adoption. Specifically, the study expected to be of significance to Equity Investors" Group, Governments and Regulators, National standard setter, International Standards Setters and Donor Agencies, and various organizations engaged in accounting processes. The paper therefore employed the One Way Repeated Measure Analysis of Variance, and the Likelihood Ratio Test, otherwise referred to as G-test or maximum likelihood statistical significance test, in resolving the three hypotheses in the paper. The results point out that there is a statistically significant difference in the perception of the stakeholders about the desirability of the mandatory adoption of IFRS. The stakeholders of interest were Preparers of Financial Reports, Auditors, Capital Market Operators, and Trainers of accounting students. Capital Market Operators was found to be the most positive about the success of the adoption of IFRS, while Auditors seem to be the least optimistic. Additionally we found that mandatory adoption of IFRS will have significant prospects as well as challenges on the activities of stakeholders. We recommended inter alia, that the capacity of regulators (Corporate Affairs Commission, Securities and Exchange Commission, National Insurance

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Commission, Central Bank of Nigeria to mention but a few) must be strengthened so as to enable them to effectively deal with accounting and financial reporting practices of the regulated concerns, so that the mandatory adoption of IFRS in Nigeria, does not become a mere tagged. Kenneth, (2012) on Adoption of IFRS and Financial Statements Effects: The Perceived Implications on FDI and Nigeria Economy. He stated that the IFRS adoption is already an issue of global relevance among various countries of the world due to the quest for uniformity, reliability and comparability of financial statements of companies. The paper however investigated the effect of IFRS adoption on Foreign Direct Investment and Nigeria economy. The population used consists of quoted companies in Nigeria Stock Exchange (Preparers) and Investment Analysts (Users). Stratified Random sampling method was adopted and primary data used to obtain responses with 123 structured questionnaires administered. Findings revealed that IFRS has been adopted in Nigeria but only fraction of companies has implemented with deadline for the others to comply.

It is perceived that IFRS implementation will promote FDI inflows and economic growth. It was recommended that all stakeholders should endeavor to have full implementation to reap benefits of the global GAAP and principle - based standards. The IFRS adoption is widely believed to lead to *inter alia* improved financial reporting quality (FRQ). Papadatos and Bellas (2011) studied the perceptions of account preparers regarding the compulsory implementation of IFRS in Greece sending 135 questionnaires to the listed companies of the Athens Stock Exchange (ASE). They report that IFRS implementation extends significant advantages for both investors and companies. Further, preparers of financial statements recognize that IFRS increase the credibility and transparency of financial statements, thereby contributing to the efficiency of Greek market, increasing the demand for shares from

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foreign institutional investors and limiting the ability of managers to manipulate financial statements and mislead investors. Daske et al. (2007) examine the economic effects of IFRS adoption for both voluntary and mandated adopters in 26 countries which mandated IFRS. Employing 3,100 companies, study reports that the adoption of IFRS creates undeniable economic gains in countries with uncompromising regulation over financial reporting. These benefits include an improvement in the stock‟s market value, an increase in market liquidity and a lower cost of capital. Yu and Wahid (2014) conclude that IFRS adoption enhances cross-border holdings by reducing the information processing costs of foreign investors. This has been achieved through improved comparability of financial information and curtailing other such barriers as geographic distance. The study also suggests that harmonization between different reporting regimes is more effective than improvements in domestic standards if more foreign capital is to be attracted. The extent of adoption and impact of IFRS may vary depending on many other factors including firm‟s characteristics. Prior researches have also studied such factors that influence the degree and the quality of adoption of IFRS.

Hossain, Tan and Adams (1994) examine the impact of six firm-specific factors such as firm size, ownership structure, leverage, assets-in-place, audit firm and listing status on the extent of compliance of the IFRS. They employed 67 non-financial companies listed on the Kuala Lumpur Stock Exchange and revealed that corporate size, listing status and ownership structure found to be significantly associated with voluntary adoption of IFRS in Malaysia. Firm size was the most strongly significant factor related to the extent of voluntary adoption. Street and Gray (2002) study the extent of compliance with IFRS by listed companies in Turkey on a sample of 168 companies and reveal that the overall level of compliance with IFRS‟‟ disclosures

positively relates to firms being audited by Big 4 auditing firms. Compliance is also negatively associated with the level of leverage while no significant relationship is found with other company characteristics, such as profitability, company size and age and the level of compliance with IFRSs. Ballas and Tzovas (2010) study a sample of 32 listed and non-listed Greek firms and report that larger firms show higher rate of compliance to IFRS disclosure requirements. Papadatos and Bellas (2011) surveyed the listed companies in ASE of Greek on firm‟s attitude towards IFRS and influence thereof by the firm‟s specific characteristics such as size, profitability and the level of fixed assets. Response to questionnaire reveals that company size, profitability and the level of fixed assets significantly influence the attitude on adoption of IFRS in Greece. Sharif (2010) sought to explain the factors that could explain IFRS adoption by Iraqi firms and find that IFRS adoption significantly relates to four variables, such as capital market, education level, professional bodies and company size. Dumontier and Raffournier (1998) study a sample of 133 Swiss listed companies showed a positive influence of size, internationality, listing status, auditor type and leverage on compliance with IAS. Inversely, no significant relationship was found for profitability and capital intensity.

Patton and Zelenka (1997) examine 50 Czech joint companies included in the 1993 Prague Stock Exchange Index with the objective of finding a relationship between mandatory adoption of IFRS and such independent variables as firm size, type of auditor, number of employees, stock exchange listing status, profitability (return on equity) performance and financial risk (leverage). The results suggest that there is a significant relationship between firm size, profitability and the leverage but not with number of employees. Al-Shammari (2011) examines 168 companies listed in the Kuwait Stock Exchange and report that the level of compliance with IFRS is

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associated positively with company size, age, internationality and auditor and negatively with liquidity. Cooke (1992) found that company size (large, medium and small) affects the adoption of IFRS among Japanese listed corporations. Thus, rationally, firms will tend to comply more on IFRS if they benefit more. The above survey of prior studies reveals that the attitudes of firms on the adoption of IFRS differ depending on factors that characterize the firms.

2.7.4 Empirical studies relating to stock market price on adoption of IFRS

On the paper of Afego (2011) on the Stock Price Response to Earnings Announcements: Evidence from the Nigerian Stock Market, This paper examines the stock market response to annual earnings information releases using data on the Nigerian Stock Exchange. Using the event study method, the speed of reaction of the market to annual earnings information releases for a sample of 16 firms listed on the exchange is tested. Significant abnormal price responses around earnings announcements suggest the earnings announcements contain value-relevant information. The paper realized that the extent of the cumulative abnormal returns is dominated by relevant reactions 20 days before the earnings release date which suggests that a portion of the market response may be due to private acquisition and, perhaps, abuse of information by insiders. The persistent downward gathered of the cumulative abnormal returns, 20 days after the announcement, is inconsistent with the efficient markets hypothesis, and therefore suggests that the Nigerian stock market does not efficiently adjust to earnings information for the sample firms within the study period. On the study of Ajao and Wemambu (2012) on Volatility Estimation and Stock Price Prediction in the Nigerian Stock Market. The study aimed at understanding the Nigerian Stock Market with regards to volatility and prediction, to

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this effect the month end stock prices of four major companies from the period January 2005 to December, 2009 was used as proxy. The study made use of the Autoregressive Conditional Heteroscedasticity (ARCH) to estimate and find out the presence of volatility. According to the study the presence of volatility in all the four stock prices used, while stock price volatility was then regressed against stock prices to determine their predictability. The results however, finalized that out of the four companies; only two companies‟ stock prices were predicted by volatility in their stock prices, while past stock prices predicted current stock prices implying that the market does not follow a random walk. As a result of these, it is recommended that activities of corporate insiders should be properly checked, to reduce the predictability of stock prices, information should be known and made public to all investors. Also policy makers are advised to review their economic policies and should be careful in their use of the Nigerian bourse as a barometer to reflect performance in the general economy as our findings suggests that this could be misleading.

Al-Shammari, Brown and Tarca (2007) indicate that the GCC countries governments which have adopted IASs believe that this adoption will provide useful information to shareholders and investors as well as improving comparability of financial reports. The above findings inform that IFRS adoption has impacted on FRQ and very often positively. Further, many IFRS impact studies have examined the effect of IFRS adoption on capital market. Financial statement can be stated to be investor relevant when it determines decision-making of investors. Financial statements if relevant to investors will influence *inter alia* firm‟s valuation, access to debt capital, cost of capital, volume of investments, cross-border investments, etc. IFRS adoption studies have also focused these attributes of impact of IFRS adoption. Kocakulah et al. (2009) report that stock market determines the acceptance of IFRS by both public and private

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companies. Dumontier and Raffournier (1998) claim that consequences of IFRS adoption include decrease in information asymmetry as IFRS are more market oriented with large disclosure requirements, more precisely, limiting the number of options, thereby prohibiting hidden reserves as a result of which earnings management would decrease and accounting data would be more value relevant (that is, the ability of accounting data to reflect Contemporaneous market prices or returns). Hung and Subramanyam (2007) compared accounting numbers reported under HGB with those under IAS for the same set of firm years, and document that total assets (TATs), book value of equity and variability of book value and net income are significantly higher under IAS than German accounting rules HGB. They also report that book value (net income) plays a greater (lesser) valuation role under IAS than under HGB. Daske et al. (2007) examine whether capital markets respond to differences in adoption quality and they find that enhanced accounting value relevance and economic consequences are attributed to serious IFRS adopters as opposed to label IFRS adopters. Barth et al. (2008) find that the firms adopting IFRS have less earnings management, more timely loss recognition and more value relevance of earnings, all of which they regard as evidence of higher accounting quality. They also report that IFRS-based earnings are more value relevant while also leading to a decrease in the cost of capital.

2.7.5 Empirical Studies Relating to Cost of Capital on Adoption of IFRS

Bhattacharjee and Islam (2009) argue that the increased transparency promised by IFRS creates an increase in the efficiency of contracting between firms and lenders, thereby reducing cost of debt capital. Evaluating differences in the indirect cost of capital between the IFRS adopters and the non-adopters using a sample of 21,608

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firm-years observed from 34 countries over the 1998–2004 period and report that the cost of equity capital is significantly lower for the full IFRS adopters than for then on-adopters. Study also finds that the cost of capital decreases with the efficacy of institutional infrastructure. Ahmed Kouki (2015) confirms that the fair value accounting model under IFRS is more value relevant than historical cost accounting model. On the backdrops of the above review of empirical literature, it is clear that IFRS adoption brings more capital market benefits towards firms adopting it. This creates empirical question of whether IFRS adoption caused the capital markets to respond more favorably towards firms adopting IFRS. Meanwhile, Jermakowicz (2007) claims that the IFRS are not only relevant to external parties but also useful to management decision-making. Papadatos and Bellas (2011) also report that companies also seem to recognize, at lower acceptance rates, that IFRS improve CGV, provide the management with greater flexibility to capture financial figures and select accounting principles, improve the process of internal auditing and the internal organization of the companies.

Vrentzou (2011) related the adoption of IFRS with the auditor report. The study reports that the auditor notes and the equity adjustments they propose are positively related to the notes than accompany financial statements before the application of IFRS, whereas they are negatively related to the explanatory notes imposed by IFRS. Bhattacharjee and Islam (2009) argue that the adoption may have some direct impact on the CGV. The study claims that the agency problem between management and shareholders can substantially be reduced through the adoption of IFRS as increased transparency enables managers to act more in the interests of the shareholders. Jermakowicz (2004) claims that IFRS would pose a challenge by way of more complex financial reporting requirements and resultant increase in costs. IFRS

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implementation also requires an availability of IFRS experts. Jermakowicz et al. (2007) investigate the challenges and benefits by the adoption of IFRS by DAX-30 companies in Germany through a questionnaire sent to company executives. The survey reveals that most of the companies agree that implementing IFRS should improve the comparability of financial statements, while the complex nature, high cost of adopting and lack of guidance for implementing IFRS as well as increased volatility of earnings after adopting IFRS are listed among the most important challenges of conversion to IFRS. Boolaky (2010) studies the IFRS conversion cost into three main such categories as training cost, IFRS software cost and outsourcing and reveals that all the preparers of accounts had resorted to training including new accounting software and some had outsourced directly external IFRS experts on some IFRS tasks. Questionnaire survey conducted by Papadatos and Bellas (2011) also revealed that IFRS implementation carries costs arising from the implementation of IFRS, employment of new qualified staff and the training for existing and new information systems. The study also reports that the costs of the accounting transition do not hinder the application of IFRS and such cost is not greater than the resultant benefits.

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CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter encompasses research design, the relevant period, population of the study; sampling size and sampling technique have been discussed. The sources of data, data type, data collection, data analysis, data collection instruments as well as the profile of the study area had also been outlined.

3.1 Research Design

In order to make the research more scientific and obtain reliable results, researcher must clearly explain the method which was applied in the particular research (Kothari, 2008). Kothari (2008) further added that research methodology is a way to systematically solve the research problem; it may be understood as a science of studying how research is done scientifically. Descriptive research is conducted to describe phenomena as they exist. It gives an accurate description of the characteristics of the subject, population, market, situation or problem the researcher is investigating (Robson, 2002). A descriptive study provides a comprehensive and clear picture by describing the characteristic of variables in the phenomena of interest to the researcher from an individual, organization, industry or other perspective (Sekaran, 2003). It does not answer questions of “how, when and why” characteristics of a situation or population occurred. Rather it addresses the "what" questions (Shields and Rangarajan, 2013). The characteristics used to describe the situation or population is usually some kind of categorical scheme known as descriptive categories. Descriptive research often involves collecting information through data review, surveys, or observation, to ascertain and describe the characteristics of the

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pertinent issues of the problem under consideration. Descriptive research aims to achieve the following goals: provide an accurate profile of a group or situation; give description to a process, mechanism or relationship; provide a verbal or numerical picture of the situation; source for information to stimulate new explanations; contextual presentation of basic background information; and categorization of the problems and documentation of information that contradicts prior beliefs about a subject. Explanatory research on the other hand is a continuation of descriptive research. The researcher goes beyond merely describing the characteristics of the situation or problem, to analyzing and explaining the why or how the phenomenon being studied is happening. Thus, while descriptive research may be employed to identify and obtain information on the characteristics of a particular problem or issue, explanatory research aims to understand phenomena by discovering and measuring causal relations among them. In some circles, it is referred to as causal research design (Saunders et al., 2007).

Explanatory research is conducted when there is already a hypothesis as to why something is happening. Questions and tests are designed to support that hypothesis, and proven to be correct or not. Explanatory research tries to: determine the accuracy of a principle or theory; find out which competing explanations is better; advance knowledge about an underlying process; link different issues or problems under a common general statement; build and elaborate a theory so it becomes complete and extend theory or principle to new areas by providing evidence to either refute or support an explanation (Neumann, 1994). Explanatory research frequently includes descriptive elements but goes beyond this to identify and explore the causes underlying the effects. This chapter deals with the methodology adopted for the study. There are mainly two research approaches, quantitative and qualitative research.

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However, in terms aims two approaches always comes out descriptive research and explorative research. The amount of pre-existing knowledge of each research topic is the main determinant for the choice of each approach (Patel & Davidson, 2003). When there are gaps in the existing knowledge about a specific problem, an explorative approach is recommended. The aim of an explorative research is to gather as much information as possible and reveal the problem from different points of views (Patel & Davidson, 2003). There are varying research methods used to gather data such as survey, experiment and the use of secondary data. Secondary data was used for this research and it is where data already exist and it is also the most appropriate method. The research is plans to make known the degree to which publicly traded manufacturing institutions have impact with adoption IFRS. The accounting data of listed manufacturing institutions on the Ghana Stock Exchange which exist in their annual report was the information need.

Secondary data are used because of the advantage of time saving and cost savings involved in data collection. More so secondary data techniques are used since majority of previous researchers tend to use them. Due to the nature of the study, descriptive design and survey research were adopted. Descriptive research involves collection of data in other to found answers to unanswered questions concerning the current status of a subject (Nzewi, 2009). The study analysed the audited accounts of manufacturing companies. This involves use of financial accounts of the manufacturing companies‟ under assessment for the period, 2002-2011. This research study is designed to adopt the descriptive and analytical research methods. This is because it involves investigating, recording, analyzing and interpreting data gathered from financial report of Guinness Ghana Breweries Limited which have been filed at Ghana Stock Exchange. Again, under the design, the study talks of the ratio‟s analysis

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approach adopted for this study. Some of the ratio analyses that were adopted for the work were summary statistics for the variables used in the estimation and also through the use of other statistical instruments to investigate the impact of adoption International Financial Reporting Standard on the financial performance. In this study, the financial statements of Guinness Ghana Breweries Limited was looked at and also a ratio analysis using the years from period 2002 to 2006 representing before adoption of International Financial Reporting Standard. In order way round ratio analysis using the years from period 2007 to 2012 representing immediately after adoption of International Financial Reporting Standard.

3.2 Relevant Period

The relevant period of the study have been grouped into pre adoption of IFRS which is 2002 to 2006 and post adoption of IFRS from 2007 to 2011. These years were chosen since the researcher wants to compare the financial performance before and after implementation of IFRS for the years under review for listed manufacturing institutions. The researcher wants to access how far previous standards (GNAS) affect and influence the accounting and financial performance to the entity. Therefore this has fall on the researcher to choose pre adoption period from 2002 to 2006. And also researcher wants to access how far current standards (IFRS) adopted affect and influence the accounting and financial performance of the entity. Therefore there is the need for the researcher to choose the period from 2007 to 2011 as post adoption.

3.3 Population

The target population for the study includes all the companies listed on the Ghana Stock Exchange. As at February 2019 thirty-nine companies are listed on the Ghana

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Stock Exchange. Listed companies were chosen because the Ghana Stock Exchange happens to be one of the first points of call when an investor wants to ascertain the performance of a business entity. The study has its population as all publicly trading companies on the Ghana Stock Exchange. For the periods chosen, 39 companies were listed on the GSE. Companies listed were used since investors decision is centred on publicly listed firms. The researcher used Ghana Stock Exchange with the motive of easy access to information to support the study. Also the general public too have easy access to information on Ghana Stock Exchange at any time they want through their website. Below is companies listed on Ghana Stock Exchange and their respective industry they relate to

Table 3.3 Population

Company	Industry
Access Bank Ghana	Financials
African Champion Industries	Basic Materials
Agricultural Development Bank	Financials
Aluworks ALW	Basic Materials
AngloGold Ashanti	Basic Materials
Ayrton Drugs Manufacturing	Health Care
Benso Oil Palm Plantation	Consumer Goods
CAL Bank	Financials
Camelot Ghana	Industrials
Clydestone (Ghana)	Technology
Cocoa Processing Company	Consumer Goods
Digicut Production and Advertising	Consumer Services
Ecobank Ghana	Financials
Ecobank	Financials

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Enterprise Group	Financials
Fan Milk	Consumer Goods
Ghana Commercial Bank	Financials
Ghana Oil Company	Oil & Gas
Golden Star Resources	Basic Materials
Guinness Ghana Breweries	Consumer Goods
Republic Bank	Financials
Hords	Consumer Goods
Intravenous Infusions	Health Care
Mechanical Lloyd Company	Consumer Services
Mega African Capital	Financials
Meridian-Marshalls Holdings	Consumer Services
MTN Ghana	Telecommunications
Produce Buying Company	Consumer Goods
PZ Cussons Ghana	Consumer Goods
Sam Woode	Consumer Services
Samba Foods	Consumer Goods
SIC Insurance Company	Financials
Societe Generale Ghana	Financials
Standard Chartered Bank Ghana	Financials
Starwin Products	Health Care
Total Petroleum Ghana	Oil & Gas
Trust Bank (The Gambia)	Financials
Tullow Oil	Oil & Gas
Unilever Ghana	Consumer Goods

Data Source: Ghana stock exchange, May 2019

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3.4 Sample Size

The researcher selected a manufacturing company for the study because the manufacturing sector is one of the most important sectors in every economy. Manufacturing companies produces goods to satisfied individuals, governments and corporate organizations. They also play a major role in maintaining confidence in the manufacturing system through their close relationship with regulatory bodies and the government. Thus, the well-being of manufacturing, particularly their liquidity and solvency position is of interest to every economy (Tackie, 2007). On the other hand, manufacturing by their nature have high concentration of certain types of transactions and accordingly a high exposure to certain types of risk CPA. Thus, the researcher thought it expedient to ascertain the performance of listed manufacturing companies as a public interest entity, in relation to IFRS, The manufacturing institutions listed on the Stock Exchange are the target for the study. The reason is that manufacturing is seen as one of the important sector in the economy. There were 14 manufacturing institutions listed on the GSE. The researcher also considered Guinness Ghana Brewery Limited as it main target sample size for this study and it‟s where the researcher could easy have access to data.

3.5 Sampling Technique

Sampling technique provided a variety of methods that enabled the study to reduce the amount of data needed to be collected by considering only data from sub-groups rather than all possible cases or elements. The following sampling technique was used during the study.

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3.5.1 Purposive sampling

Purposive sampling enables the researcher to use his judgment to select cases that will best enable him to answer his research questions, and to meet the objectives of the study. This form of sampling is also suitable for a small sample (Neumann, 2000); hence, the researcher"s decision to use purposive sampling, looking at the small nature of the sample and the fact that the sample selected will help the researcher achieve its objective. A purposive sampling is one that is selected by the researcher subjectively considering the purpose of the study. This technique provides the study an ability of obtaining information from the organization. The researcher used own judgment on the elements to be selected. However, the researcher chooses sample elements which were not included in the quota sampling.

3.6 Data Type

This study is based mainly on secondary data. Data was collected from the annual reports published by the manufacturing company, periodicals and relevant internet resources. Specifically, the manufacturing" annual reports and audited financial statements for the years 2002 to 2011 were the principal sources of data for the study. Secondary data used for this study were gathered from both distributed and unpublished sources. This forms both academic and theoretical foundation of this research. The sources of data included published financial statements from the internet, papers, articles, and published accounts of the sample company.

3.7 Data Source

Secondary data used for this study were gathered from both distributed and unpublished sources. This forms both academic and theoretical foundation of this research. The sources of data included published financial statements from the

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internet, papers, articles, and published accounts of the sample company which is Guinness Ghana Breweries Limited.

3.8 Data Collection Technique

Data collection techniques refer to the methods for gathering reliable information to answer a question or support an experimental hypothesis (Microsoft Encarta, 2009). Data collection implies gathering information to address the critical questions that had been identified earlier in the study. In order words, it involves gathering the necessary information to address the critical questions the research intends to solve. (Brinkerhoff et al 1983). It must be emphasized here that good data is directly related to the questions, that is, they provide direct answers. The researcher used secondary data as the source for the study. Secondary data were collected from the company‟s annual report on the Ghana Stock Exchange Fact Book to gather valid and reliable data to address critical questions. Other relevant information used was also found in the library, on the internet, newspapers, magazines and company, website.

3.9 Data Validity and Reliability

The intent and purpose of the study was together an accurate data that will help to generate more empirical evidence from the study for policy decision in future and add knowledge to the subject area of this study. For this reason, the study tried as much as possible to ascertain the reliability and validity of the data collected for analysis from reliable source to support the study. For reliability of the work, the researcher made sure that the information obtained from Guinness Ghana Breweries Ltd through their website, brochures and other journals relevant for the study as well as the ratio

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analysis made were properly checked. Inappropriate handling of data gathered can lead to generation of misleading results from the study and wrong conclusions drawn from this study. For the purpose of reliability and validity reports and other relevant information"s were also extracted or collected from Ghana Stock Exchange website.

The ratio analysis made through the date obtained from the website of the Guinness Ghana Breweries Ltd and brochures were reviewed to ascertain some of the information given by the Ghana stock exchange through their website. When gathering information for the study, the researcher made sure that data was verified from different sources, to ensure credibility, validity and reliability of the information gathered for the study.

3.10 Data Analysis

The research analysis is based on calculation which emphasis of various ratios which falls under profitability ratios, liquidity ratios and cash flow statement ratios from the company"s statement of financial position and income statement of the selected relevant periods. Quantitative and qualitative analyses of data were employed. Various statistical analytical tools were used including tables and, descriptive, statistic, mean and standard deviation. For this study, data was analysed by the use of Microsoft office excel for data analysis. This applied to the quantitative data collected. The following ratios were deployed. Profitability ratio such gross profit margin, net profit margin, return on capital employed, return on asset and return on equity. And also ratios under liquidity such as current ratio, quick or acid test ratio would be deal with. In addition the study would consider ratios under cash flow statement such as, operating cash flow ratio, operating cash flow divided by sales ratio, free cash flow divided by operating cash flow. Profitability ratios designate to

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measure overall efficiency and performance. It measures how to use assets and how to control its expenses to generate an acceptable rate of return. It also used to examine how well the company is operating or how well current performance compares to past records. Liquidity ratio refers to the ability of a company to interact its assets that is most readily converted into cash. Assets are converted into cash in a short period of time that are concerns to liquidity position. However, the ratio made the relationship between cash and current liability.

3.11 Definition of Ratios

3.11.1 Profitability ratios

Profitability ratios are a class of financial metrics that are used to assess a business's ability to generate earnings relative to its associated expenses. For most of these ratios, having a higher value relative to a competitor's ratio or relative to the same ratio from a previous period indicates that the company is doing well. Profitability ratios are a set of measurements used to determine the ability of a business to create earnings. Profitability ratios are gross profit margin, net profit margin, return on assets (ROA) and return on equity (ROE). Profitability ratios are the most popular metrics used in financial analysis.

3.11.2 Gross profit margin

Gross profit margin determine by subtracting all costs related to the cost of goods sold in the income statement from sales, and then divides the result by sales. This is used to determine the proportion of sales still available after goods and services have been sold to pay for selling and administrative costs and generate a profit. Gross

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margin tells you about the profitability of your goods and services. It tells you how much it costs you to produce the product.

$$\text{Gross Profit Margin} = \frac{\text{Gross Profit}}{\text{Sales}} \times 100$$

3.11.3 Net profit margin

Net profit margin determines by subtracting all expenses in the income statement from sales, and then divides the result by sales. This is used to determine the net amount of earnings generated in a reporting period, net of income taxes. If the accrual basis of accounting is used, this can result in a figure that is different from what cash flows would indicate, due to the accrual of expenses that have not yet occurred.

$$\text{Net Profit Margin} = \frac{\text{Net Profit}}{\text{Sales}} \times 100$$

3.11.4 Return on capital employed

Return on capital employed or ROCE is a profitability ratio that measures how efficiently a company can generate profits from its capital employed by comparing net operating profit to capital employed. In other words, return on capital employed shows investors how many cedi in profits each cedi of capital employed generates.

ROCE is a long-term profitability ratio because it shows how effectively assets are performing while taking into consideration long-term financing. This is why ROCE is a more useful ratio than return on equity to evaluate the longevity of a company.

$$\text{ROCE} = \frac{\text{Profit before Interest and Tax}}{\text{Capital Employed}} \text{ or } \frac{\text{Profit before Interest and Tax}}{\text{Total Asset} - \text{Current Liabilities}}$$

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3.11.5 Return on assets

Profitability is assessed relative to costs and expenses, and it is analysed in comparison to assets to see how effective a company is in deploying assets to generate sales and eventually profits. The term return in the ROA ratio customarily refers to net profit or net income, the amount of earnings from sales after all costs, expenses and taxes. Divides net profits by the total amount of assets on the balance sheet.

$$\text{Return on Asset} = \frac{\text{Net Profit after Tax}}{\text{Total Asset}} \times 100$$

3.11.6 Return on equity

ROE is a ratio that concerns a company's equity holders the most, since it measures their ability of earning return on their equity investments. ROE may increase dramatically without any equity addition when it can simply benefit from a higher return helped by a larger asset base. As a company increases its asset size and generates better return with higher margins, equity holders can retain much of the return growth when additional assets are the result of debt use. Divides net profits by the total amount of equity on the balance sheet. The formula for ROE is similar to the ROA formula, except that you divide by equity instead.

$$\text{Return on Equity} = \frac{\text{Net Profit after Tax}}{\text{Equity}} \times 100$$

3.11.7 Liquidity ratios

Liquidity ratios are a class of financial metrics used to determine a debtor's ability to pay off current debt obligations without raising external capital. Liquidity ratios measure a company's ability to pay debt obligations and its margin of safety through the calculation of metrics including the current ratio, quick ratio and operating cash

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flow ratio. Liquidity ratios are most useful when they are used in comparative form. This analysis may be internal or external. For example, internal analysis regarding liquidity ratios involves using multiple accounting periods that are reported using the same accounting methods.

3.11.8 Current ratio

Current ratio is statement of financial position, financial performance measure of company liquidity. Current ratio indicates a company's ability to meet short-term debt obligations. The current ratio measures whether or not a firm has enough resources to pay its debts over the next 12 months. The current ratio is also known as the working capital ratio. The current ratio is calculated by dividing current assets by current liabilities:

The current ratio = Current Assets / Current Liabilities

3.11.9 Quick ratio or Acid-test ratio

The term "Acid-test ratio" is also known as quick ratio. The most basic definition of acid-test ratio is that, "it measures current (short term) liquidity and position of the company". The quick ratio is a measure of a company's ability to meet its short-term obligations using its most liquid assets (near cash or quick assets). Quick assets include those current assets that presumably can be quickly converted to cash at close to their book values. The formula for the acid-test ratio is:

Quick ratio = (Current Assets – Inventory) / Current liabilities

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3.11.10 Operating cash flow ratio

The operating cash flow ratio is a measure of how well current liabilities are covered by the cash flows generated from a company's operations. The operating cash flow ratio can gauge a company's liquidity in the short term. Using cash flow as opposed to income is considered a cleaner, or more accurate, measure since earnings can be manipulated. Cash flow from operations is the cash equivalent of net income. It is the cash flow after operating expenses have been deducted and before the commencement of new investments or financing activities. Investors tend to prefer reviewing the cash flow from operations over net income because there is less room to manipulate results.

$$\text{Operating Cash Flow Ratio} = \frac{\text{Cash from Operating Activities}}{\text{Current Liabilities}}$$

3.11.11 Operating cash flow/sales ratio

This ratio, which is expressed as a percentage, compares a company's operating cash flow to its sales or revenues, which gives investors an idea of the company's ability to turn sales into cash. It would be worrisome to see a company's sales grow without a parallel growth in operating cash flow.

$$\text{Operating Cash Flow/Sale Ratio} = \frac{\text{Operating Cash Flow x 100}}{\text{Sales}}$$

3.11.12 Free cash flow/operating cash flow

This ratio compares the free cash flows (FCF) to the operating cash flows (OCF). The more free cash flows are embedded in the operating cash flows of a company, the better it is. Higher free cash flows to operating cash flows ratio is a very good indicator of financial health of a company. Free cash flows to a firm is a measure of

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potential cash flows that can be distributed to capital providers without affecting the production capacity of the firm. These are the cash flows derived from the operations of a company after subtracting working capital, investment, and taxes and represent the funds available for distribution to the capital contributors i.e. shareholders and debt providers. The formula for calculation of free cash flows to operating cash flows ratio is given below:

FCF/OCF Ratio = Free Cash Flows / Operating Cash Flows x 100%

3.12 Overview of Guinness Ghana Brewery Limited

Guinness Ghana Breweries Ltd (GGBL) is on a path to become the most vibrant and iconic business in Ghana by 2017 following its recent £27.5 million investment in a new state-of-the-art brewing and packaging line at its Kaasi brewery. The company is currently implementing a number of changes within its distribution systems and making innovations within its branding and marketing divisions, in a bid to increase its overall efficiency and stay ahead of ever-changing consumer needs. This socially and environmentally responsible company, which is part of the world‟s leading premium drinks business, UK-based Diageo, also strives hard to play a leading role in improving the lives and livelihoods of the community in which it operates, through a number of breakthrough initiatives. It employs more than 700 permanent staff across its two sites located at Kaasi in the Ashanti Region and Achimota, in the Greater Accra region, and up to 500 contract staff. In Ghana, it distributes a wide range of internationally celebrated brands including Johnnie Walker, Smirnoff and Baileys and on the beer and stout front, produces Guinness, Malta Guinness, Star and Alvaro as well as Ruut Extra Premium Beer, which was the first cassava-based beer on the market. It currently produces some 2,000hl a day equivalent to 26,700 cases rattles

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out 36,000 bottles an hour on its just installed packaging line. Corporate Relations Director, Preba Greenstreet, said: "We also distribute Heineken as they have a 20 percent stake in our business as well as other products in the Diageo range including the Johnnie Walker, Baileys and Smirnoff ranges." The company was formed in 1960 and is the only Total Beverage Business to be listed on the Ghana Stock Exchange (August 23, 1991). Guinness Ghana Breweries has existed in its current form since 2005 when Guinness Ghana Ltd merged with the Heineken-owned Ghana Breweries Limited. Heineken retained a 20 percent stake in the company. With a clear goal in mind and aside from the recent capital investment, the company has been focusing on its distribution methods in its bid to broaden its customer reach.

Greenstreet explained: "We carried out a detailed study of our routes to consumers and realized from that there were opportunities for us to expand particularly into off-trade areas. "Last year, the company had a few major distributors as our prime customers but now we are evolving to a more efficient distribution model that is enabling us to capture the market opportunities we identified and to better serve consumers in those segments." GGBL is also working hard at improving its ability to serve the off-trade more efficiently and effectively. The company is aligning its brands to fit more snugly the various consumer profiles within the market. Traditionally, parent company Diageo has been primarily concerned with the premium end of the market in terms of its brand portfolio. "In recent years, we have seen the opportunity of expanding in a number of different ways, innovating to include affordable products such as Ruut Extra and Gilbey"s Dry Gin" said Greenstreet "the company is particularly aware of the growing middle class in Africa and that is one of the reasons we have effectively brought the spirits business, which used to operate through agents, inside the business." the company have all the top

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brands such as Johnnie Walker, Baileys, Gordon‟s and Smirnoff which we see as covering the space for the middle income consumer. "The company is also now trying to serve the more affluent end of the market with our reserve range of products such as Johnnie Walker Platinum, Gold and Blue." Baileys is also being directed at the sophisticated female consumer and for the mainstream market, GGBL has innovated a new portable spirits packaging line, nick-named „The Cube‟ which enables the company to blend and package spirits locally.

The award-winning company won the first Best Taxpayer of the Year Award (Beverage category) from the Ghana Revenue Authority in 2011 for contributing three percent of total tax income to Ghana together with its value chain. In a bid to play a socially responsible role within the community it operates, GGBL has implemented its local raw material initiative and has actively sought home-grown ingredients that it can use in the beer making process. GGBL engaged with the Government of Ghana and it responded by providing graduated concessionary excise duty rates on utilization of local raw materials (LRM) in the production of alcoholic beverages. In line with the brewery‟s commitment to move its LRM usage to 50 percent by mid-2015 it has shifted from 12 percent usage in December 2012 to 38 percent today. There have been a significant impact along the chain: we find that our increased local purchasing has created, broadened and deepened the supply chain, from farmers, through to aggregators and processors, as well as the provision of ancillary services to each of these groups." GGBL is also currently undertaking a baseline study to establish the ground position for the farmers in the cassava chain. She said: "The excise duty concession has provided additional value primarily through an exciting new product, RUUT Extra Premium Beer, that has enabled us undertake the investment needed to integrate new brewing materials into our

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processes." The company now works with more than 7,000 Ghanaian farmers in the north of the country to source sorghum and maize and a further 3,000 farmers and a couple of large industrial farming companies to provide the cassava which underpins the formulation of its successful Ruut Extra Premium Beer. Its wide-ranging Corporate Social Responsibility strategy has also involved the company and other partners in helping to provide access to safe drinking water for more than 500,000 people across 65 communities in all 10 regions of Ghana.

The GGBL Water of Life program has received numerous awards including the best company in CSR from the Association of Ghana Industry. The company also takes a very strong stance towards responsible drinking through its Alcohol in Society program. Its program is based on the five-pronged CEO Commitments adopted by the presidents of the leading alcohol producer companies of the world. In service of this and in the last year alone GGBL has undertaken four programs, they are: What"s your Drink IQ – an engaging alcohol education initiative rolled out to 2,000 tertiary students of the University of Ghana and the Kwame Nkrumah University of Science and Technology (and soon to be available via internet link to all other tertiary students); Twa Kwano Mmo, an anti-drink driving initiative run in five transport terminals across Accra and Kumasi which engaged with 1,230 commercial drivers; training of 600 bar tenders through its Responsible Serving Program under the Master Bar Academy (MBA) training; and the commissioning of research into alcohol consumption patterns, behaviors and attitudes. Taking care of employees and helping them to develop and grow their own careers is also high on the agenda and it is testament to the company that many of their staff has been with the business for 10 years or more. The company was adjudged the best employer by the Association of Ghana Industries in 2013. "The company is hunting ground for many of the other

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multi-national companies operating in Ghana, which is a real challenge for us, but they have work hard to ensure that the people they employ are aligned with their values and ethos as a company, and are motivated and engaged. The company offer a variety of training from the shop floor through to leadership and mentoring. Also through the parent company employees can seek information online and take advantage of international training opportunities that build brand awareness and employee effectiveness.

The company is very much believe in not taking our employees for granted and ensuring they are happy and to this end we carry out an annual survey, the parent company have done value survey, to measure how employees are feeling and to obtain their feedback on a wide variety of issues. Their success was built on an outstanding collection of brands across a range of categories, including beer, stout and spirits today, Guinness Ghana Brewery Limited is the only beverage company in Ghana listed on the Ghana Stock Exchange. Their business is sustained through innovation and they are constantly looking to create new experiences for its consumers. In 2015, they introduced Orijin Bitters to the Ghanaian market and have since developed variants such as the non-alcoholic Orijin Zero and Orijin Herbal Gin. In a fast-paced and dynamic market, they have also introduced plastic packaging for Malta Guinness, Alvaro and Orijin Zero to meet growing consumer demand for convenience. At the same time, they work to ensure alcohol can be enjoyed as part of a balanced lifestyle through a range of initiatives and programmes that tackle misuse and promote moderation. They are also committed to having a positive impact where they operate and are proud of their work to address issues such as water efficiency, carbon emissions, inclusion and diversity. They are inspired by programmes such as

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Water of Life, which has reached more than 700,000 people in over 70 communities in the last 10 years.

Their wide portfolio of much-loved brands include Guinness, Star Beer, Malta Guinness, Orijin and Smirnoff and are enjoyed by Ghanaians from all walks of life. Their performance ambition is to be the best performing, most trusted and respected consumer products company in Ghana. They are also committed to having a positive socio-economic impact in the communities in which we operate. They have invested Ghc 313,018,757.82 in Ghana over the last five years. We have invested heavily in their plants and equipment in order increase sourcing of local raw materials. As a result, their local raw material sourcing has risen from 12% in 2012 to 48% in 2018. They continue to invest in local raw material and are working toward reaching our target of 70% local raw material by 2020.They provide ongoing technical support to farmers to improve yield and quality and help ensure they can benefit from a stable, growing income. They employ over 1,500 people, including contractors, across our two sites in Achimota and Kaasi. People are at the heart of their business. They are a diverse company where everyone has the opportunity to develop their careers at every stage of their working life. Their wide range of professional development initiatives include an early career programme that offers university graduates the opportunity to build their careers and a women‟s network that promotes gender diversity, especially in our supply chain. In 2017, they were awarded the Best Organization in Employee Relations Practice, Best Workplace Diversity Strategy and Most Innovative Use of Technology at the HR Star awards. They believe their industry can play an important role in improving the current situation. The first step is for producers and importers to embrace robust standards. By collaborating and partnering with government, enforcement agencies and civil society, we can play a key role in mitigating

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irresponsible alcohol marketing and advertising in the country. They believe that governments, producers and relevant stakeholders need to work together to ensure compliance of marketing and advertising standards across the industry. They believe that responsible drinking can be part of a balanced lifestyle and they encourage people to enjoy alcohol safely. They are proud of their commitment to promoting responsible drinking and tackling the misuse of alcohol among group such as young people and commercial drivers.

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CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION

4.0 Introduction

In this chapter, the researcher use data from the Guinness Ghana Breweries Ltd with relation to the research objectives, all data is Secondary data which is already published to Ghana Stock Exchange website. The researcher used financial ratios and descriptive statistics for the analysis of the study. The data were analyzed by using Microsoft excel 2007. In this section the study present the result from the data analysis; the study briefly examined the financial performance of before and after adoption International Financial Reporting Standard in terms of liquidity position and the overall profitability of the Guinness Ghana Breweries Ltd.

4.1 Data Analysis on Profitability

Table 1: Ratios analysis on profitability before adoption of IFRS for GGBL

Profitability	2002 %	2003 %	2004 %	2005 %	2006 %
ROCE	50	55	35	22	32
Net Profit	19	18	15	18	23
Gross Profit	44.1	40.6	42.5	43.7	43
ROA	21.6	18.2	13.8	9.8	13.3
ROE	42.2	47.5	47.1	20.4	28.8

Data Source: Field Survey, 2019

The above table represent ratios analysis on profitability which comprises return on capital employed, net profit, gross profit, return on asset and return on equity which stands before the adoption of international financial reporting standards within the period of 2002, 2003, 2004, 2005 and 2006

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Table 2: Ratios analysis on profitability after adoption of IFRS for GGBL

Profitability	2007 %	2008 %	2009 %	2010 %	2011 %
ROCE	16	22	22	-5	0.6
Net Profit	15.1	14.4	8	-2.1	0.2
Gross Profit	37.7	39.8	29.6	34.7	26.3
ROA	11.3	8.5	5.3	-2.4	0.26
ROE	21.8	22	21.1	-10.2	1.1

Data Source: Field Survey, May 2019

The above table represent ratios analysis on profitability which comprises return on capital employed, net profit, gross profit, return on asset and return on equity which stands after the adoption of international financial reporting standards within the period of 2007, 2008, 2009, 2010 and 2011.

Table 3: Mean analysis on profitability on adoption of IFRS for GGBL

Profitability	Before (2002-2006)	After (2007-2011)
ROCE	38.8	11.12
Net Profit	18.6	7.12
Gross Profit	42.78	33.62
ROA	15.34	4.592
ROE	37.2	11.16

Data Source: Field Survey, May 2019

The above table represent statistical description of mean on profitability which comprises return on capital employed, net profit, gross profit, return on asset and return on equity which stands on both before and after the adoption of international financial reporting standards within the period of 2002, 2003, 2005, 2006, 2007, 2008, 2009, 2010 and 2011.

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Table 4: Standard Deviation analysis on profitability of adoption of IFRS for GGBL

Profitability	Before (2002-2006)	After (2007-2011)
ROCE	13.51666	12.56073
Net Profit	2.880972	7.911195
Gross Profit	1.366382	5.606871
ROA	4.598695	5.666244
ROE	12.0613	14.89104

Data Source: Field Survey, May 2019

The above table represent statistical description of standard deviation on profitability which comprises return on capital employed, net profit, gross profit, return on asset and return on equity which stands on both before and after the adoption of international financial reporting standards within the period of 2002, 2003, 2005, 2006, 2007, 2008, 2009, 2010 and 2011.

4.1.1 Interpretation of return on capital employed on both after and before adoption of IFRS

Return on capital employed ratio for ten years of the study from 2002 to 2011 shows below from the data collected from Guinness Ghana Breweries Ltd are as follows 2002 is 50%, 2003 is 55%, 2004 is 35%, 2005 is 22%, 2006 is 32%, 2007 is 16%, 2008 is 22%, 2009 is 22%, 2010 is -5% and 2011 is 0.6% it shows that the company‟s return on capital employed ratio keeps on decreasing from years to years. The total percentage gain from 2002 to 2006 is 194% whiles total percentage heard from 2007 to 2011 is 55.6%. There is clear difference of 138.4% arisen between the two regimes which shows in favour of before adoption of the International Financial Reporting Standard based on the company‟s data available. The mean from the computation

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analysis is 38.8 representing the period of before adoption of IFRS whiles 11.12 representing the mean heard after adoption of IFRS in terms of ROCE. The higher the mean prove effective performance the company put up. This indicates that there is a strong mean in favour before adoption of IFRS. From computation the standard deviation heard from the period 2002 to 2006 (before adoption) is 13.51666 while from 2007 to 2011 (after adoption) is 12.56073, meaning there is a weak standard deviation on after adoption of IFRS with reference to return on capital employed.

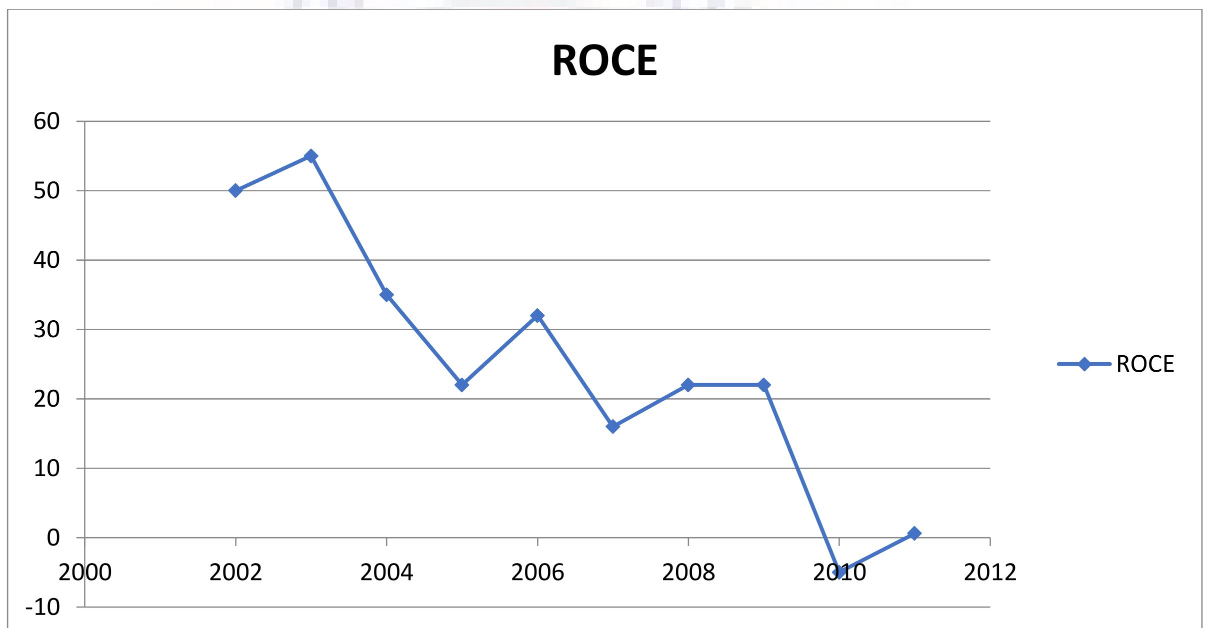

Figure 4.1: Return on capital employed

4.1.2 Interpretation of net profit on both after and before adoption of IFRS

Net Profit Margin for ten years of the study from 2002 to 2011 shows below from the data collected from Guinness Ghana Breweries Ltd are as follows 2002 is 19%, 2003 is 18%, 2004 is 15%, 2005 is 18%, 2006 is 23%, 2007 is 15.1%, 2008 is 14.4%, 2009 is 8%, 2010 is -2.1% and 2011 is 0.2% it shows that the company‟s net profit margin ratio have been stabilized their growth within the period from 2002-2006 while there

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is a decreasing effect from period of 2007 to 2011. The total percentage gain from 2002 to 2006 (before adoption) is 93% whiles total percentage heard from 2007 to 2011 (after adoption) is 35.6%. There is clear difference of 57.4% arisen between the two regimes which shows negative effect against after adoption of the International Financial Reporting Standard based on the company‟s data available. The mean from the computation analysis is 18.6 representing the period of before adoption of IFRS whiles 7.12 representing the mean heard after adoption of IFRS in terms of Net profit margin. The higher the mean prove effective performance the company put up. This indicates that there is a strong mean in favour before adoption of IFRS. From computation the standard deviation heard from the period 2002 to 2006 (before adoption) is 2.880972 while 2007 to 2011 (after adoption) is 7.911195, meaning there is a weak standard deviation on before adoption of IFRS with reference to net profit margin.

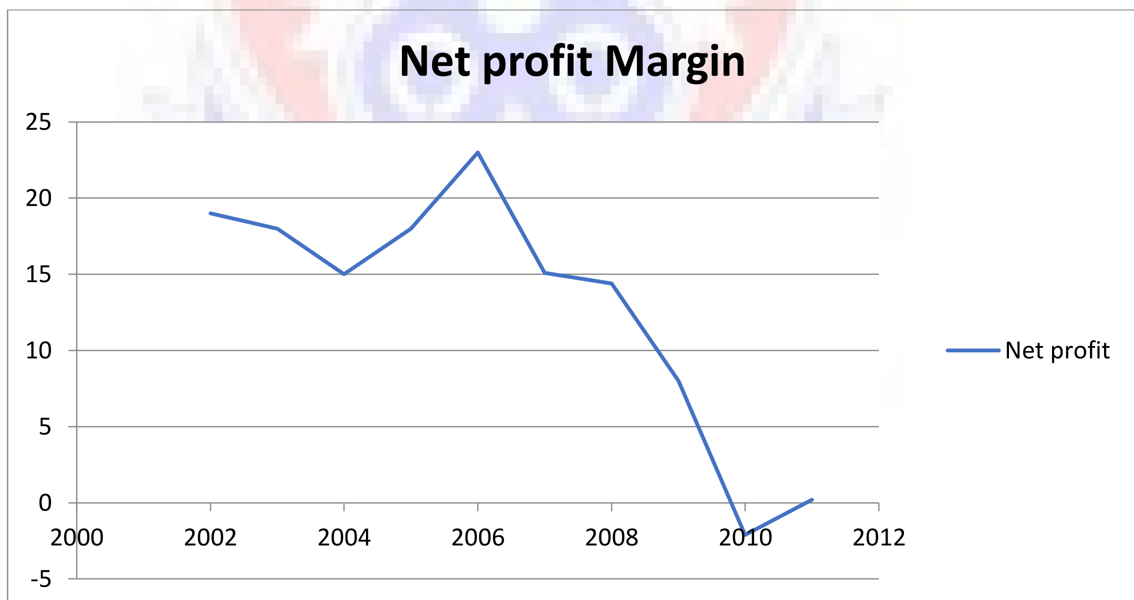

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Figure 4.2: Net profit margin

4.1.3 Interpretation of gross profit on both after and before adoption of IFRS

Gross Profit Margin for ten years of the study from 2002 to 2011 shows below from the data collected from Guinness Ghana Breweries Ltd are as follows 2002 is 44.1%, 2003 is 40.6%, 2004 is 42.5%, 2005 is 43.7%, 2006 is 43%, 2007 is 37.7%, 2008 is 39.8%, 2009 is 29.6%, 2010 is 34.7% and 2011 is 26.3% it shows that the company‟s gross profit margin ratio have been stabilized their growth within the period from 2002-2006 while there is a decreasing effect from period of 2007 to 2011. The total percentage gain from 2002 to 2006 (before adoption) is 213.9% whiles total percentage heard from 2007 to 2011 (after adoption) is 168.1%. There is clear difference of 45.8% arisen between the two regimes which show positive effect in favour before adoption of the International Financial Reporting Standard based on the company‟s data available. The mean from the computation analysis is 42.78 representing the period from 2002 to 2006 (before adoption) of IFRS whiles 33.62 representing the mean heard from the period 2007 to 2011 (after adoption) of IFRS in terms of Gross profit margin. The higher the mean prove effective performance the company put up. This indicates that there is a strong mean in favour before adoption of IFRS. From computation the standard deviation heard from the period 2002 to 2006 (before adoption) is 1.366382 while 2007 to 2011 (after adoption) is 5.606871, meaning there is a weak standard deviation on before adoption of IFRS with reference to gross profit margin.

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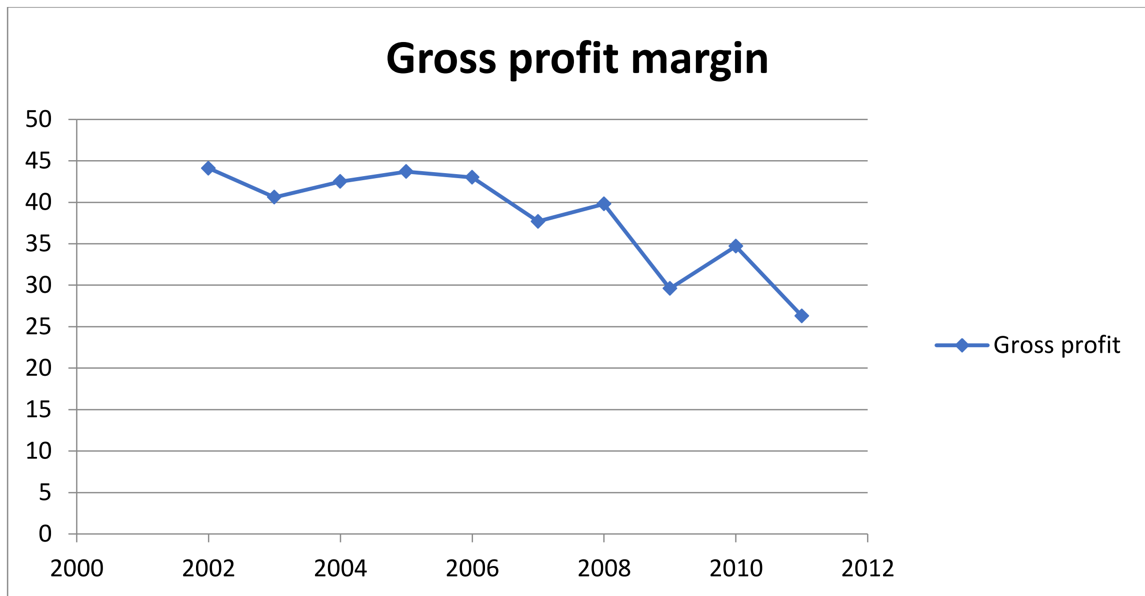

Figure 4.3: Gross profit margin

4.1.4 Interpretation of return on asset both after and before adoption of IFRS

Return on Asset for ten years of the study from 2002 to 2011 shows below from the data collected from Guinness Ghana Breweries Ltd are as follows 2002 is 21.6%, 2003 is 18.2%, 2004 is 13.8%, 2005 is 9.8%, 2006 is 13.3%, 2007 is 11.3%, 2008 is 8.5%, 2009 is 5.3%, 2010 is -2.4% and 2011 is 0.26% it shows that the company"s return on asset ratio have been falling in their growth within the period from 2002-2006 while there is a decreasing effect from period of 2007 to 2011. The total percentage gain from 2002 to 2006 (before adoption) is 76.7% whiles total percentage heard from 2007 to 2011 (after adoption) is 22.96%. There is clear difference of 53.74% arisen between the two regimes which show positive effect in favour before adoption of the International Financial Reporting Standard based on the company"s data available. The mean from the computation analysis is 15.34 representing the period from 2002 to 2006 (before adoption) of IFRS whiles 4.592 representing the mean heard from the period 2007 to 2011 (after adoption) of IFRS in terms of return on asset. The higher the mean prove effective performance the company put up. This indicates that there is a strong mean in favour before adoption of IFRS. From

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computation the standard deviation heard from the period 2002 to 2006 (before adoption) is 4.598695 while 2007 to 2011 (after adoption) is 5.666244, meaning there is a strong standard deviation on before adoption of IFRS with reference to return on asset.

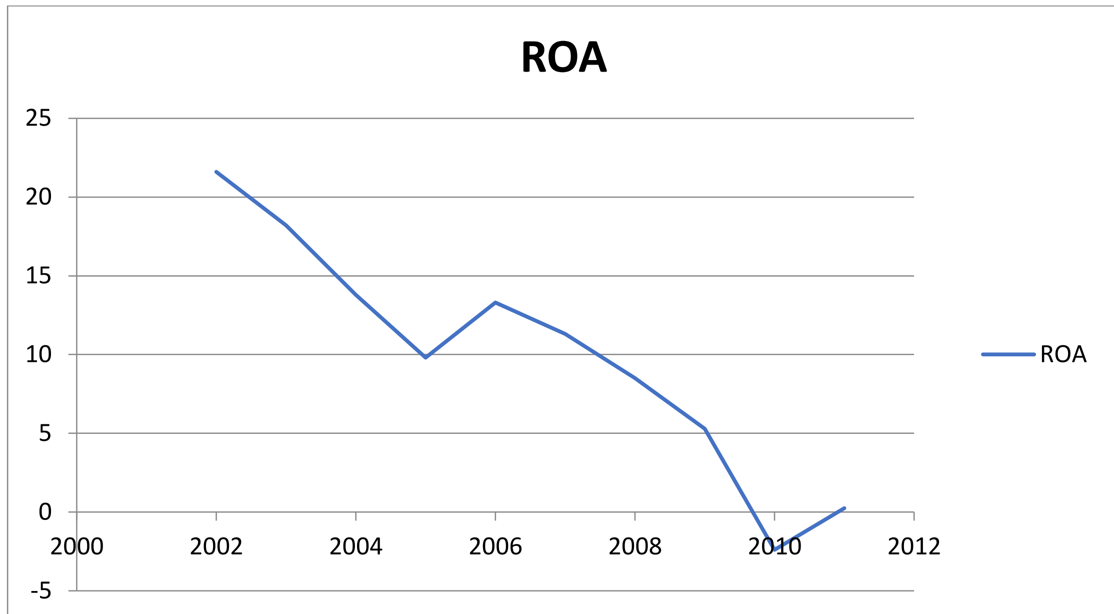

Figure 4.4: Return on asset

4.1.5 Interpretation of return on equity both after and before adoption of IFRS

Return on Equity for ten years of the study from 2002 to 2011 shows below from the data collected from Guinness Ghana Breweries Ltd are as follows 2002 is 42.2%, 2003 is 47.5%, 2004 is 47.1%, 2005 is 20.4%, 2006 is 28.8%, 2007 is 21.8%, 2008 is 22%, 2009 is 21.1%, 2010 is -10.2% and 2011 is 1.1% it shows that the company‟s return on equity ratio have been rising with much growth but late on falling within the period from 2002-2006 while there is a decreasing effect but later on it round out negatively within the period from 2007 to 2011. The total percentage gain from 2002 to 2006 (before adoption) is 186% whiles total percentage heard from 2007 to 2011 (after adoption) is 55.8%. There is clear difference of 130.2% arisen between the two regimes which show positive effect in favour before adoption of the International

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Financial Reporting Standard based on the company"s data available. The mean from the computation analysis is 15.34 representing the period from 2002 to 2006 (before adoption) of IFRS whiles 4.592 representing the mean heard from the period 2007 to 2011 (after adoption) of IFRS in terms of return on equity. The higher the mean prove effective performance the company put up. This indicates that there is a strong mean in favour before adoption of IFRS. From computation the standard deviation heard from the period 2002 to 2006 (before adoption) is 4.598695 while 2007 to 2011 (after adoption) is 5.666244, meaning there is a strong standard deviation on before adoption of IFRS with reference to return on equity.

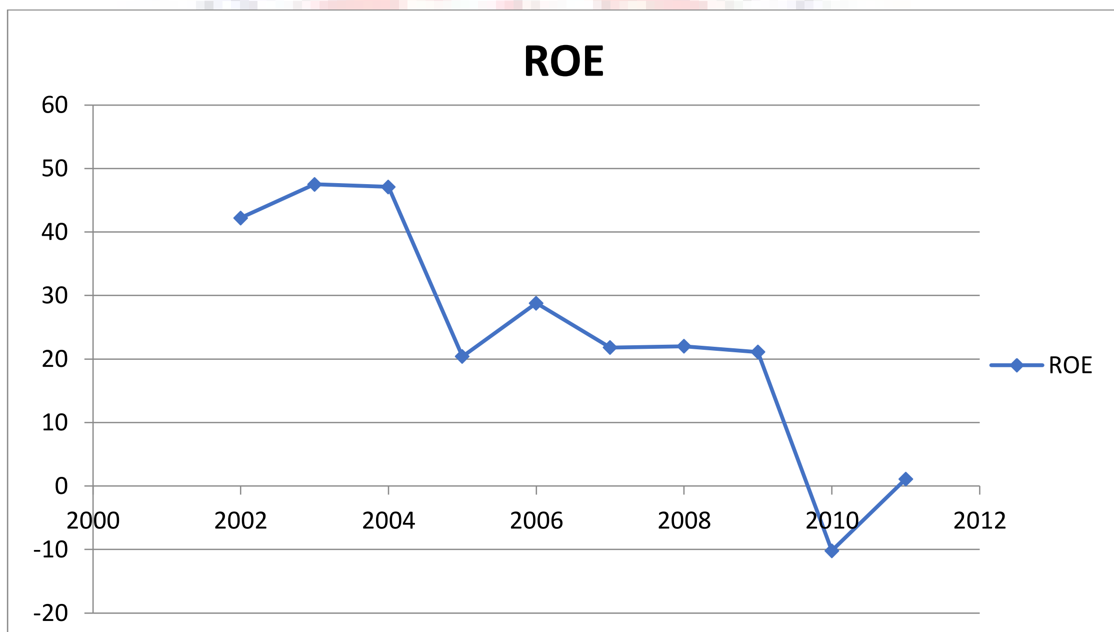

Figure 4.5: Return on equity

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4.1.6 Summary of profitability ratios both after and before adoption of IFRS

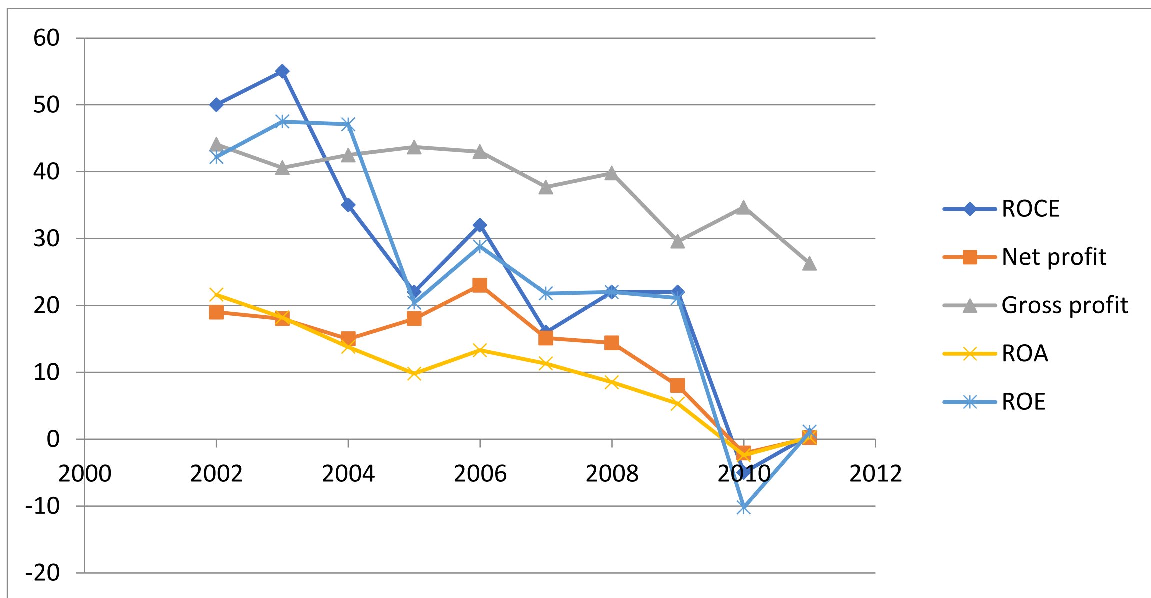

Figure 4.6: Summary of profitability ratio

The above diagram represent the summary of profitability ratios on both before and after adoption of international financial reporting standards from the period of 2002-2006 (before adoption) and 2007-2011 (after adoption). The ratios includes return on capital employed, net profit margin, gross profit margin, return on asset and return on equity. The company"s return on capital employed ratio was at higher side initially but late on it started falling within the period from 2002-2006 while there was an increasing effect but it round down at insignificant value within the period from 2007 to 2011. The company"s net profit margin ratio have been stabilized their growth within the period from 2002-2006 while there is a decreasing effect from period of 2007 to 2011. The company"s gross profit margin ratio have been stabilized their growth with an increasing growth rate within the period from 2002-2006 while there is a decreasing effect from period of 2007 to 2011. The company"s return on asset ratio have been falling in their growth within the period from 2002-2006 while there is a decreasing effect from period of 2007 to 2011. The company"s return on equity

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ratio have been rising with much growth but late on falling within the period from 2002-2006 while there is a decreasing effect but later on it round out negatively within the period from 2007 to 2011.

4.2 Data Analysis on Liquidity

Table 5: Ratios analysis on liquidity before adoption of IFRS for GGBL

Liquidity	2002	2003	2004	2005	2006
Current Ratio	1.1	0.7	0.5	0.4	0.5
Quick Ratio	0.6	0.4	0.2	0.22	0.24
OCFR	0.9	0.8	0.5	0.6	0.1
OCF/Sales	22%	36%	24%	33%	5%
FCF/OCF	1.4	1.6	2.4	2.8	4.1

Data Source: Field Survey, May 2019

The above table represent ratios analysis on liquidity which comprises current ratios, quick ratios, operating cash flow ratios, operating cash flow divided by sales ratios and free cash flow divided by operating cash flow ratios which stands before the adoption of international financial reporting standards within the period of 2002, 2003, 2004, 2005 and 2006.

Table 6: Ratios analysis on liquidity after adoption of IFRS for GGBL

Liquidity	2007	2008	2009	2010	2011
Current Ratio	1	0.8	0.7	0.4	0.3
Quick Ratio	0.5	0.3	0.2	0.1	0.1
OCFR	0.02	0.6	0.2	0.2	0.5
OCF/Sales	10%	31%	17%	11%	25%
FCF/OCF	8.8	1.7	1.6	2.6	1.5

Data Source: Field Survey, May 2019

The above table represent ratios analysis on liquidity which comprises current ratios, quick ratios, operating cash flow ratios, operating cash flow divided by sales ratios

and free cash flow divided by operating cash flow ratios which stands after the adoption of international financial reporting standards within the period of 2007, 2008, 2009, 2010 and 2011.

Table 7: Mean analysis on liquidity of adoption IFRS for Guinness Ghana Breweries Ltd

Liquidity	Before (2002-2006)	After (2007-2011)
Current Ratio	0.64	0.64
Quick Ratio	0.332	0.24
OCFR	0.58	0.304
OCF/Sales	24	18.8
FCF/OCF	2.46	3.24

Data Source: Field Survey, May 2019

The above table represent statistical description of mean on Liquidity which comprises current ratios, quick ratios, operating cash flow ratios, operating cash flow divided by sales ratios and free cash flow divided by operating cash flow ratios which stands on both before and after the adoption of international financial reporting standards within the period of 2002, 2003, 2005, 2006, 2007, 2008, 2009, 2010 and 2011.

Table 8: Standard Deviation analysis on liquidity of adoption of IFRS for GGBL

Liquidity	Before (2002-2006)	After (2007-2011)
Current	0.279285	0.288097
Quick	0.16947	0.167332
OCFR	0.311448	0.238914
OCF/Sales	12.14496	9.066422
FCF/OCF	1.08074	3.138949

Data Source: Field Survey, May 2019

The above table represent statistical description of standard deviation on Liquidity which comprises current ratios, quick ratios, operating cash flow ratios, operating cash flow divided by sales ratios and free cash flow divided by operating cash flow

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ratios which stands on both before and after the adoption of international financial reporting standards within the period of 2002, 2003, 2005, 2006, 2007, 2008, 2009, 2010 and 2011.

4.2.1 Interpretation of current ratio both after and before adoption of IFRS

Current ratios for ten years of the study from 2002 to 2011 shows below from the data collected from Guinness Ghana Breweries Ltd are as follows 2002 is 1.1, 2003 is 0.7, 2004 is 0.5, 2005 is 0.4, 2006 is 0.5, 2007 is 1, 2008 is 0.8, 2009 is 0.7, 2010 is 0.4 and 2011 is 0.3 it shows that the company"s current ratio was at higher side initially but late on it started falling within the period from 2002-2006 while there was an increasing effect but it round down at insignificant value within the period from 2007 to 2011. The total ratios gain from 2002 to 2006 (before adoption) is 3.2:5 times whiles total ratios heard from 2007 to 2011 (after adoption) is 3.2:5 times. There is clear difference arisen between the two regimes which show neutral effect on both before and after adoption of the International Financial Reporting Standard based on the company"s data available. The mean from the computation analysis is 0.64 representing the period from 2002 to 2006 (before adoption) of IFRS whiles 0.64 representing the mean heard from the period 2007 to 2011 (after adoption) of IFRS in terms of current ratio. The higher the mean prove how highly liquid of the company. That is ability the company is able to settle its debt within short term period. This indicates that there is a neutral mean found between both before and after adoption of IFRS. From computation the standard deviation heard from the period 2002 to 2006 (before adoption) is 0.279285 while 2007 to 2011 (after adoption) is 0.288097, meaning there is a slightly difference arisen between the two standard deviation which goes in favour after adoption of IFRS with reference to current ratio.

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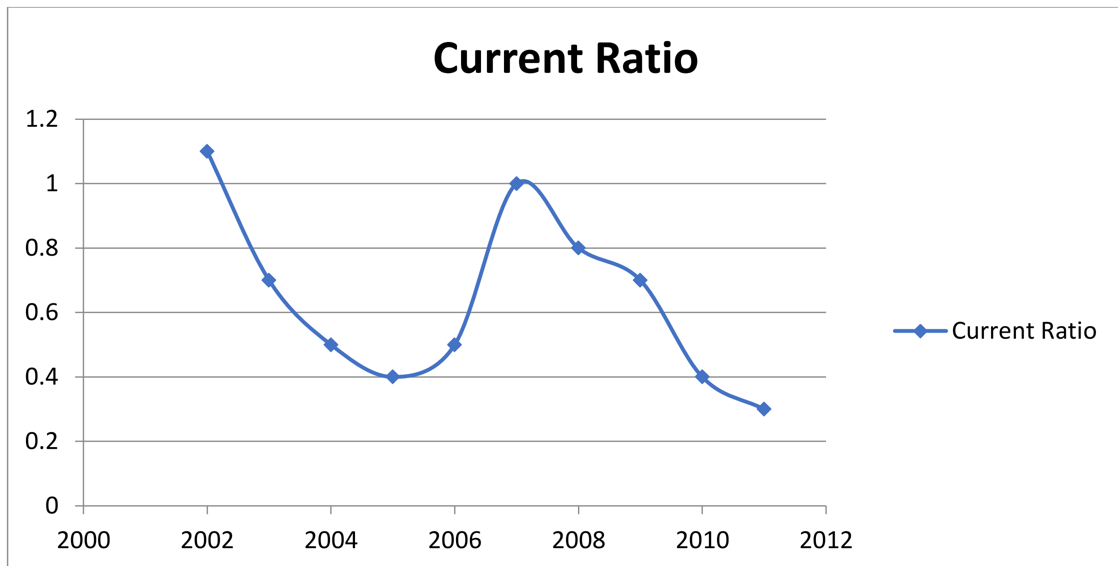

Figure 4.7: Current ratio

4.2.2 Interpretation of quick ratios both after and before adoption of IFRS

Quick ratios for ten years of the study from 2002 to 2011 shows below from the data collected from Guinness Ghana Breweries Ltd are as follows 2002 is 0.6, 2003 is 0.4, 2004 is 0.2, 2005 is 0.22, 2006 is 0.24, 2007 is 0.5, 2008 is 0.3, 2009 is 0.2, 2010 is 0.1 and 2011 is 0.1 it shows that the company‟s quick ratio was at higher side initially but late on it started falling within the period from 2002-2006 while there was an increasing effect till sometimes but it round down at insignificant value within the period from 2007 to 2011. The total ratios gain from 2002 to 2006 (before adoption) is 1.66:5 times whiles total ratios heard from 2007 to 2011 (after adoption) is 1.2:5 times. There is clear difference of 0.46 times arisen between the two regimes which show positive effect on before adoption of the International Financial Reporting Standard based on the company‟s data available. The mean from the computation analysis is 0.332 representing the period from 2002 to 2006 (before adoption) of IFRS whiles 0.24 representing the mean heard from the period 2007 to 2011 (after adoption) of IFRS in terms of quick ratio. The higher the mean prove how highly

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liquid of the company. That is ability the company is able to settle its debt without taken out inventory from its current assets within short term period. This indicates that there is a favourable mean found on before adoption of IFRS. From computation the standard deviation heard from the period 2002 to 2006 (before adoption) is 0.16947 while 2007 to 2011 (after adoption) is 0.167332, meaning there is a good standard deviation which goes in favour before adoption of IFRS with reference to quick ratio.

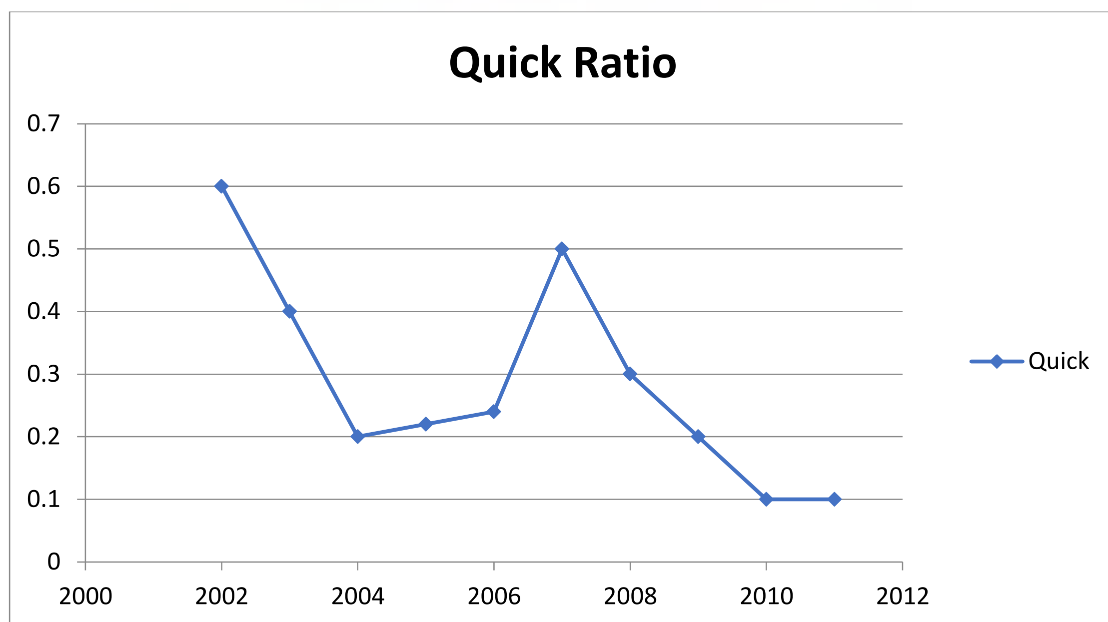

Figure 4.8: Quick ratio

4.2.3 Interpretation of operating cash flow ratio both after and before adoption of IFRS

Operating cash flow ratios for ten years of the study from 2002 to 2011 shows below from the data collected from Guinness Ghana Breweries Ltd are as follows 2002 is 0.9, 2003 is 0.8, 2004 is 0.5, 2005 is 0.6, 2006 is 0.1, 2007 is 0.02, 2008 is 0.6, 2009 is 0.2, 2010 is 0.2 and 2011 is 0.5 it shows that the company‟s operating cash flow ratio was at higher side initially but late on it started falling slowly within the period from 2002-2006 while there was insignificant values recorded within the period from 2007 to 2011. The total ratios gain from 2002 to 2006 (before adoption) is 2.9:5 times

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whiles total ratios heard from 2007 to 2011 (after adoption) is 1.52:5 times. There is clear difference of 1.38 times arisen between the two regimes which show positive effect on before adoption of the International Financial Reporting Standard based on the company‟s data available. The mean from the computation analysis is 0.58 representing the period from 2002 to 2006 (before adoption) of IFRS whiles 0.304 representing the mean heard from the period 2007 to 2011 (after adoption) of IFRS in terms of operating cash flow ratio. The higher the mean prove how highly liquid of the company. That is how well current liabilities are covered by the cash flow generated from a company‟s operations. This indicates that there is a favourable mean found on before adoption of IFRS. From computation the standard deviation heard from the period 2002 to 2006 (before adoption) is 0.311448 while 2007 to 2011 (after adoption) is 0.238914, meaning there is a good standard deviation which goes in favour before adoption of IFRS with reference to operating cash flow ratio.

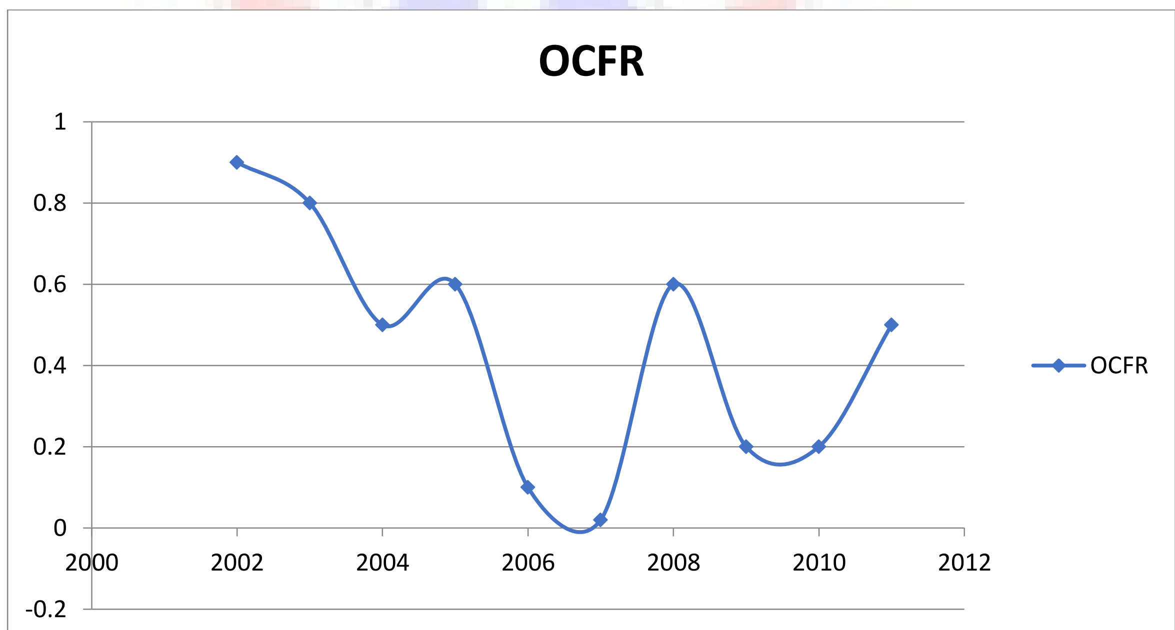

Figure 4.9: Operating cash flow ratio

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4.2.4 Interpretation of operating cash flow divided by sales ratios both after and before adoption of IFRS

Operating cash flow divided by Sales ratios for ten years of the study from 2002 to 2011 shows below from the data collected from Guinness Ghana Breweries Ltd are as follows 2002 is 22%, 2003 is 36%, 2004 is 24%, 2005 is 33%, 2006 is 5%, 2007 is 10%, 2008 is 31%, 2009 is 17%, 2010 is 11% and 2011 is 25% it shows that the company‟s operating cash flow divided by sales ratio have been little bit growth and stable but late on falls to insignificant within the period from 2002-2006 while there is a slow growth rate effect within the period from 2007 to 2011. The total percentage gain from 2002 to 2006 (before adoption) is 120% whiles total percentage heard from 2007 to 2011 (after adoption) is 94%. There is clear difference of 26% arisen between the two regimes which show positive effect in favour before adoption of the International Financial Reporting Standard based on the company‟s data available. The mean from the computation analysis is 24 representing the period from 2002 to 2006 (before adoption) of IFRS whiles 18.8 representing the mean heard from the period 2007 to 2011 (after adoption) of IFRS in terms of operating cash flow divided by sales. The higher the mean prove effective performance the company put up. This indicates that there is a strong mean in favour before adoption of IFRS. This ratio gives idea of the company‟s ability to turn sales into cash. From computation the standard deviation heard from the period 2002 to 2006 (before adoption) is 12.14496 while 2007 to 2011 (after adoption) is 9.066422, meaning there is a strong standard deviation on before adoption of IFRS with reference to operating cash flow divided by sales.

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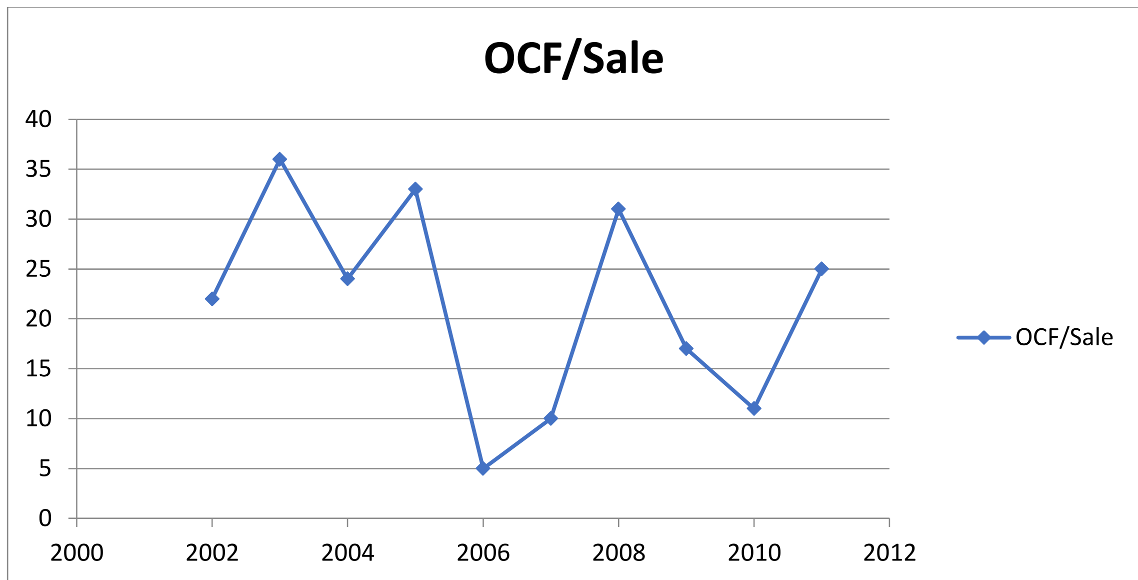

Figure 4.10: Operating cash flow/Sale ratio

4.2.5 Interpretation of free cash flow divided by operating cash flow ratios both after and before adoption of IFRS

Free cash flow divided by Operating cash flow ratios for ten years of the study from 2002 to 2011 shows below from the data collected from Guinness Ghana Breweries Ltd are as follows 2002 is 1.4, 2003 is 1.6, 2004 is 2.4, 2005 is 2.8, 2006 is 4.1, 2007 is 8.8, 2008 is 1.7, 2009 is 1.6, 2010 is 2.6 and 2011 is 1.5 it shows that the company"s free cash flow divided by operating cash flow ratio was at low side at initial point but late on it started growing at a good rate within the period from 2002-2006 while there was very significant values recorded at the early stage but later falls insignificantly down within the period from 2007 to 2011. The total ratios gain from 2002 to 2006 (before adoption) is 12.3:5 times whiles total ratios heard from 2007 to 2011 (after adoption) is 16.2:5 times. There is clear difference of 3.9 times arisen between the two regimes which show positive effect on after adoption of the International Financial Reporting Standard based on the company"s data available. The mean from the computation analysis is 2.46 representing the period from 2002 to 2006 (before adoption) of IFRS whiles 3.24 representing the mean heard from the

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period 2007 to 2011 (after adoption) of IFRS in terms of free cash flow / operating cash flow ratio. The higher the mean prove how good financial health of the company. That is how well cash flow can be distributed to capital provided without affecting the production capacity of the company. This indicates that there is a favourable mean found on after adoption of IFRS. From computation the standard deviation heard from the period 2002 to 2006 (before adoption) is 1.08074 while 2007 to 2011 (after adoption) is 3.138949, meaning there is a good standard deviation which goes in favour after adoption of IFRS with reference to free cash flow divided by operating cash flow ratio.

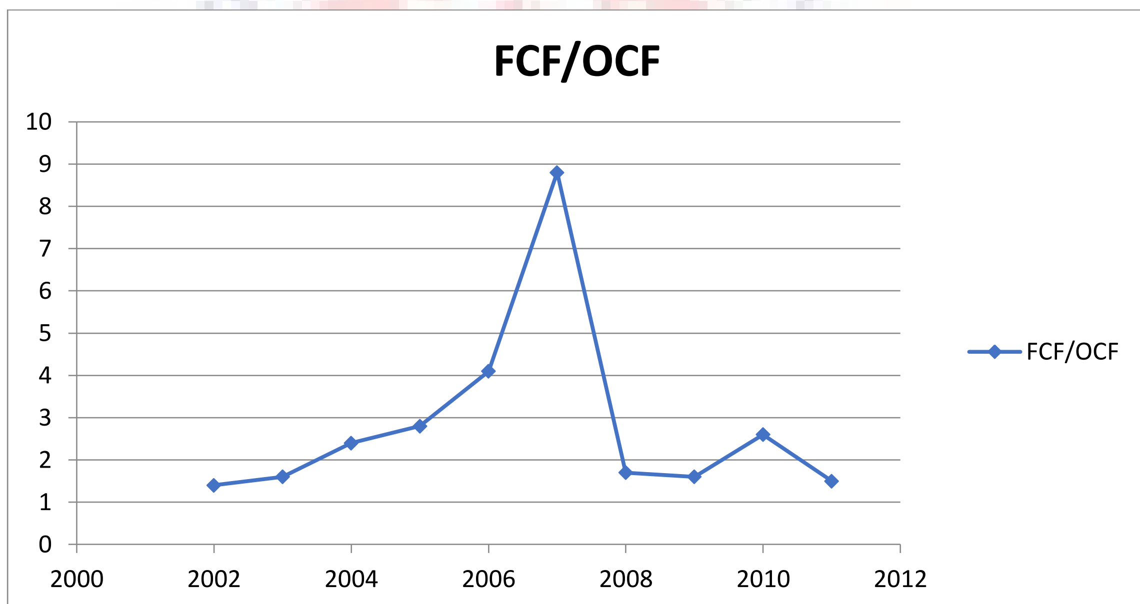

Figure 4.11: Free cash flow/operating cash flow ratio

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4.2.6 Summary of liquidity ratios both after and before adoption of IFRS

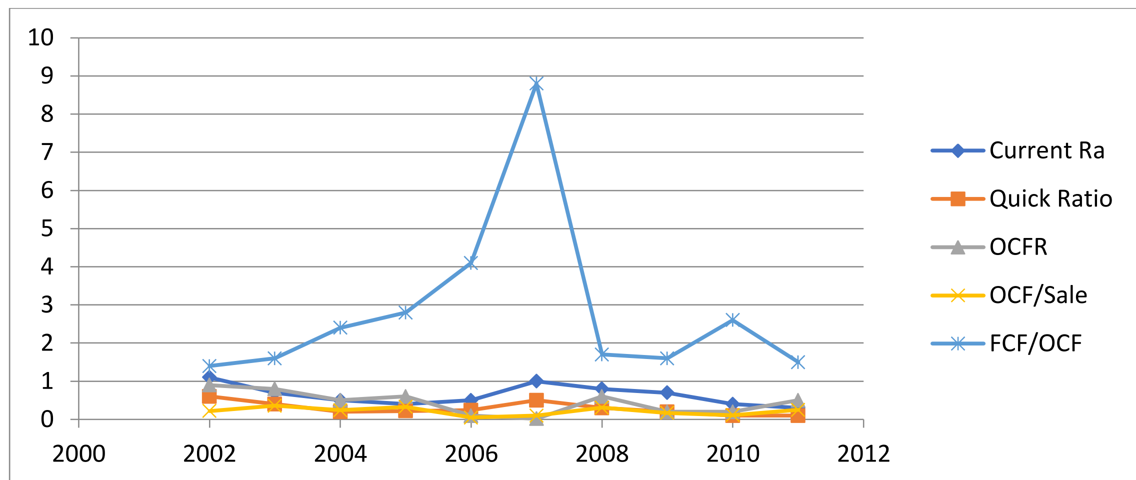

Figure 4.12: Summary of liquidity ratio

The above diagram represent the summary of liquidity ratios on both before and after adoption of international financial reporting standards from the period of 2002-2006 (before adoption) and 2007-2011 (after adoption). The ratios includes current ratios, quick ratios, operating cash flow ratios, operating cash flow divided by sales ratios and free cash flow divided by operating cash flow ratios. The company"s current ratio was at higher side initially but late on it started falling within the period from 2002-2006 while there was an increasing effect but it round down at insignificant value within the period from 2007 to 2011. The company"s quick ratio was at higher side initially but late on it started falling within the period from 2002-2006 while there was an increasing effect till sometimes but it round down at insignificant value within the period from 2007 to 2011. The company"s operating cash flow ratio was at higher side initially but late on it started falling slowly within the period from 2002-2006 while there was insignificant values recorded within the period from 2007 to 2011. The company"s operating cash flow divided by sales ratio have been little bit growth and stable but late on falls to insignificant within the period from 2002-2006 while there is a slow growth rate effect within the period from 2007 to 2011. The

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company"s free cash flow divided by operating cash flow ratio was at low side at initial point but late on it started growing at a good rate within the period from 2002-2006 while there was very significant values recorded at the early stage but later falls insignificantly down within the period from 2007 to 2011.

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CHAPTER FIVE

SUMMARY OF MAJOR FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter deals with three main components which are the major findings drawn from the research, necessary recommendations to the field of study and final conclusion drawn by the researcher.

5.1 Summary of Major Findings

The researcher from the investigations identified some key factors that have impacted of the financial performance on both before and after the adoption of IFRS through ratios. Under the profitability ratio, return on capital employed which had about 138.4% difference in favour before adoption IFRS agreed to the fact that adoption of IFRS heard no impact on the return on capital employed. The company‟s return on capital employed ratio was at higher side initially but late on it started falling within the period from 2002-2006 while there was an increasing effect but it round down at insignificant value within the period from 2007 to 2011. For the net profit margin there was a difference of 57.4% goes in favour of before adoption IFRS agreed to the fact that the adoption of IFRS heard no impact on the entities net profit margin. The company‟s net profit margin ratio have been stabilized their growth within the period from 2002-2006 while there is a decreasing effect from period of 2007 to 2011. Under the gross profit margin there was a clear difference of 45.8% which ruled in favour of before adoption IFRS with the agreement that implementation of IFRS has no impact in terms of financial performance. The company‟s gross profit margin ratio have been stabilized their growth with an increasing growth rate within the period from 2002-

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2006 while there is a decreasing effect from period of 2007 to 2011. For the return on asset there was a difference of 53.74% goes in favour of before adoption IFRS agreed to the fact that the adoption of IFRS heard no impact on the entities return on asset. The company‟s return on asset ratio have been falling in their growth within the period from 2002-2006 while there is a decreasing effect from period of 2007 to 2011. Under the return on equity there was a clear difference of 130.2% which ruled in favour of before adoption IFRS with the agreement that implementation of IFRS has no impact in terms of financial performance. The company‟s return on equity ratio have been rising with much growth but late on falling within the period from 2002-2006 while there is a decreasing effect but later on it round out negatively within the period from 2007 to 2011.

Under liquidity ratio, current ratio there was no difference arisen between the before and after current ratio figures towards the adoption and implementation of IFRS. The company‟s current ratio was at higher side initially but late on it started falling within the period from 2002-2006 while there was an increasing effect but it round down at insignificant value within the period from 2007 to 2011. With quick ratio there was a difference of 0.46 times goes in favour of before adoption IFRS agreed to the fact that the adoption of IFRS heard no impact on the entities quick ratio. The company‟s quick ratio was at higher side initially but late on it started falling within the period from 2002-2006 while there was an increasing effect till sometimes but it round down at insignificant value within the period from 2007 to 2011. Under operating cash flow there was a clear difference of 1.38 times which ruled in favour of before adoption IFRS with the agreement that implementation of IFRS has no impact in terms of financial performance. The company‟s operating cash flow ratio was at higher side initially but late on it started falling slowly within the period from 2002-2006 while

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there was insignificant values recorded within the period from 2007 to 2011. Again operating cash flow sales ratio which had about 26% difference in favour before adoption IFRS agreed to the fact that adoption of IFRS heard no impact on the operating cash flow sales ratio. The company‟s operating cash flow divided by sales ratio have been little bit growth and stable but late on falls to insignificant within the period from 2002-2006 while there is a slow growth rate effect within the period from 2007 to 2011. With free cash flow divided by operating cash flow ratio there was a difference of 3.9 times goes in favour of after adoption IFRS agreed to the fact that the adoption of IFRS heard no impact on the entities free cash flow divided by operating cash flow ratio. The company‟s free cash flow divided by operating cash flow ratio was at low side at initial point but late on it started growing at a good rate within the period from 2002-2006 while there was very significant values recorded at the early stage but later falls insignificantly down within the period from 2007 to 2011.

5.2 Conclusion

The accounting regulatory authorities throughout the world have sought to improve the quality of financial reporting and dissemination in a wide context of economic globalization. This has resulted in introduction of new reforms into the accounting practice a means of communicating with the various interested stakeholders, and its subsequent adoption of the international financial reporting standards. These standards among other things seek to bring convergence in the global accounting practices. It has subsequently been adopted by many countries both developed and developing as a means of bringing congruence into their reporting standards. Hence, the present work‟s objective, which seeks to established the impact that have brought

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on financial performance on the adoption of IFRS by listed firms on Ghana"s stock exchange through Guinness Ghana Breweries Limited by analysing it in terms of ratios. With specifically, examine the financial performance of Guinness Ghana Breweries Ltd before the adoption of international financial reporting standards through ratios. And also to seek the financial performance of Guinness Ghana Breweries Ltd immediately after the adoption of international financial reporting standards. Again established any differences in performance on before and after adoption international financial reporting standards

The results of the empirical analysis have shown that IFRS adoption in Ghana was showing negative impact on financial performance through profitability ratio such return on capital employed, net profit margin, gross profit margin, return on asset, return on equity. Another ratio considered under liquidity such as current ratio, quick ratio, operating cash flow ratio, operating cash flow sales ratio has no significant impact on IFRS adoption in Ghana in terms of financial performance. Expect free cash flow divided by operating cash flow ratio have significant impact on IFRS adoption in Ghana in terms of financial performance.

5.3 Recommendations

Based on the findings and conclusions made, the researcher recommend that there is the need to bring organizations system under control and make them to fit for the service and the interest of stakeholders.

For the adoption of IFRS, Ghana needs to work on skills and expertise gap by series of training and workshops and ensure that these standards are included in the academic and professional curricula. Moreover, regulatory bodies should monitor and

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enforce these standards to the core but where there is the need for local content, standard setters should provide convergence rather than adoption.

In addition, the researcher recommend that education on IFRS, specifically to financial statement preparers and managers of companies should be an ongoing exercise, especially when a particular standard is revised or new standards introduced. This will keep them abreast of current issues and also know how the new IFRS could be applied. Such an education must be carried out by the ICAG.

The researcher recommend that it is both timely and necessary to converge and harmonize IFRS and GAAP into a single set of Global Accounting Standards. This will lead to a more stabilized and prosperous world economy and it will help to resolve many of the world"s financial reporting problems.

The ISAB must set up more regulatory bodies preferably every country must have a body to monitor all activities by companies listed on the stock exchange concerning the implementation of IFRS. Every country must ensure that their regulatory bodies are up and doing, thus strict measures for compliance should be put in place. These regulatory bodies must be strengthening from time to time.

There must be more educational seminars and forums conducted by standard setters to help stakeholders understand each standard, how and when to apply these standards. The educational institutions must make students understand the debt of each standard to make its application with more ease. Changes done on standards must be communicated on time to all stakeholders so they can get use to how it is applied.

Learning the requirement of IFRS should also start from our second cycle institutions through to the universities. It has to be factored into the syllabus of all the educational level for those doing accountancy courses. This will improve students understanding of IFRS and how to apply them in future.

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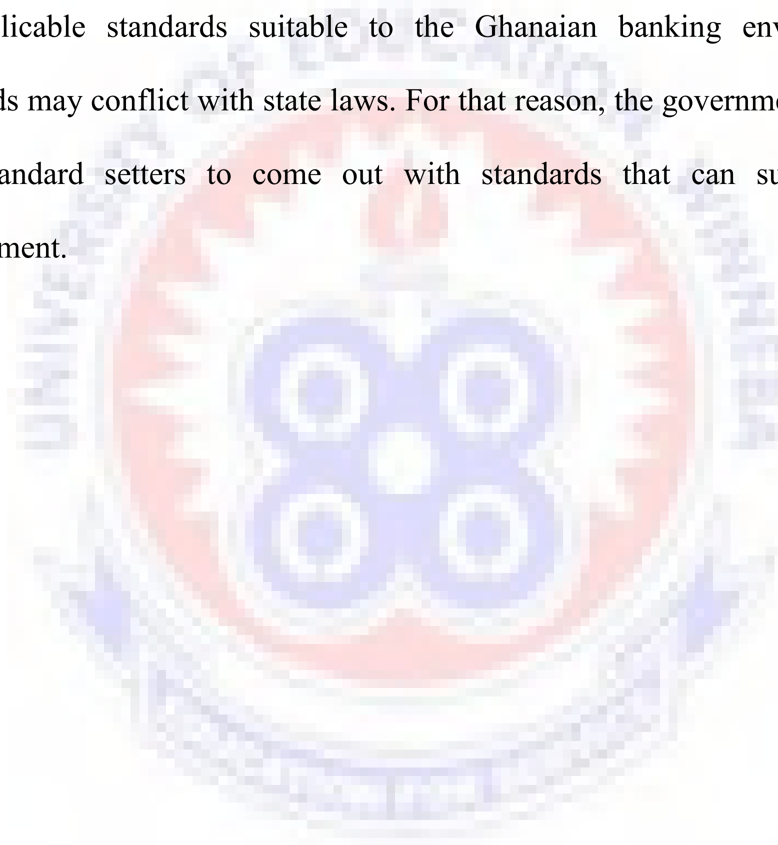
To facilitate and ensure complete and easy compliance with all IFRS requirement, the ICAG in collaboration with other stakeholders should come together to develop a template for all industries to serve as a guide for at least all public interest entities. Such a template can be reviewed as and when old standards are revised and new ones introduced. This could solve the problems associated with giving different interpretations to a particular standard.

The government should aid and strengthen the standards setters so that they can try to set applicable standards suitable to the Ghanaian banking environment. Some standards may conflict with state laws. For that reason, the government needs to liaise with standard setters to come out with standards that can suit the Ghanaian environment.



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