

**IFRS ADOPTION AND QUALITY OF FINANCIAL REPORTS IN COMMERCIAL
BANKS: A CASE OF DFCU BANK**

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DECLARATION

I, NAGASHA PATIENCE MERCY, hereby declare that the contents of this research are my original work and have not been presented by any previous researcher at any university or any other institution and the research has been submitted with authorization from the university supervisor.

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APPROVAL

This research report has been done under my supervision and is ready for submission with my approval.

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LIST OF ABBREVIATIONS

IFRS	International Financial Reporting Standards
IASB	International Accounting Standards Board
DFCU	Development Finance Company of Uganda
GAAP	General Accepted Accounting Principals
ICPAU	Institute of Certified Public Accountants of Uganda
USE	Uganda Securities Exchange
IT	Information Technology

Abstract

This study explored the effect of IFRS adoption on quality financial reports in DFCU bank. Therefore, among the major objectives to be explored in this study included assessing the effects of IFRS adoption on quality financial reports, investigating challenges faced by DFCU bank in the IFRS adoption as well as to evaluate the quality of financial reports after IFRS adoption in DFCU bank. The literature review is a means of acknowledging references from various sources in making this report. In the research study, a correlational research design was used and a quantitative approach of research design was adopted. Questionnaires were issued out to the different respondents that made up the study population. The target population of the study included employees from DFCU Bank, targeting 30 employees; using the Yamane formula, a sample size of 28 respondents was obtained. Of these, 21 actively participated in filling out the questionnaires that were given to them. A stratified random sampling technique was applied to obtain information that was unbiased and presented an accurate IFRS adoption and quality financial reports of the DFCU bank, while the data collected was to the best of the knowledge of the respondents as far as the two variables were concerned. It was found out that IFRS adoption improved significantly the transparency, comparability, and reliability of the financial reports. These include a number of significant challenges in the adoption process that pertain to the difficulty of IFRS standards, their high implementation costs, and the need for extensive training.

CHAPTER ONE

1.0 Introduction

The chapter covers the background of the study, problem statement, main and specific objectives of the study, research questions, significance of the study, scope of the study and the conceptual framework.

1.1 Background study

IFRS were developed by the International Accounting Standards Board, IASB, with the view to establishing a common accounting language that will enhance the comparability and performance of financial instruments at a global perspective. The adoption of IFRS was meant to facilitate investors in making prudent financial decisions based on high quality reports bearing relevant, reliable, understandable and comparable information in the financial statements.

The adoption and application of IFRS played a very important role in ensuring that the quality of financial reports was maintained. Most commercial banks in the world, including those in Uganda, used IFRS to make financial reporting standardized and comparable across borders. This transition significantly affected the banking industry, where stakeholders such as regulators, investors, and customers would require quality and consistency in financial reporting.

The Bank of Uganda's requirement for the adoption of IFRS in the Ugandan commercial banking sector as per its requirements regulated the pace of adoption. The pace of IFRS adoption was gradual to improve the quality of the financial statements. Mukasa and Nangoli (2020) cited that, with the regulatory drive for the adoption of IFRS, the quality of financial reporting in the sector immensely improved; hence, commercial banks had to adopt internationally accepted accounting standards. In Uganda, the adoption of IFRS within the commercial banking sector had a few advantages.

Amongst them was an improvement in the quality of the financial statements, which facilitated better decisions by stakeholders. In the context of the Ugandan commercial banking sector, Nabukeera and Kyazze (2019) demonstrated that better quality emanating from IFRS adoption enhanced investor confidence and attracted foreign investment. In addition, the risk assessment and management also became better with the application of IFRS in commercial banks. The studies indicated the positive impact of IFRS on the quality of financial reporting within Ugandan

commercial banks. Kyomuhangi and Munene (2021) indicated that the transition to IFRS led to more accurate and reliable financial statements; such reports were needed to maintain the integrity of the commercial banking industry. A good financial report gave a full and fair view of the results of operation and the financial position of an entity. It comprised several important components necessary for rendering the reports transparent, dependable, and relevant.

The quality of financial reports in commercial banks in Uganda was reviewed and analyzed during the last couple of years. This review included issues like IFRS adoption, requirements of regulatory frameworks, and the influence of internal and external auditing practices. The information provided in the financial reports was required to be faithfully represented, relevant, understandable, comparable, and timely to make valid decisions. Financial reporting quality helped in decision-making on resource allocation issues in the organization. (International Accounting Standards Board, IASB, 2013).

It was pointed out that the capability of a firm to source funds externally and also provide proper accountability was fully vested in the financial reporting quality. ChanJane et al., 2015; Chen et al., 2011. These users made decisions on prospects for future net cash inflows to the entity and management stewardship of the entity's economic resources based on the financial information. The quality of financial reporting was, therefore, a concern to all classes of stakeholders globally such as shareholders, lenders, and suppliers, among others. The financial reporting within Ugandan commercial banks has highly improved in the last five years; this is resultant of strict regulatory requirements, expert auditing practices, and implementation of enhanced systems for financial reporting. On the contrary, there was a continual need to improve the residual problems so that everyday reporting of finances could consistently be high quality throughout the sector.

1.2 Problem statement

The quality of financial reporting within commercial banks is the most important issue constraining the stability and transparency of the banking sector.

High quality financial reporting is quintessential in mirroring the financial status of a bank so that stakeholders can make informed decisions.

However, there are serious questions about their reliability and consistency. Studies indicated that low-quality financial reporting leads to misinformation, which consequently impairs investment

decisions and regulatory assessments accordingly. The problem is bigger in the developing economies where the level of regulation is limited and the mechanisms of enforcement stronger. In Uganda, for example, the problem of poor quality financial reports is evident in a number of cases. According to Bank of Uganda, 2024, undercapitalization, poor corporate governance, and insolvency had been exacerbated by deficient financial reporting practices. The bank became criticized for misreporting its financial position, which resulted in stakeholder loss of trust and imposed threats to the wider financial system.

These issues had brought out the low quality of financial reporting, which had become negatively influencing both the individual institution and the overall banking sector. Several reasons account for the poor state of financial reporting in the commercial banks. According to Dechow, Ge and Schrand, 2010, managerial opportunism where management exploits the financial information to advance their personal interests is a grave problem. Besides, when monitoring and enforcement of financial reporting standards are not in place, this perpetuates the issue to be normalized .

In Uganda, although there are regulatory bodies such as the Bank of Uganda, Standard implementation is not done uniformly, thus causing a discrepancy in accounting methods and standards. These include strengthening regulations, improving corporate governance, improving financial performance levels; Bank of Uganda, 2024, respectively.

1.3 Main objective

This study aims to establish the impact of IFRS adoption on quality financial reports about the Ugandan commercial banking sector.

1.4 Specific objectives of the study

- i. Establish the challenges faced in IFRS adoption by DFCU bank
- ii. The analyze of the relation between IFRS adoption and quality financial report in DFCU bank
- iii. The assess the quality of financial reports after the adoption of IFRS in DFCU bank

1.5 Research questions

- i. What are the main challenges that faced DFCU bank during IFRS adoption?
- ii. What is the influence that IFRS adoption have on quality of financial report in DFCU bank?

- iii. What are the changes in quality of financial reports in DFCU bank after adoption of the IFRS?

1.6 Significance of the study

The results of the study addressed how IFRS adoption influenced the quality of financial reporting at DFCU Bank. Enhancing the quality of financial performance facilitated the stakeholders to make appropriate decisions resulting in more accurate and correct use of finances with certainty. This is important for DFCU Bank to maintain a reputation for producing quality financial statements in the capital market.

This research into challenges and successes that DFCU Bank faced in adopting IFRS helped in identifying specific areas wherein the bank needs to effect improvement in its compliance practices. This will be important because compliance with international standards reduces the risk of regulatory sanctions while improving their reputation with both local and international authorities.

The study, therefore, established that DFCU Bank needs to undertake more training and capacity building among staff so that they are able to handle such issues pertaining to IFRS. This is necessary in ensuring a culture of continual improvement and professional growth within the bank to enhance the overall financial reporting and efficiency.

In a nutshell, this study is relevant to DFCU Bank, as it provides extensive information regarding how IFRS affects quality financial reports. Since it provides concrete benefits in increasing financial performance, regulatory compliance, and investor confidence, it contributes to the wider knowledge and capacity-building in the commercial banking sector.

1.7 Scope of the study

1.7.1 Content scope

It focused on DFCU Bank, studying the IFRS the bank adopted and the level of compliance. Besides, it also identified the impacts and benefits of adhering to the IFRS. The research was done by literature review, and surveying key stakeholders in DFCU Bank.

1.7.2 Time scope

The period was long enough to allow the researcher to collect, arrange, and process the information. The study took into consideration the information from the previous years.

1.7.3 Geographical scope

Geographical scope of the study undertook DFCU bank. It is a leading banking and financial services company housed in Uganda.

1.8 Conceptual framework

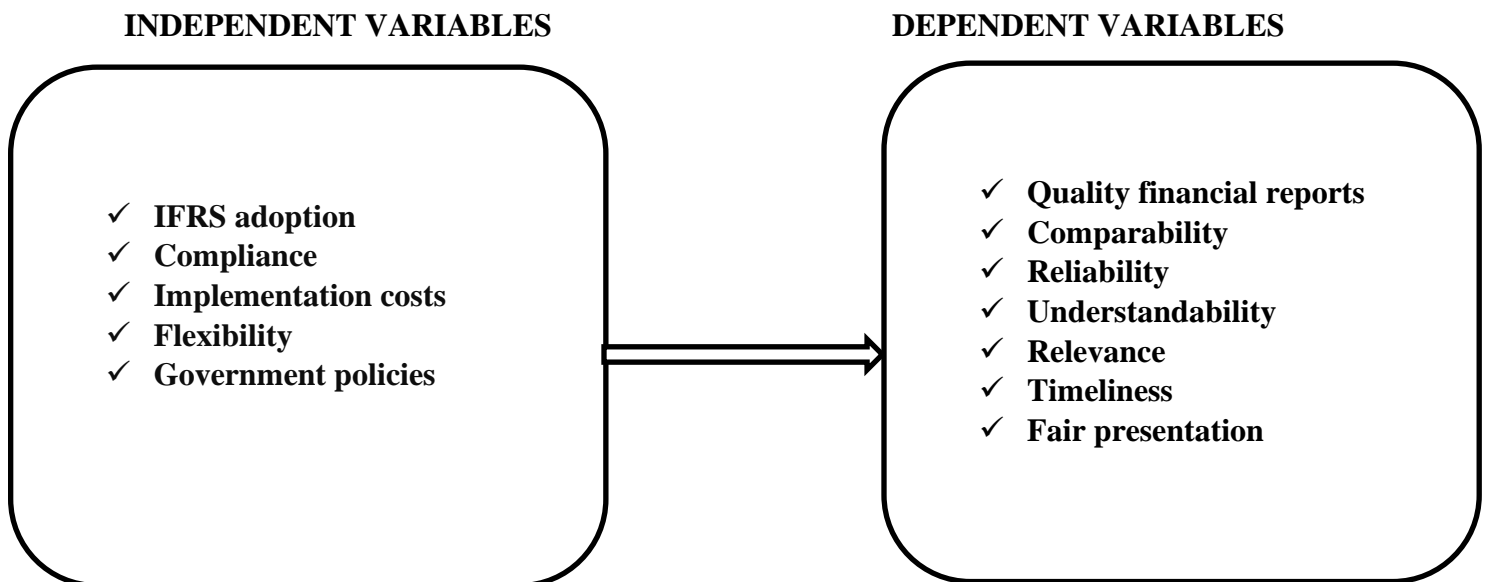
A conceptual framework helped in elucidation of the research problem, identification of the key variables, and delineation of the direction of the relationships among these variables.

Also, the conceptual framework guided the researcher on clear conceptual structures to study certain phenomena and the relationships that exist between them (Grant & Osanloo, 2014)

The conceptual framework for the study indicated the relationship that existed between IFRS and financial reporting quality in the commercial banking sector of Uganda.

It included the independent variable of IFRS, and the dependent variable financial reporting quality.

The framework helped in understanding how various factors interact and affect the quality of financial reporting.



CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter is made up of a review of the existing literature on IFRS adoption and quality financial reports in commercial banks. Materials from textbooks, secondary data, and internet sources were used to fortify this section.

2.1 IFRS Adoption

IFRS are globally accepted set of accounting standards developed by International Accounting Standards Board - IASB. Their main aim was the formulation of one standardized accounting framework, which would ensure that the financial statements are presented to attain their major qualities across borders, namely comparability and consistency and transparency. IFRS enhances the quality and comparability of the financial information availed to the investor, hence it inspires investor confidence and helps the capital markets function effectively. The adoption of IFRS enhanced market efficiency as well as global investment since the information asymmetry between the firm and investor levels would be reduced. According to Yip & Young 2018

IFRS was adopted gradually in Uganda as many companies changed their national accounting standards to IFRS to enhance the quality of their financial reporting. Empirical post-adoption studies such as that by Adekoya (2018) show that Ugandan firms realized improvement in the quality of financial reporting after the adoption of IFRS, but the level of improvement achieved was, among other things, dependent on the firm's size, sector, and commitment to proper implementation. On their part, regulatory bodies in Uganda played an important role in ensuring that IFRS was observed and solving other challenges related to its implementation. For example, upon the adoption of IFRS, financial statements became more transparent and comparable for Mercantile Credit Bank Uganda. Although most challenges faced included limited technical expertise pools and a need for extensive training, according to Okello, 2020.

Overall, though the adoption of IFRS has come up with a number of benefits, the value of the benefits depends on effective implementation and enforcement; further, this increases quality and comparability in financial reporting and persists in endeavours towards international accounting harmonization" (De George, Li, & Shivakumar, 2016)

2.2 Quality of Financial Reports

There is quality financial reporting, defined as how accurate, transparent, and reliable the financial statements provided by firms are". Financial reports of high quality provide a basis on which investors, regulators, and management can make informed decisions. The quality of financial reporting has been made relevant by various standards and frameworks of accounting, including the IFRS and Generally Accepted Accounting Principles. Such frameworks have been developed to enhance comparability and consistency of financial information between various entities and across different jurisdictions. Recent studies show that high quality financial reporting reduces information asymmetry, and it is beneficial for the companies and for their investors too (Armstrong, Barth, Jagolinzer, & Riedl, 2010).

Quality financial reporting is essential to make the capital market work effectively and efficiently as a part of the economy. It ensures the fact that the financial statements present accurately the going concern view of the company concerning its financial position, performance, and cash flows hence providing useful information to stakeholders in making decisions. Where information asymmetry between management and investors is reduced by high-quality financial reports, helped in reducing the cost of capital and enhancing market efficiency (Ball, 2006). Besides, quality financial reporting is viewed as a basis of investor confidence and protection of shareholder interest. There was empirical evidence that those companies that had better reporting quality benefited with lower financing costs and greater access to the capital market, Francis, LaFond, Olsson, & Schipper, 2004.

Quality financial reporting has its future only in overcoming the challenges that have been faced so far and making optimal use of the advantages provided by the latest technology. The key steps that could be taken in the direction of high quality financial reporting regularly included increasing the clarity and simplicity of standards on accounting, effective enforcement mechanisms, urging standards internationally. The inclusion of advanced technologies like blockchain and artificial intelligence added even more accuracy and transparency to the financial reports. Future research should also explore in detail the longer-term implications of these technological advances and the evolving role of auditors in helping to sustain quality financial reporting. PCAOB, 2019; IFRS Foundation, 2020.

2.3 Impact of IFRS Adoption on Quality Financial Reporting.

International Financial Reporting Standards were developed by the International Accounting Standards Board to provide a consistent and high-quality framework for financial reporting globally. Such standards aim at improving comparability, transparency, and reliability of financial statements in various jurisdictions. Wide adaptation of IFRS sought to address the limitations that diverse national accounting standards have, thereby facilitating better cross-border investment and integration of economies. Studies such as that done by Barth et al. (2008) illustrated that countries which adopted IFRS had a tendency toward higher-quality financial reporting as compared to local GAAP adopters, thereby enhancing the comparability and reliability of their financial information. In fact, these standards have been quite crucial in today's globalized economy, where investors and other stakeholders have a great need for comparable, comprehensible, and reliable financial information to facilitate and make better decisions.

Commercial banks are indispensable parts of the financial system; high-quality financial reports are needed to maintain stable and trustful financial markets. The reasons for the initiation of the adoption of IFRS in commercial banks were comparability, reliability, and transparency of the financial information. According to the backdrop, it is here that it has turned out to be important because of the sophisticated nature of the financial instruments that the banks have handled. As per Ball (2006), IFRS gave a stronger framework for reporting such complexities and therefore resulted in better risk assessment and management. Moreover, the adoption of IFRS was very much compelled by regulatory imperatives along with the need to join international best practice, adding to investor confidence and stability in the market. The fact that IFRS presents the financial statements in a clearer and more understandable manner further facilitated the stakeholders in making timely and relevant decisions.

The wide study concerned the impact of IFRS on the quality of financial reporting. Results revealed a significant improvement in transparency, comparability, and reliability. To this end, Barth et al. (2008), for example, show that firms applying IFRS exhibit lower earnings management and increased timeliness in loss recognition. These improvements concerned enhanced disclosure requirements and principles of fair value measurements embodied in the IFRS, increasing the relevance and the level of fair presentation of financial information. In another related study, Soderstrom and Sun showed that IFRS adoption resulted in higher quality financial

statements, ones which are more useful to investors and other stakeholders. This was particularly crucial in the case of commercial banks because this would instill a boost of confidence amongst its stakeholders and also strengthen the entire financial system.

Several empirical pieces of evidence also support such a notion from various global studies that the quality of financial reporting was positively influenced by the adoption of IFRS. In Europe, after the mandatory adoption in 2005, it resulted in strong improvements in the transparency, comparability, and relevance of financial reporting. Brüggemann et al. (2013) document that the adoption of IFRS in Europe was associated with more informative and reliable financial statements, increased market liquidity, and lower cost of capital. Similarly, both studies in Australia and Canada reported more relevant timely and reliable financial information was associated with the adoption of IFRS. These studies collectively showed that the advantages of IFRS were global in enhancing the comparability, reliability, timeliness, relevance, understandability and fair presentation of financial information from one organization to another irrespective of the environment under consideration.

The adoption of IFRS in African banks brought about both opportunities and challenges. Compared with other regions, the adoption of IFRS in Africa was less widespread. However significant developments were reported in a number of African countries like South Africa and Nigeria. For instance, one of the studies done by Iyoha and Faboyede (2011) concluded that the adoption of IFRS by Nigerian banks has enhanced the quality of financial reporting in terms of increased transparency, comparability, and relevance of the information disclosed. This went hand in hand with problems such as regulatory hindrances, lack of adequate technical expertise, and high costs of implementation. Barth et al. (2012) found out that, while focusing on South African firms, comparability, reliability, and fair presentation of financial statements were increased when the IFRS were adopted, thus resulting in more foreign investments. These results imply that while IFRS adoption has been expected to offer some beneficial impacts on African banks, effective strategies for putting into practice were critical drivers for overcoming the challenges involved in IFRS adoption. Only a limited number of prior studies relating to IFRS adoption among commercial banks in Uganda were identified, with mixed results reported. Using the case of Mercantile Credit Bank of Uganda, there have been both benefits and challenges that have arisen related to the adopted strategy for IFRS adoption. This, in turn led to increased transparency,

comparability, and relevance of the financial statements upon which investors and regulators were basing their decisions. But at least for the full IFRS benefits to be attained, some stumbling blocks lay in the way, including inadequate training, an expensive implementation process, and even general aversion to change. Moreover, recent events had it that the Mercantile Credit Bank lately had huge financial crises and was closed down in 2023. This event showed once again the importance of good financial reporting and good governance mechanisms, which could have averted such an event. The study by Kintu and Ngobo (2014) confirmed that the adoption of IFRS did enhance the quality of financial reporting in Ugandan banks, although further guidance and support through capacity-building programs remained very relevant for long-term sustainability. This case study provided an overview that emphasized the fact that IFRS implementation would need to consider the challenges in the local contextual environment. Such success would, in turn, enhance the reliability, understandability, comparability, timeliness, relevance, and fair presentation of financial information.

IFRS adoption was not an easy task; developing countries and emerging markets were especially in jeopardy. Specific challenges include high costs associated with the transition to IFRS, complicated standards, and intensive training and education to be provided for the preparers and auditors. As suggested by Hail et al. (2010), the one-size-fits-all approach of IFRS might not be relevant in all economic environments; this therefore leads to inconsistent applications and reduced comparability. The adoption of IFRS would also be less effective owing to different regulatory frameworks and differing enforcement mechanisms. For instance, institutional and infrastructural capacities are still not available in developing countries for comprehensive implementation and enforcement of IFRS, which is focused on by Zeghal and Mhedhbi 2006. These challenges require specific approaches and support mechanisms with respect to enabling successful IFRS adoptions while providing the required reliability, understandability, comparability, timeliness, relevance, and fair presentation of financial information.

Notwithstanding these challenges, there were significant improvements in the quality of financial reporting following the IFRS adoptions. For commercial banks, IFRS enhances the comparability, reliability, and comprehensiveness of their respective financial statements, particularly with respect to the derivation of certain measurements, such as risk disclosures and fair values. Paananen and Lin 2009 illustrate how increasing the comparability and relevance of the financial

reporting through the adoption of the IFRS helps the stakeholder to make decisions based on reality. Other materials provided in various studies, such as Armstrong et al. 2010, show that with IFRS adoption, improving comparability of the financial statements was important for investors and analysts assessing bank performance over time and across different jurisdictions. These enhancements add to the efficiency of markets and financial stability because the financial information was reliable, understandable, comparable, timely, relevant, and fairly presented.

Overall, the stakeholders' perceptions and market reactions to the adoption of IFRS were generally perceived to be positive. Investors and analysts appreciate enhanced comparability, transparency, and reliability of financial statements that enable them to make more informed decisions on investment. Market reactions towards IFRS adoption were positive since the confidence of investors in the market has improved, therefore, improving stock market performance. Indeed, a study by Li 2010 indicated that the adoption of IFRS led to a reduction in the cost of equity capital for firms due to increased investor confidence. Similarly, a study by Daske et al. (2008) indicated that markets reacted positively to the adoption of IFRS by showing greater liquidity and reduced bid ask spreads. However, the magnitude at which such positive reactions may occur could be dependent on the quality of the implementation of IFRS and the context within which they have been implemented. Three of the main factors which could have influenced stakeholders' perceptions and market reactions include reliability, understandability, and fair presentation of financial information. Even with the copious volumes of research relating to the adoption of IFRS, there remain a number of gaps in the literature. Potential further studies might examine the longer-term effects of IFRS on financial reporting quality across various economic contexts. There was also the need for more research on the impact of IFRS on SMEs and the role of regulatory bodies in ensuring consistent application. Such a longitudinal study is particularly valuable since it looks at the sustained impact of IFRS over time. Moreover, the studies of interaction between IFRS and local regulatory frameworks can show the way those standards could be integrated with the best possible outcome in different economic environments. Future research would also have the same reliability, understandability, comparability, timeliness, relevance, and fair presentation of the financial information as core.

The quality of the financial reporting in commercial banks is generally enhanced by the adoption of IFRS regarding aspects such as transparency, comparability, and reliability. It follows with

empirical evidence from different countries on the beneficial impact of IFRS, improving the quality of financial statements, market liquidity, and investor confidence. Yet, these gains were not without cost regarding implementation and complexity, and in that sense, meaningful strategies for adoption, tailored support, and continuous research were naturally needed to address challenges that would ensure IFRS would continue to meet its objectives in a dynamic global financial environment.

2.4 Challenges of Commercial Banks in IFRS Adoption

International Financial Reporting Standards (IFRS) set the benchmark for financial reporting around the world and were designed to realize consistency, transparency, and comparability of financial statements from country to country. IFRS was established through the IASB and has been adopted as a standard by more than 140 jurisdictions across the world. According to Ball, with the adoption of IFRS, there was a significant reduction in information asymmetry; similarly, the quality of financial information available to investors improved. Global adoption of the IFRS expressed the consensus that a uniform accounting language was needed to assist cross-border investment and economic integration. Empirical studies such as that by Barth et al. (2008) indicated that companies adopting IFRS showed a tendency to have higher accounting quality, lower earnings management, and timelier recognition of losses—all indications of benefits toward having one global standard for accounting.

The commercial banks had to surmount serious regulatory and compliance obstacles in adopting IFRS. Not all countries had similar regulatory mechanisms in place; this made the adoption process more complex. For instance, in some states, the available infrastructure supported consistent application and enforcement of IFRS. In an underlying study, Brown, 2011, contends that the success in the adoption of IFRS is highly influenced by the underlying strength of the regulatory environment. Quite often, banks operate in an environment where the locals lay regulations which may contradict IFRS requirements. This could bring in inconsistency in financial reporting by a bank. A case study on the Nigerian banking sector by Iyoha and Faboyede (2011) was able to underscore the fact that enabling legislation and effective enforcement thereof became a critical factor for successfully implementing IFRS.

In view of the technical challenges, IFRS adoption was not inconsiderable. Banks had to change their existing accounting systems because IFRS required extensive changes in financial reporting

systems, data management system, and related IT infrastructure. Added to this were the complexity issues regarding certain standards like that of IFRS 9 on financial instruments. For instance, Bischof's studies (2009) showed clearly that the implementation of these standards requires high technical development and reengineering of processes. Banks had to create new models for calculating expected credit losses—a process highly technical and resource-intensive. Systemic changes, as IFRS compliance quite often requires, need high-level technological investments besides skill development.

Thus, the adoption of IFRS was effective, requiring high expertise and continuous training. The learning curve for accountants to possess full, comprehensive knowledge of new standards was steep at the transition to IFRS. According to Larson and Street (2004), one critical barrier to the adoption of IFRS is a lack of adequate training and expertise among accountants. This meant that banks had to invest in continuous training programs with a view to ensuring that their staff are conversant with IFRS. This has been quite trying in regions characterized by a thin supply of skilled professionals who have familiarity with the standards. In this respect, Sunder (2009) emphasized the need for educational programs and professional development courses to be taken up to assist in the transition to IFRS.

Cultural and organizational difficulties were another major component of the IFRS adoption process. The shift from local GAAP to IFRS was not just a change in the accounting standards but also a change in the organizational culture. Perera and Baydoun (2007) indicated that the ability of organizations to provide an enabling culture of transparency and consistency in financial reporting is considered crucial for successful adoption of IFRS. Resistance to change, lack of awareness, and inadequate support from top management hinders the process of adoption. A case study of IFRS adoption in Malaysia by Jermakowicz and Gornik Tomaszewski 2006, showed that for the successful implementation, there was a need for strong leadership and devotion to embedding the new standards into the organizational culture.

The cost implications for adopting IFRS were huge. Banks had to invest hugely in system upgrades, training, and consultancy services. The transition costs were very high, for example expenditure on new software hiring external experts, and reformatting of the financial statements. Ongoing compliance costs increased the financial burden, since banks needed to keep updating their systems and training their personnel concerning amendments of IFRS. For instance, a study

by Horton and Serafeim 2010 claims those costs were even more than affordable for smaller banks, which might have implications for financial stability. However, such costs needed to be set against their inherent long-term advantages of an improved quality in financial reporting.

In Uganda, several commercial banks tried IFRS adoption, and each one presented varying challenges to each with a degree of success. For example, Stanbic Bank Uganda and Centenary Bank moved to IFRS with the motive of advancing the quality of their financial reporting. According to Kyobe et al. (2017), such banks faced various significant challenges, including regulation, technical enhancement, and training at large. However, the advantages brought forth by increased transparency and comparability of the financial results served to justify investments made in such areas. These case studies outlined the pragmatic issues in IFRS adoption in Ugandan banking, showing how approaches that address particular challenges must be designed.

The commercial banks' IFRS adoption has been an extended and cumbersome but rewarding process. Although the challenges were huge—from regulatory and technical issues to culture and cost-of-adoption barriers, advantages were there through a better quality of financial reporting. Success in the adoption of IFRS focused on how to facilitate banks with extensive training programs, effective stakeholder communication, and exploit recent technological gains to ease transition. More importantly, the support from the policy and regulatory environment was much needed against specific regional challenges in order to secure smooth and consistent implementation of IFRS. In this case, financial reporting had been more transparent, comparable, and reliable for the international banking industry as a whole and eventually brought investor confidence and economic stability.

2.5 Impact of IFRS adoption on quality financial reporting

International Financial Reporting Standards or IFRS had been developed to be an international reference for financial reporting to be the standard framework of all countries in attaining uniformity in accounting practice. The framework of IFRS was the target of the International Accounting Standards Board in the search for a common accounting language that would enhance transparency, comparability, and consistency in financial statements throughout the world. To date, over 140 countries, among them Uganda, have adopted IFRS, which indicates one of the major steps toward recent enhanced harmonization in financial reporting throughout the world. This global movement was thus destined to apply in one way or another to the banking sector,

whose results depend upon great accuracy within financial reporting so as to ensure good management of risks and retention of regulatory compliances. Adoption of IFRS was expected to improve the quality of financial reporting by improving information asymmetry, thereby enabling more reliable financial analysis across different jurisdictions. Empirical studies such as Ball (2006) showed that IFRS adopters had seen a rise in comparability of financial statements, an essential ingredient to global investors and regulators.

Quality financial reporting is thus very essential for commercial banks since it instills confidence between investors and other stakeholders and the regulators. High-quality financial reports possess an accurate and reliable description of the position, performance, and cash flows of the bank that are so indispensable for making informed decisions. For sure, transparency and consistency of reporting will help reduce risk and prevent a financial crisis in the banking industry, where stability is supreme. The insignificance of high-quality financial reporting is taken into consideration in the global financial crisis of 2008. The ambiguity of the financial statements saw the failure of many big financial institutions (Ryan, 2008). In Ugandan banks' cases, for example, DFCU Bank; high standards within financial reporting would be of prime importance to investor confidence and conformation to regulatory requirements as set out by the Bank of Uganda. Bushman and Williams's 2012 study showed that the banks which had better financial reports were in a better position regarding risk management, and they responded to economic shocks, which was very crucial for the long term sustainability of the financial institutions.

The adoption of IFRS and quality of financial reporting was made with respect to different theoretical positions. For instance, agency theory would support that this would reduce the information asymmetry between managers and investors because of reduced agency conflict. Adoption of IFRS with more transparent and comparable financial statements allows for the alignment of management interests with investors. The theory of signaling also plays a role in that the adoption of IFRS acts as a positive signal to the market regarding the bank's commitment to transparency and high reporting standards. Therefore, empirical studies, for example, Barth, Landsman and Lang (2008), supported these theoretical statements and showed that IFRS adoption was associated with improvements in accounting quality, such as lower earnings management and more recognition. Additionally, it can be postulated from the risk management theory that the high-

quality financial reports, as facilitated by IFRS standards, strengthen the responsibility of the management of the bank, hence fostering better governance and superior decision making.

The empirical research supported to a large extent the idea of improved quality of financial reporting as a result of IFRS adoption. In the study of Barth et al. (2008), it was observed that financial statements of firms those who adopted IFRS were compared with those continuing national accounting standards. The results indicated that IFRS adopters showed better accounting quality as reflected by poorer earnings management, greater value relevance of the accounting information and greater recognition loss rate. Studies in the banking sector, such as Ahmed, Neel and Wang (2013), showed that banks that applied IFRS were more transparent in reporting on loan loss provisions and financial instruments-those that are stated as the core areas of risk management. Chen, Tang, Jiang, and Lin's study (2010) furthers that adoption of the standards of IFRS in emerging markets-which also involve the African continent-provides better comparability of financial statements, particularly in foreign investments. These studies thus suggest that the adoption of IFRS plays an important role in increasing the quality of financial reporting within commercial banks. DFCU Bank is among the leading commercial banks in Uganda, listed on the security exchange, where it started booking the obligation of improved quality of financial reporting and its domestic listing to international best practices through adopting IFRS.

The transition to IFRS in DFCU Bank brought about significant changes in the accounting policies. These areas were financial instruments, revenue recognition, and consolidation. From a critical review of financial statements before and after adoption, it has been evident that there has been significantly increased transparency and comparability in the case of DFCU Bank. For example, credit risk, liquidity risk, and capital management disclosures by banks have become more elaborate and presented according to international practices. A case study of the financial statement analysis of DFCU Bank reveals that with the adoption of IFRS, the bank started realizing increased consistency in reporting its financial instruments and, more so, the introduction of a prospective approach towards credit loss recognition under IFRS 9. This change not only improved the veracity of the bank's financial statements but also gained confidence from stakeholders regarding the bank's financial health. IFRS adoption significantly enhanced the scope and coverage of the transparency and disclosure of DFCU Bank financial statements.

Bank financial statements presented under IFRS were more comprehensive and fuller in certain aspects, especially in areas relating to the management of risks and financial instruments. For instance, the adoption of IFRS 9 on financial instruments led to some significant revisions in the method of setting loan loss provisions by DFCU Bank. It is also foreseen that the introduction of the new standard would bring more forwardness in the recognition of credit losses, and with it, the bank would enjoy an increased degree of transparency about its financial health. Secondly, disclosure on capital management, liquidity risk, and market risk became more solid; it means that its stakeholders are going to get a more profound view of the bank's risk profile and position. For example, empirical research conducted by Bischof and Daske (2013) demonstrates that the application of IFRS results in a more transparent financial reporting system. This is quite significant in the banking industry, where proper risk assessment is an essential component. The enhanced nature of DFCU Bank's financial reports following the adoption of IFRS resulted in an informed and confident stakeholder community. Comparing the DFCU Bank's experience adopting IFRS to that of other Ugandan banks such as Stanbic Bank Uganda and Centenary Bank shows a similar but different influence on qualitative financial information.

While all these banks face various challenges related to regulatory alignment, needs for training, and improvement of systems, their experiences highlight organizational readiness and top management support. For example, Stanbic Bank Uganda, with wider international operations links, had more resources and expertise to make the transition to IFRS smoother, unlike smaller banks with lesser resources that faced major challenges. In general, though, the adoption of IFRS has led to an improvement in the quality of financial reporting within Ugandan banks, making the sector more transparent and comparable. A comparative analysis by PwC, 2016, into the adoption of IFRS standards in African countries identifies that it is the support of regulation and capacity building that signals the effective implementation of IFRS standards. In DFCU Bank, Stanbic Bank Uganda, and Centenary Bank, their experiences with IFRS adoption are colored differently with variable resources and support for each institution. The implementation of IFRS in the Ugandan banking sector, of which DFCU Bank is part, requires an infinite care adaptation to the local regulatory and economic environment.

Though IFRS standards provide a consistent framework to the world, application of these standards must also recognize the presence of local variables such as regulatory requirements,

economic conditions, and maturity of financial markets. In Uganda, the adoption of IFRS was supported by initiatives from the Bank of Uganda and professional bodies of accountants who provided guidance and training to ensure proper implementation. However, challenges still existed in how IFRS standards would align with local regulations and practices. This was cemented into place by the experience of DFCU Bank and other Ugandan banks, which needed constant support and adaptation if the full benefits of IFRS adoption were to accrue at the local level. This assertion was further supported in a study by Ernst & Young (2017) stating that the implementation of IFRS will have to be adapted to local conditions, especially in emerging markets, because of challenges including those related to technical expertise and regulatory frameworks. The fact that IFRS were aligned with domestic banking regulations favorably contributed to the successful adoption of the standards at DFCU Bank. The adoption of IFRS at DFCU Bank and other commercial banks in Uganda has massively improved the quality of their financial reporting.

Despite these transition challenges that faced even regulatory, technical, and cultural barriers, the net benefits accruing to enhancing the comparability, transparency, and reliability of financial statements became appealingly clear. Adoption of IFRS really had a positive impact on stakeholder perception, actually enhancing investor confidence, thereby leading to the stability and growth of the banking sector in Uganda. Future studies could also explore long-run IFRS adoption effects on financial performance and stability. The comparative studies could also be done across different sectors other than the banking sector.

2.6 Quality of financial reports after IFRS adoption

The introduction of International Financial Reporting Standards has widely been regarded as a landmark event in the pursuit of standardization and comparability in financial reporting around the world.

IFRS was designed to make the financial statements, which come from a consistent method of accounting across different countries, comparable, reliable as well as relevant Barth (2008).

The adoption theory underlying IFRS is derived from the concept that standardisation in financial reporting will enhance investor confidence through a fair view or correct presentation of the entity's financial position by reducing asymmetric information. Nevertheless, its effectiveness in enhancing financial reporting quality is still an issue that raises much debate, because the results across different settings and industries varied. In general, some of the attributes used to assess the quality of financial reporting under IFRS are relevance, faithful representation, comparability,

verifiability, timeliness, and understandability. It is expected that high-quality financial reports provide information useful for users in making economic decisions reflecting the true economic substance of transactions. The basis of Positive Accounting Theory by Watts & Zimmerman, 1986, and Agency Theory by Jensen & Meckling, 1976, explains how the adoption of IFRS may influence the quality of financial reporting to make the interest of management aligned with that of shareholders, thus decreasing earnings management and increasing transparency. Empirical research has also been mixed in the literature, with some results indicating that the adoption of IFRS improved the quality of financial reports. For example, Barth et al. (2008) provide evidence on how companies adopting IFRS experienced a general improvement in accounting quality, reflected by lower earnings management, increased value relevance of accounting information, and comparability.

Also, in this regard, the work of Leuz and Verrecchia, above, demonstrated that with increased transparency and in the rise of investors' confidence, IFRS adoption reduced the cost of capital. However, this view is questioned by other works in terms of whether the effect is achieved through the use of IFRS. Ahmed et al. (2013) find, for instance, that while the adoption of IFRS resulted in the reduction of the extent of earnings management in some jurisdictions, it actually caused an increase in income smoothing practice in other jurisdictions.

The result indicated that the effect of IFRS on financial reporting quality depends on various factors, such as the strength and effectiveness of the mechanisms at play for enforcement, quality of the corporate governance in place, or kind of the accounting practices dominating a region. The impact of IFRS adoption has been very varied across diverse regions. In Europe, for example, IFRS has been made mandatory since 2005 for all listed companies, and the results reported are mostly positive.

For example, Daske et al. (2008) found that with the adoption of IFRS, European firms face an increase in market liquidity and a consequent decrease in the cost of capital, which manifests an improvement in the quality of the financial reporting system. Results in emerging markets have, however, been more mixed. For instance, one study of IFRS adoption in Eastern Europe by Albu et al. (2013) documented an initial improvement in financial reporting quality, but the benefits were less pronounced compared to those in Western Europe because enforcement is weaker and the financial markets less developed. In practice, however, the realization of high quality financial

reporting under IFRS has proven challenging for many organizations. Arguably, one of the most significant reasons relates to the inherent complexity of the standards and inconsistencies that arise as a result.

Empirical evidence indicates that firms with limited resources or with less experienced accounting personnel tend to poorly enforce IFRS and hence produce low-quality reports. Moreover, cultural and organizational differences will mean that IFRS interpretations and implementations diverge, and reporting quality will vary even within the same jurisdiction. Another issue is that IFRS relies on professional judgment while the rules have provided flexibility. There is, however, a possible case for subjectivity and bias in financial reporting. Several studies have been conducted, and it was indicated that increased reliance on fair value under IFRS, particularly when financial instruments were considered, could potentially add volatility to financial statements and can be opened to manipulation if there is no significant valuation method present (Laux & Leuz, 2009). The adoption of IFRS has been subject to various successes and challenges in Uganda.

A case study of Stanbic Bank Uganda, which moved to implement IFRS, still depicts the intricacies that are involved in implementing standards within the context of developing countries.

Comparability and transparency were particularly noted as improved in the quality of financial reporting after the initial stage of the bank. However, valuation of financial instruments and interpretation of some of the intricate requirements of IFRS have remained a challenge, thus signaling continuous capacity building and support. According to the IFRS Foundation, 2017, the effectiveness of IFRS in enhancing financial reporting quality is related to the robustness of enforcement and regulatory frameworks. Empirical research has, however, shown that countries with strong legal and regulatory systems tend to post better outcomes following the adoption of IFRS. In those countries where enforcement is perceived to be weak, the potential benefits of IFRS are often undermined by either noncompliance or inconsistent application of the standards. This is the trend that seems to follow in Uganda, while the USE and the ICPAU also ensure through regulation and guidance the effective adoption of the IFRS by companies. Earnings management, or manipulation of accounting earnings to reach a specific outcome, can be considered one of the most important indicators of financial reporting quality. Consequently, research findings support the fact that the IFRS adoption may reduce earnings management since strict requirements and more reporting lead to more transparency, Barth et al. 2008.

Nevertheless, the efficiency of the IFRS to reduce earnings management varies depending on the contexts. Studies done in Uganda indicate that IFRS has increased the transparency of financial reporting, but efforts at the complete expunging of earnings management practices are still lacking, especially for privately held companies and small financial institutions where controls are looser. On the overall impact, the quality of the financial reports after adopting IFRS is perceived by the stakeholders which include investors, regulators, and financial analysts. Research by Hodgdon et al. 2008 shows that IFRS adoption has resulted in improved confidence in financial reporting by stakeholders mainly in those markets where comparability and transparency were scarce.

Anecdotal evidence and interviews with financial analysts in Uganda have indicated that generally, the adoption of IFRS has been perceived as positive, contributing towards increased investor confidence and better decision making. However, continuing difficulties regarding issues such as fair value accounting and disclosure practices reveal that the complete benefits of IFRS are yet to be fully realized. The adoption of IFRS can do much to enhance the quality of financial reporting: gains in transparency, comparability, and relevance are likely. This remains a function of a number of factors, including the regulatory environment and enforcement level among other difficulties that the organizations are going through at different regions.

In Uganda, while IFRS adoption has enhanced financial reporting, a number of challenges still exist in terms of training, infrastructure, and regulatory oversight that suggest additional efforts are still needed if the full benefit of IFRS adoption is to be realized. The meeting of these challenges, coupled with learning from experiences both domestic and international, will go a long way in enhancing the quality of financial reports by financial institutions in Uganda. This in turn should lead to increased investor confidence and contribute to economic growth.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents a descriptive account of the methodology that this study adopted in ascertaining the effect that adoption of IFRS has had on the quality of financial reports in the commercial banking industry of Uganda, with particular focus on DFCU Bank. This chapter, therefore, covers all features of the research process: research design, target population, sampling size and sampling criteria, sampling techniques, data collection methods, and analysis procedures. It also represents measurement variables and the ethical commitments that had to be met for research to be appropriate. Each section of this chapter was written in a way to take the reader through the methodological approach that was utilized in order to make sure this study was reliable and valid.

3.1 Research design

A correlational research design was adopted, with the quantitative methodological approach being adopted as it was appropriate for testing the underlying relationship that existed between the adoption of IFRS and the quality of financial reporting. Quantitative methodologies adopted were largely characterized by their emphasis on numerical data, objectivity, and the ability to generalize findings from a sample to a population. For this reason, the collection and analysis of quantitative data in determining the level of adoption of IFRS and its consequent effects on the quality of financial reporting were adopted. It aimed to bring into the board statistical information that could be analyzed in order to identify patterns, links, and associations in a manner that was systematic through employing structured tools such as questionnaires (Bryman, 2016).

Quantitative methodology applies to structured data collection procedures to collect data in numbers from a statistically selected sample to represent the general population. In the research approach, statistical tools and techniques have been used for analysis; hence, the researcher was allowed to draw conclusions based on the data. The quantitative design was highly appropriate for this study, as it allowed the measurement of the variables at issue - that is, the level of compliance with IFRS and the quality attributes of financial reports - in a way that could be subjected to statistical treatment of their relationship. (Saunders et al., 2019)

3.2 Study area and population

The targeted respondents in this study were those employees working at DFCU Bank in Mukono, especially in finance and accounting departments, senior management, and other stakeholders who are directly involved in financial reporting. This population was studied because these people are directly involved in the preparation, review, and use of financial reports; therefore, they possess relevant knowledge and experience in regard to the adoption of IFRS. This made them the most appropriate and relevant respondents to measure the effect of IFRS on the quality of financial reporting because their operations involve the financial reporting processes. The representation of the different departments was meant to provide an substantial insight into the bank's practices in regard to financial reporting, and implications that adopt IFRS. This was after getting the names and addresses of employees in the targeted study area.

3.3 Sample size and selection technique

According to Sekeran, 2003 "A sample is a subset of a population, comprising some selected members known as elements, Sampling, on the other hand, is a process by which a sufficient number of elements are selected from the population so that a study of the sample and an understanding of its characteristics makes it possible to generalize such characteristics to the population elements". The study selected 30 respondents from which the sample size was determined using Toya Yamane 1967' formulae as shown below.

$$n = \frac{N}{1 + \left[\frac{N(e)}{e} \right]^2}$$

Were.

n was sample size

N was population

e was error (0.05) or level of confidence 5%

$$N = 30$$

$$n = \frac{30}{1 + \left[\frac{30(0.05)}{0.05} \right]^2}$$

$$n = \frac{30}{1 + 30(0.0025)}$$

$$n = \frac{30}{1 + 0.075}$$

n=30/1.075

n = 27.91

n=28 employees

Therefore, the sample size of the study was 28 employees

3.4 Sampling techniques

The sampling technique is the particular process by which entities of the sample were selected. A probability sampling approach was used in this study. This involves selecting a sample in such a way that all elements within the population have a chance of being selected. According to Amin, 2005, the researcher used a stratified random sample to enhance precision and reliability in the findings. For this reason, the entire population was divided into specific strata, considering their strategic positions within the banking institution, including the finance personnel, accountants, and upper management. This was vital because every subgroup needed to be represented in the sample for the different perspectives that exist within the bank to be represented as well Sharma (2017). Following this, a simple random sample was drawn from each stratum. One of the benefits of stratified random sampling is that it develops the representative sample by making the presence of important subgroups in proportion. It seemed appropriate to this study, as this method decreases the range of errors during sampling and provides more accurate results.

3.5 Data Sources

Thus, a mixed method strategy was followed in order to incorporate both the primary and secondary sources of data in carrying on an intensive study of the problem associated with the adoption of IFRS and its effects on the quality of financial reporting.

3.5.1 Primary Data Source

The data collection was done through a structured questionnaire. It measured the attitude of the stakeholders towards IFRS adoption and implications on the quality of financial reporting. This consistency in measurement provided a basis upon which data was collected that would be analyzed quantitatively Creswell & Plano Clark, 2018.

3.5.2 Secondary Data Source

The secondary sources complemented the findings of the primary research, and they were included.

Financial Reports: The financial reports published under the IFRS standards provided historical data with regard to the financial performance and disclosures.

Internal Documentation: Access to organizational documents, such as policy manuals, training materials, and internal audit reports, was beneficial in gaining valuable insight with regard to execution and impacts of IFRS adoption.

Previous Research Studies: It helps to contextualize the study within the existing literature on the adoption of IFRS and financial reporting quality, thereby identifying lacunae. Studying the scholarly articles and reports concerned with the adoption of IFRS and financial reporting quality reviewed in the paper was beneficial.

Integration of primary and secondary data sources enhanced the robustness of the study since triangulation of findings from various perspectives was permitted. According to Creswell & Plano Clark (2018), this approach could permit the comprehensive analysis of implications brought about by the adoption of IFRS on the quality of financial reporting by considering several dimensions of the research problem.

3.6 Data Collection Methods

3.6.1 Questionnaire

The collection was done primarily through one structured questionnaire, which aspired to quantify the response in relation to perceptions expressed by the respondents regarding the adoption of IFRS and its impact on financial reporting quality. Sections of the questionnaire focused on aspects addressed by the research objectives, which are the level of IFRS compliance, perceived benefits, and challenges of IFRS adoption. These questions were customized for DFCU Bank through consideration of the aspects that the literature review had highlighted. According to Kothari, 2004, a structured questionnaire allows standardized data that can be compared and subjected to statistical treatment on account of the organized manner of eliciting the information.

3.6.2 Questionnaire Survey Method

In general, during the administration of the questionnaires, a survey approach was employed. This was generally identified as a typical method of quantitative research due to its ability to conveniently elicit a response from a large sample size. The questionnaire is particularly a tool for facilitating data collection from the respondents who are in different and widespread geographical

locations, including those working in various departments in the bank. These questionnaires were administered both physically and electronically to suit the various preferences of the respondents in order to enhance the rate of response. Such an approach ensures that efficient data collection is sufficiently conducted to address the objectives of the study. The research tool used here involves the survey method, which aided the study to obtain quantifiable data for statistical analysis.

3.7 Instrument

The instrument for this study was designed to ensure clarity, relevance, and reliability. It included both closed and open-ended questions for quantitative and qualitative data collection, respectively. Closed-ended questions were designed based on a Likert scale so as to bring out the level of agreement among the participants regarding statements that touched on the adoption of IFRS and the quality of reported financial information. For measuring perceptions about the quality of financial reports, Likert scale questions ranging from 1 Strongly Disagree to 5 Strongly Agree, where users rate responses on a numbered scale, have been used. This format provides an easier way of coding and statistically analyzing the responses (De Vaus, 2013). The open-ended questions allowed the participants to make additional comments and input, which deepened the expression of views and experiences. Including these question types on the surveys completed the research tool in collecting data from both quantitative measures and qualitative descriptions. Survey research involves the method of data collection from a sample of participants through a standardized questionnaire or interview.

3.8 Validity and Reliability of the Instrument

3.8.1 Validity

Validity refers to the "extent to which a set of questions actually measure what it purports or was intended to measure" (Golafshani, 2003). The validity of the questionnaire used for this study was ensured through the following steps.

Content Validity: Expert evaluation was used to determine content validity. A researcher's supervisor who specialized in the area of accounting was contracted to review the suitability of the questionnaire. Such inputs from the supervisor were important in ensuring that the questionnaire represents the underlying constructs that are typically associated with IFRS adoption and its impact on the quality of financial reporting (Golafshani, 2003).

Construct Validity: This established the construction of questions against the theoretical frameworks and past literature relating to the adoption of IFRS. Measurement items of the questionnaire were formed to relate to existing concepts such as transparency, comparability, reliability, understandability and relevance of financial information under IFRS.

3.8.2 Reliability

Reliability is the consistency of the instrument to measure what it was supposed to measure. Reliability is usually understood to be the stability and consistency of a measuring tool that is guaranteed to yield consistent results in different periods and with different samples.

Pilot Testing: This was pilot-tested among a small group of the target population's respondents before its actual administration. The purpose of pilot testing is to bring out any ambiguity or fault in the questionnaire so that necessary adjustments could be made, further enhancing its clarity and comprehensibility.

Validity and reliability measures were followed for the study so that the questionnaire was remarkably effective in collecting the information regarding the opinions of stakeholders about IFRS adoption and its impact on the quality of financial reporting. A rigorous data collection as well as analysis criteria has been met by the study that not only has established content validity through expert review but also reliability through pilot testing.

3.9 Data collection procedure

A letter of introduction from the School of Business Uganda Christian University was obtained to conduct research at DFCU bank. The researcher then obtained documents such as a letter and questionnaires. The questionnaires were distributed by the researcher herself with the assistance of an employee who knows the selected respondents very well, and 28 respondents received these questionnaires. A duration of 3 days was allocated to the respondents to answer the questionnaires and this ensured that respondents were provided with ample time for probing and clarification of questions where they had not clearly understood. After that, the data collected was compiled for analysis.

3.10 Data Analysis

Descriptive and inferential statistical methods have been used in analyzing the data for better understandability of the research findings.

Summary statistics included frequencies and percentages, used in summarizing data to provide background information on characteristics and opinions of the respondents about the adoption of IFRS. Inferential statistics made use of regression analysis to test if any significant relationship existed between IFRS adoption and the quality of financial reporting. These statistical methods were applied in the measurement of a number of hypotheses to test the level of significance of associations between variables.

3.11 Measurement of Variables

The variables used in this research were measured with the use of nominal and ordinal scale based on their peculiar characteristics to a large extent. The independent variable, which is IFRS adoption, was measured by the level of compliance to the requirements of IFRS.

This study treated the dependent variable; namely, the quality of financial reporting with each being measured on the basis of reliability, relevance, comparability, and understandability. They were derived from well-recognized frameworks in the literature on financial reporting as expounded by Deegan (2014). The measurement scales used herein were developed previously thus allowing for comparisons with validation of results. The Likert scale thus enabled an effective measurement of perceptions and attitudes of the respondents and hence proved to be a quantifiable measure of opinion.

3.12 Ethical Considerations

The research adopted and put into practice ethical considerations meant to protect the rights of participants out of integrity. The participants were involved based on informed consent, which outlined the objectives of the research, the rights of the participants to confidentiality, as well as measures aimed at empowering voluntariness of the process. They were assured of the independence of the relationship or standing of the participant in the study. Furthermore, measures were taken regarding the protection of the privacy of data collected: the responses of the participants were kept anonymous and used only for research purposes. Any conflict of interest or bias was made known and, when possible, resolved in conducting the research. Ethical considerations were made to follow directives put forward by DFCU bank and the researcher to accord a high degree of integrity for the research work and honor the participants' autonomy.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.0 Introduction

This chapter is composed of the response rate, demographic characteristics of the respondents in regard to role, gender, years of experience, extent of IFRS adoption and whether training was received on IFRS adoption and its implications in DFCU bank." The chapter further presents study findings, analysis and interpretation of study findings based on the objectives of the study.

4.1 Response rate

Table 1: Response rate

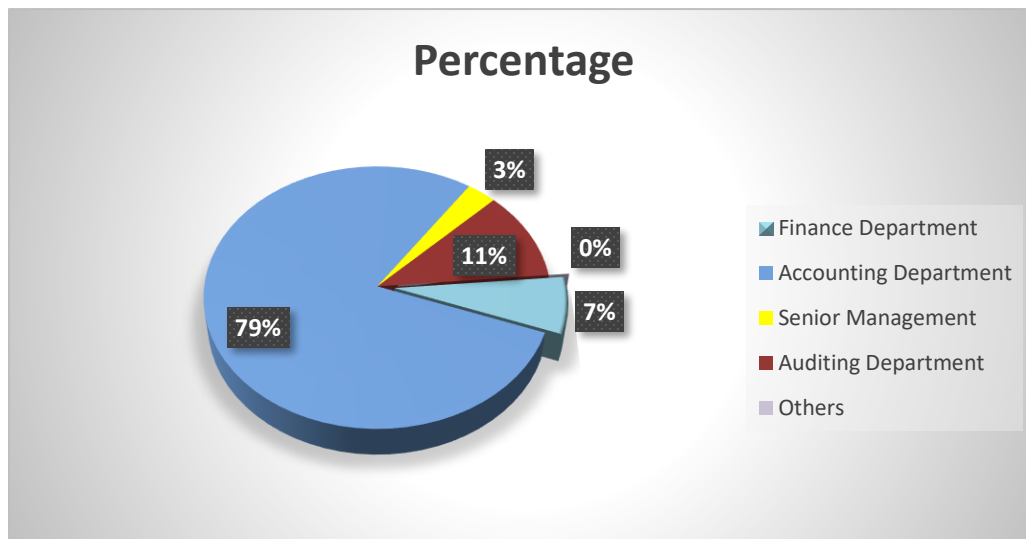
Research instrument	Targeted number	Actually conducted	Percentage(%)
Questionnaire	28	21	75
Total	28	21	75

Source: Primary data

Table 1 above displays that from the 28 questionnaires distributed, only 21 filled questionnaires were returned giving a percentage of 75%. This made the overall response rate 75%. This response rate was above the recommended 2/3 or 67% response rate (Amin, 2005; Mugenda & Mugenda, 1999). This rate firmly indicates that the researcher was able to obtain enough data for a comprehensive report.

4.2 Demographic characteristics

4.2.1 Figure 1: Roles of respondents



Source: Primary data

From figure 1 above, it indicates that the highest percentage of respondents of 79% work in the accounting department. These were followed by respondents in the auditing department with 11% and then respondents in the finance department with 7%. The second least percentage of respondents with 3% followed and lastly 0% of other respondents. This finding indicates that the accounting department is central in DFCU bank, which enabled the researcher to attain more knowledge on IFRS adoption and quality financial reports in DFCU bank; hence, availability of reliable data.

4.2.2 Sex of respondents

Sex or gender of the respondents was assessed, which had equal representations for both females and males.

Table 2: Gender of respondents

Gender	Frequency	Percentage
Male	13	62%
Female	8	38%
Total	21	100%

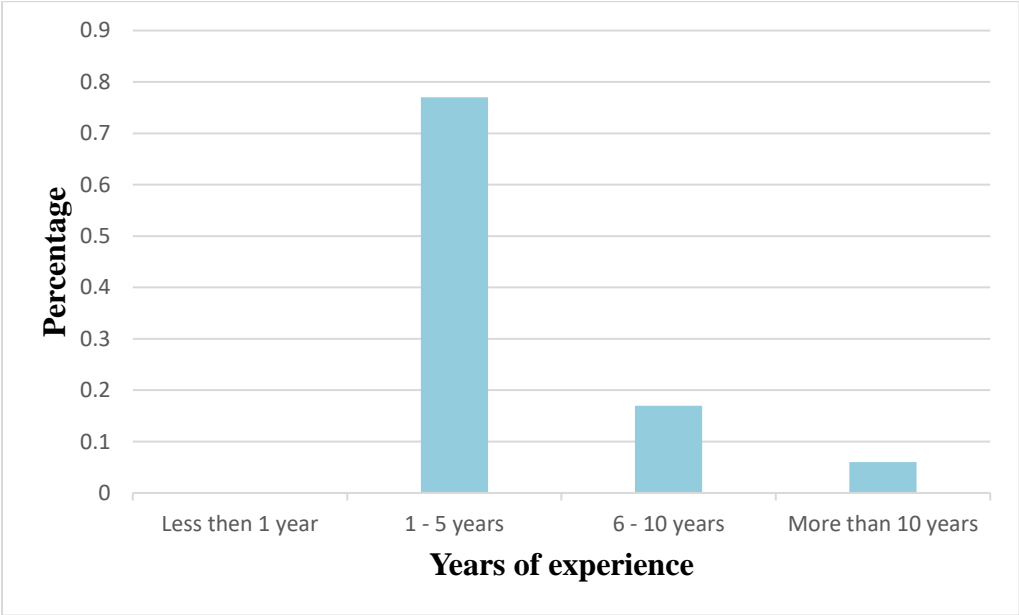
Source: Primary data

From the table 2 above, it is indicated that the bigger percentage of respondents which was 62% were males whereas the 38% comprised of females. This led to a conclusion that DFCU bank is dominated by males based on the findings that were obtained from gender balanced respondents from both genders.

4.2.3 Years of experience of the respondents in their departments

The study established the period the respondents conducted their roles in their departments. This enables the researcher to understand the time they have spent operating in DFCU bank and information in depth about the effects of IFRS adoption on the quality of financial reports.

Figure 2: Years of experience



Source: Primary data

Figure 2 above highlights that 77% of the respondents have been in operation for a period of 1-5 years in their roles at DFCU bank. This was followed by 17% respondents that have been in operations in their respective roles for 6-10 years. Lastly, very few respondents operated in their departments at DFCU bank for more than 10 years giving a total percentage of 6%. These results indicated that most of the respondents have been working in DFCU bank in their capacities for a period of 1–5 years, and this enabled the researcher to acquire more information concerning IFRS adoption and quality financial reports in DFCU bank, hence availability of reliable data.

4.2.4 Extent of IFRS adoption at DFCU bank

Table 3: Extent of IFRS adoption at DFCU bank

Extent	Frequency	Percentage(%)
Not at all	0	0
Partially	7	33
Mostly	10	48
Fully	4	19
Total	21	100

Source: Primary data

Table 3 revealed that a higher proportion of DFCU bank largely adopted IFRS, and these constituted (freq. 10, 48%) of the total responses, while partial extent of IFRS adoption was made up of (freq. 7, 33%) and also full extent of IFRS adoption with (freq. 4, 19%), lastly, the table showed that none thought IFRS adoption was not adopted at all. This means that the study was well spread out to the DFCU bank respondents and consequently produced reliable results.

4.3 Empirical results based on the objectives of the study

4.3.1 To assess the impact of IFRS adoption to quality financial report in DFCU bank

Statements regarding the adoption of IFRS were presented to the respondents through questionnaires during the study in order to establish their opinion on the quality of financial reports at DFCU bank. Responses are quantified using a likert scale of 1 to 5 i.e. strongly disagree=1, disagree =2, neutral=3, agree =4, strongly agree=5.

Table 4: Responses on effects of IFRS adoption on the quality of financial reports

Statements	Strongly disagree		Disagree		Neutral		Agree		Strongly agree		Total	
	<i>Freq</i>	<i>%</i>	<i>Freq</i>	<i>%</i>	<i>Freq</i>	<i>%</i>	<i>Freq</i>	<i>%</i>	<i>Freq</i>	<i>%</i>	<i>Freq</i>	<i>%</i>
Effects of IFRS adoption on quality financial reports												
IFRS adoption has improved transparency in financial reports							6	29	15	71	21	100
IFRS adoption has enhanced comparability of financial reports							8	38	13	62	21	100
IFRS adoption has increased reliability of financial information							10	48	11	52	21	100
IFRS adoption has facilitated better access to international markets	1	5	3	14	6	29	7	33	4	19	21	100
IFRS adoption has increased stakeholder confidence			1	5	7	33	8	38	5	24	21	100
IFRS adoption has ensured timeliness of the availability of financial reports			2	9.5	5	23.8	9	43	5	23.8	21	100
IFRS adoption has ensured fair presentation of financial reports					3	14	9	43	9	43	21	100

4.3.2 Impact of adoption of IFRS on quality reports

Table 4: Adoption of IFRS at DFCU bank The respondents were asked to indicate the extent of their agreement with specific statements relating to the effects of adopting IFRS. The mean results are presented below: Full majority of the respondents, 71%, strongly agree that the adoption of IFRS has enhanced the transparency of financial reports at DFCU bank. Transparency is one of the major benefits associated with IFRS because the standards demand detailed disclosures, thus allowing clear exposure of the health status of the bank to stakeholders.

The result indicated that 62% of the respondents strongly agreed, while 38% agreed that the adoption of IFRS has enhanced comparability of financial reports. This is critical because IFRS gives a common framework that makes the financial statements of DFCU Bank more comparable than ever with other banks both domestically and internationally.

It is observed from the responses that 52% strongly agree and 48% agree that the adoption of IFRS has enhanced the reliability of the financial information. Reliability is an important aspect for the stakeholders to build confidence in the financial information that is presented before them, and this is well-reinforced through IFRS by ensuring consistency with high-quality reporting standards.

The reactions are more varied here: 33% agreed, and 19% strongly agreed that the adoption of IFRS has made access to international markets easier, while 29% fall into the neutral zone, suggesting that though IFRS is a factor in market access, other things might also come into play.

Whereas 38% of the participants agree, 24% strongly agree that the adoption of IFRS has increased stakeholder confidence. This perhaps reflects the perception that increased transparency and reliability in financial reporting lead to enhanced trust among investors, regulators, and other stakeholders.

The responses are varied; 43% agree, while 23.8% strongly agree, that IFRS adoption has guaranteed the timeliness of financial reports. Though the standard emphasizes timely reporting, challenges in its implementation can still affect how timely reports are produced.

A total of 43% strongly agree and another 43% agree that IFRS adoption has guaranteed fair presentation of financial reports. This is in line with IFRS goals for presentation of financial information accurately and free from bias.

Table 5: Response on the challenges of IFRS adoption

STATEMENTS	<i>Freq</i>	%	<i>Freq</i>	%	<i>Freq</i>	%	<i>Freq</i>	%	<i>Freq</i>	%	<i>Freq</i>	%
IFRS adoption was complex during implementation							12	57	9	43	21	100
IFRS adoption led to increased costs due to the high costs of implementation			1	5			11	52	9	43	21	100
There was resistance from stakeholders and employees towards the adoption of IFRS	1	5	5	24	3	14	8	38	4	19	21	100
There was limited technical expertise for IFRS adoption			3	14	2	10	10	48	6	29	21	100

4.3.3 Challenges of IFRS adoption

A majority of 57% of the respondents agreed that IFRS adoption was complex and 43% of the respondents strongly agreed that the implementation of IFRS was complex. This indicated the reality that transitioning to IFRS involved significant changes in accounting practices. With the adoption of IFRS, the costs increased; 52% of the respondents agreed to the high implementation costs, and 43% confirmed the same. Only 5% did not perceive increased costs, and thus it was actually an issue of financial burden during IFRS adoption in DFCU bank. This is so because IFRS adoption often requires immense investment in training, and systems upgrades.

38% of the respondents' experience resistance from stakeholders and employees during the adoption process of IFRS in DFCU bank while 19% strongly experienced the resistance. A minority of 5% did not face much resistance while 24% faced only minimal challenges in terms of this resistance. It therefore follows that even though not complete, the resistance is seen to exist in a significant number. When the perceived benefits of a significantly huge change do not come out clearly, there is often a tendency to resist such change; hence, the adoption. A good number of the respondents 48% agreed that this was a challenge, whereas 29% strongly agreed to similar concerns, 14% disagreed hence indicating that they had less difficulty in this area. This may suggest that perhaps DFCU Bank faced some difficulties in finding or training people with appropriate IFRS knowledge.

Table 6: Responses on the quality of financial reports after IFRS adoption

STATEMENTS	<i>Freq</i>	%	<i>Freq</i>	%	<i>Freq</i>	%	<i>Freq</i>	%	<i>Freq</i>	%	<i>Freq</i>	%
There was improved reliability of the financial reports							7	33	14	67	21	100
There was improved relevancy of the financial reports					2	10	10	48	9	43	21	100
There was improved comparability of the financial reports across institutions					3	14	9	43	9	43	21	100
There was improved understandability of the financial information by its users					4	19	9	43	8	38	21	100
Financial reports are represented in a timely manner post IFRS			2	10	5	24	8	38	6	29	21	100

Source: Primary data

4.3.4 Quality of Financial Reports Post IFRS Adoption

It is evident from the table that the reliability of the DFCU financial reports increased greatly after IFRS adoption. This is because a greater portion of the respondents constituting 67% strongly agreed to the statement that IFRS adoption resulted in improved reliability in the financial reports, while a third of the respondents agreed to the statement, hence experiencing the improvement to a lesser extent. This indicated that with the adoption of IFRS, the trustworthiness of the financial data at DFCU increased.

These findings showed that 48% agreed IFRS adoption increased the relevancy of financial reports, while 43% strongly agreed. Only 10% of the respondents viewed this improvement as less than significant, an indication of broad agreement on increased relevancy of DFCU bank's financial reports.

A sum of 86% (43% strongly agreed and 43% agreed) felt that IFRS enhanced comparability of financial reports across institutions. This improvement was assessed by only 14% as neutral, a factor that suggested comparability was among the important benefits arising from the adoption of IFRS in DFCU bank.

In regard to the improvement in understandability of the financial information after IFRS adoption, a total of 43% agreed to that, while 38% strongly agreed to the statement. A minority of 19% considered it to be less improved. This reflected that the enhancement in understandability of DFCU bank's financial information was a significant benefit attained after the adoption of IFRS.

In fact, the timeliness of financial reports improved after the adoption of IFRS, 38% of respondents agreed and 29% strongly agreed. However, 24% were neutral about this benefit or improvement while 10% disagreed with the statement hence found to be a minor change. Despite this, the majority acknowledged better timeliness in financial reporting in DFCU bank.

From table 6, the respondents generally agreed that the adoption of IFRS made the financial reports of DFCU bank more reliable, relevant, comparable, and understandable, with these reports being represented in a more timely way. The views reached a consensus on the fact that IFRS had a positive effect on financial reporting, though to different extents by different respondents.

In sum, the results showed that a positive attitude toward IFRS adoption in DFCU Bank prevailed in the responses, those acknowledging improvements in transparency, reliability, and comparability of financial reports. On the other hand, the results provided insight into the difficulties during the adoption process, mainly with regard to complexity, cost, and demand for technical skills. After adoption, the quality of financial reporting generally improved; hence, it contributed to better decision making by stakeholders.

CHAPTER FIVE

SUMMARY DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter is comprised of the summary, discussions, conclusions and recommendations of the study

5.1 Summary of findings

This sub-section summarizes study findings on the extent to which IFRS adoption has affected the quality of financial reports in DFCU bank. The summary of findings was presented according to the study objectives.

5.1.1 Effects of IFRS adoption on quality financial reports

The research investigated the extent to which IFRS adoption had impacted on the quality of the financial reports of DFCU Bank. The findings, in this regard, showed that IFRS adoption enhanced transparency, comparability, and reliability in the financial reports. The majority of the respondent unanimously agreed that adoption results in clear and consistent financial statements that would be critical in carrying out proper financial analysis and subsequently making informed decisions. For example, 71% of the respondents strongly agreed that the adoption of IFRS had enhanced transparency, while 62% strongly agreed that it had also enhanced comparability. The improvements represented the natural benefits that come from the global perspective in adopting IFRS; this is where similar practices related to accounting facilitated comparability and reliability of financial information in various jurisdictions.

5.1.2 Challenges Faced During IFRS Adoption

The study was able to highlight the challenges which DFCU Bank faced during the adoption of IFRS. The study brought out that the adoption process wasn't without its major setbacks: complication side of the IFRS standards, high costs associated with its implementation, and extensive training needed. From Table 4, 57% agreed that the adoption procedure for IFRS was complicated, while 43% actually put the high cost of transition as an important barrier. These are consistent with challenges found by other studies, particularly those of developing countries whose level of resource and expertise is quite low. Other significant challenges noted included the requirement for new IT infrastructure for support and the potential resistance to change by

employees; both of which factors required active management. The quality of the financial reports after the adoption of IFRS

5.1.3 Quality of Financial Reports after IFRS Adoption

The study assessed the quality of the financial reports at DFCU Bank following the adoption of IFRS. It is apparent that the quality of financial reports has improved due to IFRS adoption. The results showed that the financial statements are presented more accurately and timely, reflecting the correct financial position of the bank. For instance, 52% of the total respondents strongly agreed that the adoption of IFRS increased the reliability of financial information. In addition, the financial reports are perceived to be more useful to the stakeholders like investors and regulators due to the enhanced transparency and comparability. This has equally enhanced the level of stakeholder trust in the bank's financial reporting.

5.2 Discussion of findings

This subunit presents the findings of the study guided by the objectives of the study.

5.2.1 Effects of IFRS adoption on the quality of the financial report

The results indicated that the quality of financial reports in DFCU Bank have markedly improved with the adoption of IFRS, especially in terms of transparency, comparability, and reliability. It is consistent with literature at hand, which identified that the harmonization effect of IFRS in various jurisdictions ultimately facilitates comparability of financial information from various countries more easily (Barth et al., 2008).

The adoption of IFRS, therefore, has enhanced the extent of transparency in financial reporting through extensive disclosure and better presentation of financial information. In this regard, such a level of transparency is vital to stakeholders, such as investors, regulators, and analysts, as it reduces information asymmetry and gives these stakeholders much better bases for informed decisions about their strategies related to investment. This has been more meaningful in those aspects that require improved risk management and financial instruments, whose clearer disclosure has boosted stakeholder confidence in the financial health of DFCU Bank. Standardization brought by IFRS allowed for easy comparability of financial statements across various banks and jurisdictions. This is particularly important in the globalised world of banking, as investors and other users need to track financial performance compatibly across borders. Based on the fact, accordingly, it was found that the comparability of financial statements of DFCU Bank improved

dramatically after the adoption of IFRS and, by this virtue, facilitated the ability of stakeholders to compare the performance of the bank to those of other institutions both domestically and internationally.

Reliability is another quality that is critical in financial information and is enhanced by IFRS. From the study, it became clear that the adoption of IFRS increased both the comparability and accuracy of the financial reports in DFCU Bank. This confirms research done by Soderstrom and Sun (2007) which shows that IFRS reduces earnings management and provides financial reports with economic facts for the true representation of a firm's situation. The improved reliability at DFCU Bank ensured more confidence among the stakeholders, particularly investors and regulators of the country using financial statements to make critical decisions.

5.2.2 Challenges in Adopting IFRS

Though the benefits of adopting IFRS are pretty evident, there have been some challenges concerning transition toward such international standards. Based on the outcome of this study, there have been some key challenges which are discussed as faced by DFCU Bank during IFRS adoption.

One of the biggest challenges was how intricate IFRS standards were. IFRS calls for a deep understanding of the involved, complicated accounting concepts, particularly in aspects such as financial instruments, revenue recognition, and consolidation. The intensity of such standards formed the learning curve that the accounting professionals in the bank had to be deeply trained in order to understand what was required by IFRS, and thus appreciate how to apply the same. This finding is consistent with international findings that the level of complexity of IFRS was among major impediments for its adoption especially among developing nations (Zeghal & Mhedhbi, 2006).

Another major challenge faced in adopting IFRS were financial costs. It emerged from the research study that DFCU Bank had to invest a lot in upgrading its IT infrastructure, purchasing new accounting software, and training its personnel. These costs were considerable and placed an added burden on the finances of the bank in question, particularly in the beginning stages following adoption. Several studies reinforce this, such as Horton and Serafeim 2010 who state the cost of

transitioning to IFRS is prohibitively high, especially for smaller banks, and those operating within developing economies.

Another opposition to the transition to IFRS came from within, that is, among the employees. The research showed that some of the workers were not willing to accept the new standards; this was mainly because the new set of standards was likely to disrupt the existing ways of performing the accounting work and require further administrative tasks to implement IFRS (Perera & Baydoun, 2007). This is normal in any IFRS adoption process, more so in institutions where members were attached to their traditional local accounting practices.

Other challenges recorded in this research were how to ensure that IFRS principles were presented in a manner that was consistent with local regulations in place. In this regard, DFCU Bank faced financial reporting challenges related to conflicts between the requirements of IFRS and local regulatory frameworks; this is an aspect that further complicated the process of adopting IFRS. According to Brown (2011), this is normally the problem that happens to be faced by developing nations whose local standards and requirements as far as accounting and regulation are concerned may not necessarily be completely consistent with IFRS.

5.2.3 Quality of Financial Reports After IFRS Adoption

The financial reports at DFCU Bank have proven tremendous improvement in their quality after the IFRS adoption. In the view of this study, the financial statements have been more accurate and consistent, adhering to the international levels and thereby gaining reliability among stakeholders.

The financial reports of DFCU Bank have become increasingly disclosures after the adoption of IFRS, especially on credit risk and liquidity management. This is particularly so with IFRS 9, where the forward-looking value measurement approach for recognizing credit losses led to increased transparency and better reporting within the financial statements. Indeed, such improved disclosures have assisted stakeholders in making informed decisions about the bank through deeper insight into the risk profile and true financial position of the institution.

This improved quality of financial reporting has engendered confidence among the stakeholders. For example, investors are more confident in the bank's financial statements, a factor that has influenced the bank's reputation and market valuation positively. This finding is supported by

studies on how generally the adoption of IFRS leads to higher market valuation and lower costs of capital as investors perceive the financial information to be more reliable and comparable.

Notwithstanding these improvements, the study noted that some of the issues still exist. For instance, issues related to the timeliness and fair presentation of financial statements, the accrued benefits had not been fully realized post-adoption of IFRS. According to some respondents, increased complexity presented by IFRS sometimes delays the preparation of the financial statement because in a situation where a transaction is complicated, the process takes more time (Paananen & Lin, 2009). This means that while IFRS adoption has significantly improved the quality of financial reports, sustained efforts are still needed in order to overcome the remaining challenges in the full optimization of benefits accruable from these standards.

5.3 Conclusions

The subunit provides the conclusions based on each of the research objectives as deduced from the findings of the study.

5.3.1 Impact of IFRS adoption on Quality of Financial Reporting

Adoption of IFRS has increased the quality of financial reports of DFCU Bank, especially in areas of transparency, comparability, and reliability. Such characteristics, when improved, are important in making sure that financial reports represent the financial position, performance, and risks of banks. With increased attributes of transparency and comparability, decision-making by investors, regulators, and management will be improved, hence a statement to global best practices in financial reporting.

Reliability of the financial information also significantly improved after the adoption of IFRS. This heightened reliability makes it tough for financial misstatements and earnings management; hence, stakeholders have more confidence in the bank's financial reporting. The findings support the broader literature that would typically suggest that the adoption of IFRS results in heightened accounting quality and relevant consistency of financial reporting internationally.

5.3.2 Issues arising from the adoption of IFRS

While the study has shown an overall positive influence of the adoption of IFRS on the quality of the financial reporting, it also indicated that there was no lack of serious challenges in such an adoption. A major challenge to IFRS standards was their difficulty and the amount of training,

apart from accounting practices, which needed to be done. High implementation cost, specifically regarding upgrading IT infrastructure and personnel training, became a great drain on the bank's resources.

Secondly, the resistance to IFRS transition reiterates that appropriate strategies for managing change within the organization are an essential factor in effecting smooth transition to IFRS. Further complicating the adoption process was the alignment of IFRSs to the local regulatory requirements, calling for better regulatory coordination and in support of the adoption of international standards in developing economies such as Uganda.

5.3.3 Quality of financial reports post IFRS

While the general trend for improvements in financial reporting is encouraging, the study considers that IFRS adoption has not yet reached full potential with regard to the timely and fair presentation of financial reports. In some cases, increased complexity in the standards resulted in financial reporting for individual entities taking longer, especially in dealing with complex transactions and financial instruments. This means, while IFRS tries to provide a solid foundation in financial reporting, its implementation actually requires a lot of resources and expertise for timely and fairly presented reports.

The study deduces that though IFRS adoption has brought significant improvements in the quality of financial reporting, support and adaptation are still necessary. Problems faced in adopting IFRS, particularly on issues of complexity, cost, and regulatory alignment, also suggest that banks within developing countries still need encouragement from regulators and international bodies for full realization of IFRS benefits.

Apart from the already suggested, IFRS standards require more contextualization at the local level in terms of their efficient implementation and sustainability of quality improvement in the long run. For instance, there could be a need to develop IFRS guidelines that are more relevant to the economic and regulatory environment of developing countries like Uganda.

5.4 Contributions to the study

The section provides up-to-date information about how the adoption of IFRS affects the quality of the financial reports.

5.4.1 Academic Contributions

The study enriches the existing literature related to the adoption of IFRS, particularly in developing economies, a domain that is less treaded as compared to the developed markets. The present study offers an empirical illustration of how IFRS adoption affects the quality of financial reporting, using the case of DFCU Bank in Uganda; these contexts are mostly different in regulatory frameworks and the state of their economies from the developed markets. This is important for better understanding of the challenges and benefits associated with the adoption of IFRS in emerging markets.

The study also adds to the academic debate on the effects that the adoption of IFRS has on the quality of financial reports, namely on the dimensions of transparency, comparability, and reliability. Although the findings support the fact that IFRS improves these dimensions of quality with regard to financial reporting-a finding that is consistent with global research-they offer certain specific insights applicable in the Ugandan banking sector. This therefore adds depth to the limited understanding with regard to how IFRS works in different economic and regulatory environments.

The study gives an overview of the barriers to effective IFRS implementation-for instance, the challenges DFCU Bank faced during the adoption of IFRSs include, but are not limited to, complexity of standards, high implementation costs, and problems of regulatory alignment. This adds to the literature by highlighting some specific hurdles which banks in developing countries may face, hence providing a basis on which future studies can be built in finding solutions to these challenges.

5.5.2 Practical Contributions

The study provides practical lessons that other Ugandan banks and those developing countries that are implementing or have intentions of implementing IFRS would find beneficial. The detailed analysis of challenges and benefits identified from the case study of DFCU Bank can, therefore, act as a guide to these institutions on how best to prepare for some of the challenges likely to be experienced in IFRS implementation. These recommendations are especially useful for banks to consider when discussing the investments required in training, infrastructure development, and change management in order to realize improvement in the quality of financial reporting in light of IFRS adoption.

These results have fundamental policy implications for regulators and policymakers in Uganda and other developing economies. These findings, based on regulatory alignment challenges and high costs of IFRS adoption, expect more support by the regulatory bodies. In establishing these issues, this research study contributes to the policy discussion on how to make the transition process easier and smoother through improved IFRS adoption processes. It may therefore lead to some reform measures that could give more support to banks in such a transition process.

First, the study provides stakeholders, such as investors, auditors, and financial analysts, with an enhanced view of how the adoption of IFRS has impacted the quality of financial reporting in the Ugandan banking sector. In this regard, stakeholders can now make informed decisions when assessing the financial health and performance of those banks that have adopted IFRS. Again, this is where emphases on the improvements in transparency, comparability, and reliability after IFRS adoption play a crucial part in the study for these groups.

The study therefore provides considerable knowledge to the academic community, as well as to the practical field of financial reporting in developing economies. With that said, this research will provide a useful resource that could be consulted to inform future studies and policies, development, and implementation strategies in DFCU Bank and other related contexts by addressing the impact of IFRS adoption on the quality of financial reporting and exploring the related challenges.

5.6 Limitations of the study

Although the study gives an insight into the effect of IFRS adoption on the quality of financial reports at DFCU Bank, a number of limitations are apparent, which might affect the generalisability and scope of the findings.

The study focused on DFCU Bank in Uganda alone, so generalizing the findings to other banks or even to financial institutions within and outside of Uganda had its limitations. While DFCU Bank is a major bank in Uganda's banking industry, experiences and challenges may be representative but not fully captured by this institution compared to other banks, especially small banks or those with different operational structures.

The sample size used in this study was relatively small, which involved 28 respondents from different departments of DFCU Bank. Although this sample has indeed given a wealth of insights,

the same study carried out on a more representative sample could have fetched a better data outcome, probably with different findings. The small size limits the possibility of greater statistical analysis needed in capturing deeper insights into the exact nature and relationship between IFRS adoption and the quality of financial reporting.

The focus on one bank, DFCU Bank alone, implies that this study did not realize the wealth of experiences that would result from studying the different banks in Uganda or for that matter those in other developing countries. Various banks might have differing challenges in IFRS adoption based on parameters such as their size, operation complexities, and prior exposure to international accounting standards. The focus of this single institution has limited the drawing of broader conclusions concerning the adoption of IFRS and its impact on the banking sector as a whole.

In summary, while the study has yielded useful findings on the effect of adopting IFRS on the quality of financial reporting at DFCU Bank, these limitations hint at the need for caution in generalizing the findings. This could be improved in further research by increasing the sample size and considering the scope of the study and more institutions.

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APPENDICES

APPENDIX 1: QUESTIONNAIRE

Questionnaire on IFRS Adoption and Financial Reporting Quality

My name is Nagasha Patience Mercy Registration no J23B05/030. I am a student at Uganda Christian University Mukono offering a bachelor's degree in business administration and I am a researcher conducting a survey on IFRS adoption and quality financial reports in partial fulfillment of the award in business administration. The purpose of this survey is to understand the level of compliance and impact IFRS adoption on the quality of financial reports at DFCU bank. Your participation will help me gain valuable insights and improve banking services. Please be assured that your responses will be kept confidential and anonymous.

Section A: Demographic Information (tick appropriately)

1. What is your gender
 Male Female
2. What is your role at DFCU Bank, Mukono?
 Finance Department
 Accounting Department
 Senior Management
 Other (please specify: _____)
3. How many years have you been working in your current role?
 Less than 1 year
 1 to 5 years
 6 to 10 years
 More than 10 years
4. To what extent do you believe DFCU Bank has fully adopted IFRS standards?
 Not at all Partially Mostly Fully

Instructions:

On a scale of 1-5, tick in the appropriate box on how you strongly agree or disagree with the statements given.

Scale; (1= strongly disagree, 2= disagree, 3 = neutral, 4 = agree, 5 = strongly agree)

STATEMENT	1	2	3	4	5
Benefits of IFRS adoption on quality financial reports					
1. IFRS adoption has improved transparency in financial reporting					
2. IFRS adoption has enhanced comparability of financial reports					
3. IFRS adoption has increased the reliability of financial information					
4. IFRS adoption has facilitated better access to international markets					
5. IFRS adoption has increased stakeholder confidence					
6. IFRS adoption has ensured timeliness of the availability of financial reports					
7. IFRS adoption has ensured fair presentation of financial reports					
Challenges of IFRS adoption					
8. Complexity of the implementation					
9. High costs of implementation					
10. Resistance of stakeholders and employees to IFRS adoption					
11. Limited technical expertise for IFRS adoption					
Quality of financial reports post IFRS adoption					
12. Improved reliability of the financial reports					
13. Improve relevancy of the financial reports					
14. Improved comparability of the financial reports					
15. Improved understandability of the financial reports					
16. Financial reports are presented in a timely manner post IFRS adoption					

Additional Comments:

Please use the space below to provide any additional comments or insights regarding IFRS adoption and financial reporting quality at DFCU Bank.

Thank you for taking the time to complete this questionnaire.

Your responses are valuable for my research.

APPENDIX 2: INTRODUCTORY LETTER



**UGANDA CHRISTIAN
UNIVERSITY**

A Centre of Excellence in the Heart of Africa

SCHOOL OF BUSINESS

27th Aug, 2024

TO WHOM IT MAY CONCERN

Name: **NAGASHA PATIENCE MERCY** Reg. **J23B05/030**

A bachelor's student who is seeking permission from your office to collect data for her dissertation titled

IFRS Adoption and Quality Financial Reports in Commercial Banks. A case study of DFCU Bank Mukono branch

We shall be grateful if you could render assistance to her in collecting the necessary data for her dissertation

The Uganda Christian University School of Business thanks you in advance

Mukisa Simon Peter
Research coordinator



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