

**THE IMPACT OF ACCOUNTING STANDARDS IN THE CREDIBILITY OF
FINANCIAL REPORTING: A CASE STUDY OF ABSA BANK BRANCHES IN
CENTRAL REGION, KAMPALA, UGANDA**

AGNES KEMIGISA

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**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT
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DECLARATION

I, Kemigisa Agnes, declare that this dissertation entitled “Impact of Accounting Standards on the Credibility of Financial Reporting at Absa Bank Uganda Limited” is my original work, carried out under the guidance of my supervisor, Mr. Ahabwe Alex. It has not been submitted to any university or institution for the award of a degree or any other academic qualification.

Date: _____13/9/2025__signature_____



APPROVAL

This is to certify that the dissertation entitled “Impact of Accounting Standards on the Credibility of Financial Reporting at Absa Bank Uganda Limited” submitted by Kemigisa Agnes has been reviewed and approved as part of the requirements for the award of the Bachelor of Business Administration (Accounting) at Uganda Christian University, Mukono.

The study was carried out under my supervision, and I am satisfied that it meets the academic standards of the university and is suitable for submission.

Supervisor’s Name: Mr. Ahabwe Alex

A handwritten signature in blue ink, appearing to be 'Alex', is written over a faint rectangular stamp area.

Signature:

Date: _____ 13/9/2025 _____

DEDICATION

I dedicate this dissertation to my dear father, Mr. Musinguzi Wilson Amooti, and to my siblings and close family members whose love, encouragement, and sacrifices have been my greatest source of strength.

I also dedicate this work to my mentors and lecturers, who have guided me with patience and wisdom throughout my academic journey.

To my friends and colleagues, thank you for your support, encouragement, and companionship, which made this journey lighter.

Above all, I dedicate this dissertation to everyone who believes in the value of honesty and credibility in financial reporting.

ACKNOWLEDGEMENT

I am sincerely grateful to all the people who supported me in different ways during the writing of this dissertation titled “Impact of Accounting Standards on Credibility of Financial Reporting at Absa Bank Uganda Limited.”

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TABLE OF CONTENTS

APPROVAL.....	iii
DEDICATION	iv
ACKNOWLEDGEMENT	v
LIST OF TABLES	viii
LIST OF ACRONYMS / ABBREVIATIONS.....	ix
ABSTRACT	x
CHAPTER ONE.....	1
INTRODUCTION	1
1.1 Introduction.....	1
1.9 Justification of the Study	8
CHAPTER TWO	10
LITERATURE REVIEW.....	10
2.1 Introduction.....	10
2.4.3 Ugandan Context	13
CHAPTER THREE	15
METHODOLOGY	15
3.1 Introduction.....	15
3.5 Sampling Techniques and Procedures.....	16
3.6 Data Collection Sources.....	16
3.6.1 Primary Data	16
3.6.2 Secondary Data	16
3.9 Procedure for Data Collection	18
3.12 Ethical Considerations	19
CHAPTER FOUR.....	20

DATA PRESENTATION, ANALYSIS AND INTERPRETATION.....	20
4.1 Introduction.....	20
4.4.1 Implementation of Accounting Standards.....	24
Table 4.6: Implementation of Accounting Standards.....	24
4.4.2 Relationship Between Standards and Credibility of Financial Reporting.....	25
Table 4.7: Credibility of Financial Reporting.....	25
4.4.3 Challenges in Implementation.....	26
4.6 Comparative Analysis with Literature.....	28
4.7 Interpretation of Findings.....	28
4.8 Summary of Findings.....	28
CHAPTER FIVE:.....	29
DISCUSSION, SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....	29
5.0 Introduction.....	29
REFERENCES.....	33
QUESTIONNAIRE.....	37
Section A: Background Information.....	37
Section B: Implementation of Accounting Standards.....	37
Section C: Credibility of Financial Reporting.....	38
INTERVIEW GUIDE.....	40
Section A: Demographic Information.....	40
Section B: Implementation and Impact of Accounting Standards.....	40

LIST OF TABLES

Table 3.1: Sample Size Distribution	15
Table 4.1 presents the response rate from the distributed questionnaires and interviews.	21
Table 4.1: Response Rate	21
Table 4.2: Gender Distribution	22
Table 4.3: Age Distribution.....	22
Table 4.4: Education Level	23
Table 4.5: Work Experience.....	23
Table 4.6: Implementation of Accounting Standards.....	24
Table 4.7: Credibility of Financial Reporting.....	25

LIST OF ACRONYMS / ABBREVIATIONS

IFRS	–	International Financial Reporting Standards
IASB	–	International Accounting Standards Board
ICPAU	–	Institute of Certified Public Accountants of Uganda
URA	–	Uganda Revenue Authority
GAAP	–	Generally Accepted Accounting Principles
SEC	–	Securities and Exchange Commission
PAT	–	Positive Accounting Theory
UCU	–	Uganda Christian University

ABSTRACT

The findings showed that compliance with accounting standards improved the transparency and accuracy of financial reports and helped strengthen investor confidence. At the same time, the study identified several challenges, including the complexity of IFRS, high implementation costs, limited staff expertise, and system constraints, which sometimes slowed down effective application.

Overall, the study concluded that accounting standards play a key role in enhancing the credibility of financial reporting at Absa Bank Uganda Limited. It recommends ongoing staff training, greater investment in modern reporting systems, stronger regulatory follow-up, and improved internal controls. These recommendations are intended to help both the bank and regulators overcome the existing challenges. The study also adds to the limited research on IFRS adoption in developing countries, especially in the Ugandan banking sector.

CHAPTER ONE

INTRODUCTION

1.1 Introduction

This chapter presents the foundational aspects of the study, including the background of the research, statement of the problem, objectives, research questions, scope, hypotheses, definitions of key terms, justification, and conceptual framework. It sets the stage for understanding how accounting standards influence the credibility of financial reporting, particularly in the banking sector.

1.2 Background of the Study

1.2.1 Historical Background

The history of accounting standards has been shaped by the changing needs of businesses and society for reliable financial information. In the early years, accounting practices were mostly unregulated and varied from one company or country to another. This lack of consistency made it difficult for users of financial statements to compare results or trust the accuracy of reports. In some cases, it even created room for manipulation and fraud.

A turning point came after the Great Depression of 1929, which revealed the dangers of unreliable reporting. In response, the United States established the Securities and Exchange Commission (SEC) and later the Financial Accounting Standards Board (FASB), which developed Generally Accepted Accounting Principles (GAAP). These efforts introduced a stronger framework for financial reporting and helped restore investor trust.

As trade and capital markets became more global, the need for international harmonization grew. This led to the formation of the International Accounting Standards Committee (IASC) in 1973, which later evolved into the International Accounting Standards Board (IASB) in 2001. The IASB introduced International Financial Reporting Standards (IFRS) with the aim of creating one global language for financial reporting.

The early 2000s brought another major shift, following corporate scandals such as Enron and WorldCom. These events reminded the world that strong accounting standards are essential for

investor protection and financial stability. Today, more than 140 jurisdictions, including Uganda, have adopted IFRS.

In Uganda, IFRS was officially adopted in 2010, and banks such as Absa Bank Uganda Limited now prepare their financial statements in line with these standards. The aim has been to promote consistency, comparability, and transparency in financial reporting, while also attracting investor confidence both locally and internationally. However, challenges such as limited training, enforcement gaps, and high costs of compliance remain barriers to achieving the full benefits of IFRS.

1.2.2 Theoretical Background

The relationship between accounting standards and the credibility of financial reporting is underpinned by several key theories that provide insight into how financial information is perceived, prepared, and used by different stakeholders. The most relevant theories include: Agency Theory, Signaling Theory, Stakeholder Theory, and Institutional Theory.

Agency Theory

Agency Theory explains the potential conflict between principals (shareholders) and agents (management) in an organization. At Absa Bank Uganda, shareholders expect managers to act in their best interest by providing accurate and transparent financial information. However, managers may sometimes be motivated to manipulate or withhold information to protect personal interests, such as bonuses, reputation, or job security. Accounting standards, especially IFRS, help reduce this information asymmetry by enforcing consistency, disclosure, and transparency. Compliance with IFRS therefore helps mitigate agency problems and strengthens the credibility of financial reporting.

Signaling Theory

Signaling Theory highlights how organizations use financial reporting to communicate their quality, stability, and credibility to external stakeholders. For Absa Bank Uganda, publishing IFRS-compliant financial statements signals to investors, regulators, and customers that the bank is transparent, financially sound, and trustworthy. In the competitive banking sector, such credibility can enhance investor confidence and customer loyalty. Conversely, poor compliance or weak disclosures can send negative signals, raising doubts about the bank's integrity and stability.

Stakeholder Theory

Stakeholder Theory posits that organizations have responsibilities not just to shareholders, but also to a broader set of stakeholders, including regulators, employees, customers, creditors, and the community. For Absa Bank Uganda, the credibility of financial reporting is crucial for these groups: regulators rely on accurate reports to enforce compliance, customers depend on transparency for confidence in the bank's stability, and investors use financial statements to make informed decisions. Accounting standards provide a framework for balancing these diverse expectations.

Institutional Theory

Institutional Theory emphasizes how organizations conform to established rules, norms, and standards to gain legitimacy. For Absa Bank Uganda, adhering to IFRS is both a regulatory requirement and a means of aligning with global best practices. Compliance enhances the bank's legitimacy with international investors, regulators, and the public. Failure to meet these standards could result in reputational damage, regulatory penalties, or loss of market trust. In this way, accounting standards act as institutional pressures that shape organizational behavior.

2.2.3 Contextual Background

IFRS and other accounting standards are used worldwide to improve the quality and credibility of financial reporting, but their implementation varies by country and organization. In Uganda, several factors influence how effectively these standards are applied.

Absa Bank Uganda follows IFRS to ensure transparency, consistency, and comparability in its financial statements. Since Uganda adopted IFRS in 2010, all listed companies and public interest entities, including banks, are required to comply. This helps boost investor confidence, attract foreign investment, and promote transparency.

However, challenges remain: weak regulatory enforcement, a shortage of IFRS-trained accountants and auditors, legal and cultural differences, governance issues including corruption, and varying oversight between public and private institutions. Despite these obstacles, banks like Absa continue to uphold high reporting standards.

Even when Absa Bank complies with IFRS, stakeholder trust depends on the perceived effectiveness of enforcement, audit quality, and management integrity. Past financial scandals in

the sector may also influence public perception, highlighting that the mere presence of accounting standards is insufficient to guarantee credible financial reporting.

Therefore, this study is timely and relevant, as it seeks to assess whether adherence to accounting standards at Absa Bank truly enhances the reliability and decision-usefulness of its financial reports for investors, regulators, and other stakeholders.

2.2.4 Conceptual Background

Credibility in financial reporting refers to the degree to which users of financial statements can trust the information presented as accurate, transparent, and free from bias. In the banking sector, this is especially important because decisions made by investors, regulators, and customers rely heavily on reliable reports. For a financial institution like Absa Bank Uganda, credibility is not just an accounting principle but also a foundation for its reputation and long-term sustainability.

Accounting standards such as the International Financial Reporting Standards (IFRS) are designed to provide a uniform framework for preparing and presenting financial statements. By adhering to these standards, Absa Bank ensures that its reports are comparable to those of other banks globally, reducing ambiguity and limiting management's discretion that might otherwise distort financial results. This compliance gives stakeholders greater confidence in the information provided.

That said, credibility does not depend on standards alone. It is shaped by a number of interacting factors, including:

- Level of compliance: How faithfully Absa Bank applies IFRS in both the technical form and the spirit of transparency.
- Audit quality: The role of independent and competent auditors in verifying the accuracy of the bank's financial reports.
- Regulatory oversight: The capacity of the Bank of Uganda and other regulators to enforce compliance and penalize deviations.
- Management integrity: The ethical behavior and commitment of Absa Bank's management toward honest financial reporting.

- Stakeholder confidence: The perceptions of investors, clients, and regulators about the bank's openness and reliability.

In this study, credibility of financial reporting is treated as the dependent variable. It is influenced by independent variables such as IFRS compliance, audit practices, and regulatory enforcement. The assumption is that stronger adherence to accounting standards leads to more credible financial reporting. However, this relationship is also affected by contextual factors in Uganda's banking sector, such as limited technical expertise and institutional challenges.

Understanding these dynamics is key not only for improving financial reporting practices within Absa Bank but also for strengthening stakeholder trust and enhancing the reputation of Uganda's banking industry at large.

1.3 Statement of the Problem. Financial statements are supposed to provide a clear and reliable picture of an organization's performance and position. They are the main source of information for investors, regulators, creditors, and customers when making important decisions. However, in practice, the credibility of these reports is often questioned. Issues such as inconsistent application of accounting standards, incomplete disclosures, and differing interpretations of reporting rules have continued to create doubts about the reliability of financial information.

The introduction of International Financial Reporting Standards (IFRS) was intended to improve transparency and comparability of financial reports. Yet, in Uganda, the full benefits of IFRS have not always been realized. While regulatory bodies like the Institute of Certified Public Accountants of Uganda (ICPAU) and the Uganda Revenue Authority (URA) require compliance, enforcement is not always consistent. Even established banks, including Absa Bank Uganda, face challenges such as the high cost of upgrading systems, the complexity of applying IFRS in practice, and the need for specialized staff with technical expertise.

In addition, the pressure on management to present positive financial results can sometimes lead to practices that compromise full disclosure. This creates a credibility gap between what the standards are meant to achieve and what users of financial statements actually experience.

For a bank like Absa, this gap is critical because stakeholders—including shareholders, depositors, regulators, and potential investors—depend on credible financial reporting to build confidence and make sound decisions. When credibility is in doubt, not only is investor confidence weakened, but the overall stability of the financial sector may also be affected.

To achieve this, international and national accounting standards prescribe uniform recognition, measurement, and disclosure principles. In theory, adherence to these standards should enhance the credibility of financial reports by reducing information asymmetry and limiting earnings manipulation.

However, empirical evidence shows that compliance with accounting standards does not automatically guarantee credibility. In the banking sector, including Absa Bank Uganda, challenges such as weak enforcement mechanisms, insufficient auditor independence, and limited technical capacity hinder the effective implementation of standards. Regulatory reports indicate that while banks demonstrate relatively higher levels of compliance compared to SMEs, issues such as selective application of standards, complex financial instruments, and regulatory loopholes can still lead to inconsistencies that erode stakeholder trust.

This mismatch between the intended objectives of accounting standards and the actual quality of financial reports at Absa Bank Uganda creates a research gap. It is therefore necessary to investigate whether and to what extent compliance with accounting standards contributes to the perceived credibility of financial reporting in the bank, and to identify the factors influencing this relationship.

1.4 Objectives of the Study

The main objective of this study is to evaluate the impact of accounting standards on the credibility of financial reporting in Absa Bank Uganda.

Specific objectives include:

1. To examine how the adoption of accounting standards influences the quality and reliability of financial statements at Absa Bank.
2. To analyze the relationship between compliance with accounting standards and investor confidence in Absa Bank.
3. To identify challenges in the implementation and enforcement of accounting standards in Absa

Bank.

4. To evaluate the perceptions of stakeholders (auditors, regulators, investors, and management) regarding the role of standards in enhancing credibility at Absa Bank.

1.5 Research Questions

1. How do accounting standards affect the credibility of financial reporting at Absa Bank?
2. What are the key factors that influence the effectiveness of accounting standards in Absa Bank?
3. To what extent do stakeholders perceive Absa Bank's financial statements as credible due to adherence to accounting standards?
4. What challenges are associated with implementing and enforcing accounting standards at Absa Bank?

1.6 Research Hypotheses

Null Hypothesis (H_0): There is no significant relationship between the application of accounting standards and the credibility of financial reporting in Absa Bank.

Alternative Hypothesis (H_1): There is a significant positive relationship between the application of accounting standards and the credibility of financial reporting in Absa Bank.

1.7 Significance of the Study

This study is significant to:

Regulators and policymakers such as the Bank of Uganda and ICPAU in strengthening enforcement.

Investors and financial analysts in understanding the reliability of Absa Bank's financial information.

Corporate management and accountants in identifying challenges and benefits of compliance.

Academics and researchers in providing case-specific evidence from a Ugandan multinational bank.

1.8 Scope of the Study

1.8.1 Content Scope

The study focuses on the impact of accounting standards (particularly IFRS) on the credibility of financial reporting in Absa Bank Uganda. It examines variables such as compliance, transparency, enforcement, and audit quality.

1.8.2 Geographical Scope

This study is geographically limited to Absa Bank branches in the Central Region of Kampala, Uganda. The choice of Absa Bank is based on its prominence as one of the largest commercial banks in Uganda, its adoption of IFRS, and its role in financial intermediation within the country.

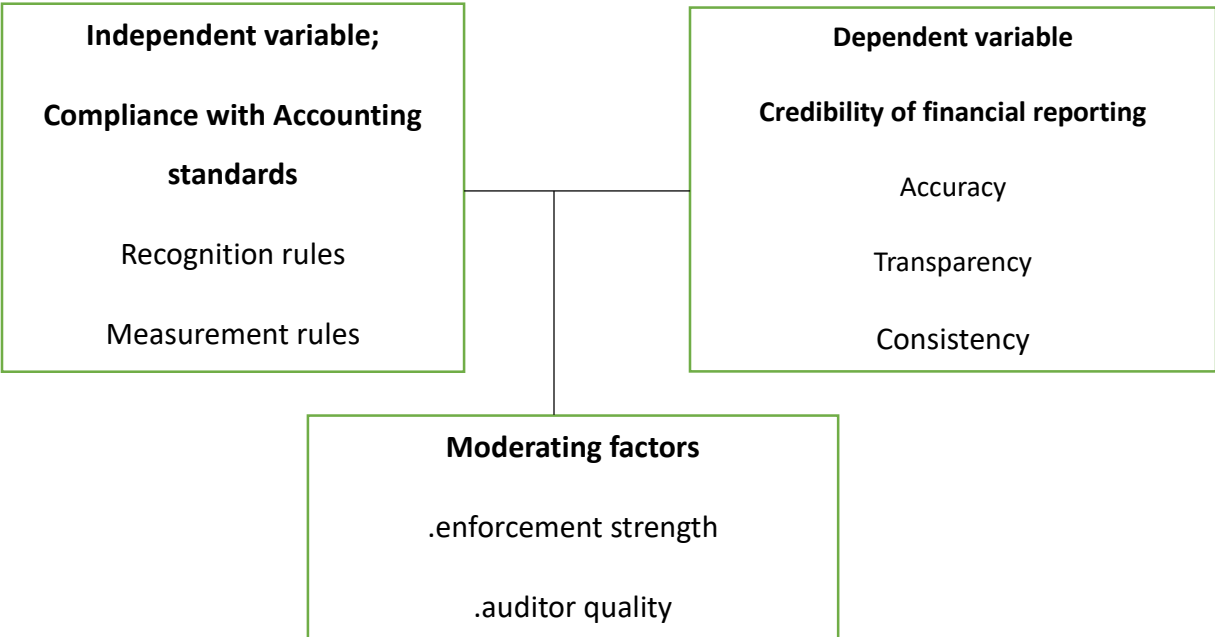
1.8.3 Time Scope

The study will cover the period 2019–2024, reflecting the most recent five years of financial reporting at Absa Bank Uganda. This period captures significant regulatory changes and developments in IFRS adoption and provides a basis for evaluating the trends in financial reporting credibility.

1.9 Justification of the Study

This study is justified because it provides evidence on whether financial reports of Absa Bank Uganda truly reflect economic reality and are perceived as credible by stakeholders. It also helps assess whether the adoption of IFRS has enhanced financial reporting credibility within the Ugandan banking sector.

1.10 Conceptual Framework



Independent Variable: Compliance with Accounting Standards (IFRS & national standards)

Dependent Variable: Credibility of Financial Reporting

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides an in-depth review of the literature concerning the influence of accounting standards on the credibility of financial reporting, particularly in the context of Absa Bank Uganda. Its aim is to explore relevant theories, concepts, and empirical findings, while highlighting gaps that support the need for this study. According to Kombo and Tromp (2006), a literature review critically evaluates the existing scholarly work on a specific topic.

2.2 Theoretical Literature Review

2.2.1 Agency Theory

Agency theory (Jensen & Meckling, 1976) explains conflicts of interest between principals (shareholders) and agents (managers). Shareholders expect accurate and credible financial reports for decision-making, while managers may manipulate information to achieve personal objectives. Accounting standards like IFRS help minimize opportunistic behavior by restricting managerial discretion.

For ABSA Bank Uganda, this theory is highly relevant, as management decisions directly affect stakeholders, including depositors, regulators, and investors. The credibility of the bank's financial reporting depends on the extent to which managers comply with IFRS to mitigate agency problems.

2.2.2 Signaling Theory

Signaling theory (Spence, 1973) asserts that organizations convey information through observable actions such as compliance with accounting standards. Firms that strictly implement IFRS signal transparency and reliability to investors, creditors, and regulators.

For Absa Bank Uganda, adherence to international standards functions as a strategic signal that reassures stakeholders about its governance practices, financial health, and commitment to global best practices.

2.2.3 Stakeholder Theory

Stakeholder theory (Freeman, 1984) emphasizes accountability not only to shareholders but also to employees, customers, regulators, and the public. Financial reporting credibility is essential to all these groups, as they rely on accurate information for decision-making.

At Absa Bank Uganda, credible reporting is critical for maintaining trust with regulators like the Bank of Uganda, investors, and customers whose deposits rely on prudent management practices.

2.2.4 Institutional Theory

Institutional theory (DiMaggio & Powell, 1983) suggests that organizations adopt practices like accounting standards due to coercive (regulatory), normative (professional), and mimetic (peer) pressures. Banks comply with IFRS not only due to regulatory requirements but also to maintain legitimacy and align with international best practices.

Absa Bank Uganda, as part of a multinational financial group, faces both local and international pressures that shape its financial reporting practices, influencing the credibility of its reports.

2.2.5 Positive Accounting Theory

Positive Accounting Theory (PAT) (Watts & Zimmerman, 1986) explains that managers choose accounting policies based on incentives such as debt covenants, bonus schemes, or political costs. While IFRS restricts arbitrary choices, credibility can still be compromised if managers exploit flexible options opportunistically.

At Absa Bank Uganda, credibility depends not only on compliance with IFRS but also on the ethical application of accounting standards by management.

2.2.6 Decision-Usefulness Theory

Decision-Usefulness Theory posits that financial reporting should provide relevant, reliable, and comparable information for decision-making (IASB, 2010). IFRS adoption in Uganda was partly motivated by the need to enhance decision-usefulness for both local and international investors, particularly in banks such as Absa.

2.2.7 Information Asymmetry Theory

This theory highlights information imbalances between insiders (management) and outsiders (investors, regulators). IFRS compliance helps reduce this gap by ensuring uniform disclosure.

For Absa Bank Uganda, strict adherence to accounting standards reduces information asymmetry, protects stakeholders, and strengthens the credibility of financial reports.

2.3 Conceptual Literature Review

2.3.1 Accounting Standards

Accounting standards are principles and rules guiding recognition, measurement, presentation, and disclosure of financial transactions. IFRS serves as the global benchmark, complemented by local standards in Uganda. Standards enhance comparability and reliability of financial information (Barth, 2013).

Standards address four major components:

Recognition: Determining when items should appear in the financial statements.

Measurement: Assigning monetary values to recognized items.

Disclosure: Providing detailed information in notes to accounts.

Presentation: Structuring financial information clearly and consistently.

For Absa Bank Uganda, IFRS compliance ensures that financial reports meet both local regulatory requirements and international stakeholder expectations.

2.3.2 Credibility of Financial Reporting

Credibility refers to the confidence users place in financial statements, characterized by accuracy, neutrality, transparency, timeliness, and verifiability (Ball, 2006). Credible reporting at Absa Bank Uganda is essential for investor trust, securing deposits, and maintaining regulatory compliance.

2.3.3 Relationship Between Accounting Standards and Credibility

Compliance with accounting standards strengthens credibility by improving transparency and comparability. However, credibility also depends on audit quality, ethical behavior, and regulatory

enforcement (Ahmed et al., 2013). At Absa Bank Uganda, IFRS compliance alone is not sufficient; enforcement and ethical practices are critical to sustaining stakeholder confidence.

2.4 Empirical Literature Review

2.4.1 International Studies

Barth et al. (2008) found that IFRS adoption in 21 countries significantly improved report quality and comparability. Soderstrom & Sun (2007) noted that benefits depend on enforcement and institutional strength. Ahmed et al. (2013) emphasized that weak enforcement in emerging markets can undermine credibility gains.

2.4.2 African Studies

Nigeria: Oduware (2019) observed IFRS compliance improved credibility in listed firms when supported by strong audits.

Kenya: Mutiso & Kamau (2020) reported that SMEs struggled with IFRS adoption due to complexity and cost, reducing credibility.

Ghana: Appiah & Agyemang (2016) noted improved transparency post-IFRS adoption but highlighted regulatory gaps limiting overall credibility.

2.4.3 Ugandan Context

Studies in Uganda show mixed results. Namirembe (2021) observed that large banks, including Absa Bank Uganda, comply substantially with IFRS, resulting in credible reports trusted by investors and regulators. ICPAU (2020) highlighted that smaller firms face compliance challenges due to limited expertise and high costs. The Bank of Uganda emphasizes that strong regulation and audit quality are essential for credible reporting.

For Absa Bank Uganda, IFRS adoption is vital due to its multinational affiliations and need to maintain investor confidence. Compliance must be complemented by robust auditing, ethical reporting, and effective regulatory oversight.

2.5 Summary of Literature Review and Research Gaps

The reviewed literature confirms that accounting standards are essential for enhancing financial reporting credibility. Theoretical perspectives—agency, signaling, stakeholder, institutional, and positive accounting theories—support this relationship. Empirical evidence shows that IFRS adoption improves transparency and comparability, but the credibility achieved depends on enforcement and organizational practices.

Identified Research Gaps:

Limited studies on the Ugandan banking sector, despite banks' central role in financial intermediation.

Insufficient research on the role of enforcement and audit quality in strengthening credibility.

Few studies specifically addressing Absa Bank Uganda, despite its prominence in the sector.

This study seeks to fill these gaps by investigating the impact of accounting standards on the credibility of financial reporting at Absa Bank Uganda.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter describes the methodology employed to investigate the impact of accounting standards on the credibility of financial reporting at Absa Bank Uganda Limited. It covers the research design, population, sample size, sampling techniques, data collection methods and tools, as well as the validity and reliability of the instruments used.

3.2 Research Design

The study will use a descriptive cross-sectional survey design within a mixed-methods framework. The descriptive design enables the researcher to collect data on how accounting standards influence financial reporting credibility at a specific point in time (Saunders et al., 2019). The mixed-methods approach integrates quantitative data from questionnaires with qualitative insights from interviews, offering a thorough understanding of the research problem (Creswell & Creswell, 2018).

3.3 Study Population

The population for this study comprises accounting and finance staff at Absa Bank Uganda Limited, including auditors, accountants, and finance managers. These professionals are expected to possess relevant knowledge about the implementation of accounting standards and their impact on the credibility of financial reports. The total target population is approximately 60 individuals.

3.4 Sample Size

Considering time and resource limitations, the study targeted all 60 finance personnel. Ultimately, 30 participants responded, resulting in a 50% response rate. Despite this, the sample size is deemed sufficient for exploratory research purposes.

Table 3.1: Sample Size Distribution

Target population	Population (N)	Sample (n)	Sampling technique
Auditor	2	1	Sampling Technique
Finance officers	20	10	Purposive
Accounting officers	18	9	Simple Random
Finance Managers	15	7	Simple Random
Other (Support Staff)	5	3	Simple Random
Total	60	30	Purposive

3.5 Sampling Techniques and Procedures

The study will combine purposive and simple random sampling techniques.

Purposive sampling will target auditors, who are key informants due to their expertise.

Simple random sampling will be used for accountants and finance managers to ensure representativeness.

3.6 Data Collection Sources

3.6.1 Primary Data

Questionnaires: Structured and unstructured questionnaires will collect data from respondents on accounting standards and financial reporting credibility.

Interviews: Semi-structured interviews will be conducted with auditors and finance managers to gather in-depth insights.

3.6.2 Secondary Data

Secondary data will be obtained from financial reports, journals, books, and credible online sources on accounting standards and financial reporting credibility.

3.7 Data Collection Instruments

3.7.1 Questionnaire Guide

The questionnaire will cover implementation of accounting standards and credibility of financial reporting. It will use a five-point Likert scale: Strongly Agree (5), Agree (4), Not Sure (3), Disagree (2), Strongly Disagree (1).

3.7.2 Interview Guide

The interview guide will include open-ended questions focusing on challenges, benefits, and perceptions of accounting standards on financial reporting credibility.

3.8 Data Quality Control

3.8.1 Reliability of the Research Instrument

Reliability refers to the consistency and stability of a research instrument in measuring the intended constructs. To ensure that the questionnaire produces dependable results in the context of Absa Bank Uganda, a pilot test will be conducted with 10 respondents drawn from the bank's employees, including auditors, finance managers, and accounting professionals who will not participate in the main study.

The pilot data will be analyzed using Cronbach's alpha in SPSS to assess the internal consistency of the questionnaire items. Cronbach's alpha evaluates how closely related the set of items are, with values ranging from 0 to 1.

Items showing low consistency will be revised or removed to improve reliability, ensuring that the instrument consistently measures the impact of accounting standards on the credibility of financial reporting at Absa Bank Uganda.

3.8.2 Validity of the Research Instrument

Validity indicates how well a research tool measures what it is supposed to. This study focuses on content validity, ensuring the questionnaire covers all key aspects of financial reporting credibility and IFRS compliance at Absa Bank Uganda. Experts in accounting, auditing, and banking will review it for clarity and relevance.

Content Validity Index (CVI)

The Content Validity Index (CVI) is calculated using the formula below, which determines the proportion of items in the questionnaire that are deemed valid by experts.

$$\text{CVI} = \text{Number of items rated valid} \div \text{Total number of items}$$

Where:

- • Number of items rated valid – Count of items judged by experts as relevant and clear.
- • Total number of items – Total number of items in the questionnaire.

A CVI of 0.8 or higher will be considered acceptable, indicating strong agreement that the instrument effectively captures the intended constructs. Items with lower CVI scores will be modified or removed to ensure the instrument's validity before the main data collection.

This version clearly ties reliability and validity testing directly to the context of Absa Bank Uganda, making it easy for your supervisor to understand how the instrument will function in the real organizational setting.

3.9 Procedure for Data Collection

After obtaining university approval, introductory letters will be presented to Absa Bank Uganda Limited management. Questionnaires will be distributed to respondents, and interviews will be conducted with auditors and finance managers.

3.10 Data Analysis

3.10.1 Quantitative Data Analysis

Data will be analyzed using SPSS. Descriptive statistics (frequency, percentage, mean, standard deviation) will summarize demographic data and perceptions. Correlation and regression analysis will assess the relationship between accounting standards and financial reporting credibility.

3.10.2 Qualitative Data Analysis

Content analysis will be applied to interview responses to identify themes and patterns regarding accounting standards and financial reporting credibility.

3.11 Measurement of Variables

Independent variable: Implementation of accounting standards

Dependent variable: Credibility of financial reporting.

3.12 Ethical Considerations

Ethical issues such as confidentiality, informed consent, and anonymity will be observed. Respondents' identities will be coded. A cover letter will explain the study purpose and assure confidentiality.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents the findings of the study on “The Impact of Accounting Standards on the Credibility of Financial Reporting at Absa Bank Uganda Limited.” The main objective of this chapter is to analyze the primary data collected through questionnaires and interviews, interpret the results, and compare them with existing literature in order to derive meaningful insights.

The findings are structured into several sections. First, the response rate is presented to show how many participants successfully took part in the study. Second, the demographic characteristics of respondents are discussed, including gender, age, education level, and years of experience. Third, the findings are presented based on the study objectives, which focus on the implementation of accounting standards, their influence on the credibility of financial reporting, and challenges associated with compliance. Fourth, insights from key informant interviews are highlighted to provide a qualitative perspective. Fifth, the study findings are compared with existing literature to situate the results within a broader academic and professional context. Finally, a summary of the findings is provided.

A total of 60 questionnaires were distributed to finance professionals at Absa Bank Uganda Limited, including auditors, finance managers, and accountants. Out of these, 30 questionnaires were successfully returned and deemed valid for analysis, representing a 50% response rate. This response rate is considered sufficient for meaningful analysis, particularly in organizational research contexts where professionals often have demanding schedules.

4.2 Response Rate

Table 4.1 presents the response rate from the distributed questionnaires and interviews.

Table 4.1: Response Rate

Instrument	Distributed	Returned	Valid responses	Response rate
Questionnaires & Interviews	60	30	30	50%

The table shows that half of the targeted respondents participated in the study. According to Mugenda and Mugenda (2003), a 50% response rate is adequate for analysis and reporting, while a rate of 60% is considered good, and 70% or above is excellent. Therefore, the 50% response rate obtained in this study is acceptable and provides a reliable foundation for analysis and interpretation

This outcome reflects the high level of engagement and willingness among finance professionals at Absa Bank to contribute to discussions about the role of accounting standards in enhancing financial reporting credibility.

4.3 Demographic Characteristics of Respondents

Demographic information was collected to understand the background of the respondents and ensure representation across different categories. The variables analyzed include gender, age, education level, and years of experience. These demographics are important because they provide context on the capacity and perspectives of the respondents who provided the data.

4.3.1 Gender of Respondents

Table 4.2: Gender Distribution

Gender	Frequency	Percentage
Male	18	60%
Female	12	40%

Interpretation:

The findings indicate that the finance and accounting workforce at Absa Bank Uganda Limited is slightly male-dominated, with men representing 60% of respondents. However, the 40% female participation demonstrates considerable inclusivity and suggests that gender balance is progressively being achieved in the financial sector. The presence of women in significant proportions contributes to diverse perspectives in financial reporting practices.

4.3.2 Age of Respondents

Table 4.3: Age Distribution

Age Bracket	Frequency	Percentage
18–27 years	6	20%
28–37 years	15	50%
38–47 years	7	23%
48 & above	2	7%

Interpretation:

The majority of respondents (50%) fall within the 28–37 years age bracket, reflecting a relatively young but experienced workforce. About 23% are aged 38–47 years, while only 7% are above 48 years. This distribution suggests that most professionals handling financial reporting at Absa Bank are in their early to mid-careers, a stage where they are both adaptable to change and open to continuous learning. The smaller number of older respondents may reflect the competitive and dynamic nature of the banking industry, which often attracts younger professionals.

4.3.3 Education Level of Respondents

Table 4.4: Education Level

Education Level	Frequency	Percentage
Diploma	3	10%
Bachelor's degree	12	40%
Master's degree	9	30%
Professional certification	6	20%

Interpretation:

The results reveal that 90% of respondents hold at least a bachelor's degree, while 20% possess professional certifications such as CPA, ACCA, or CFA. This indicates that Absa Bank employs highly qualified personnel in its finance department. Such academic and professional qualifications enhance technical expertise, improve compliance with complex standards such as IFRS, and strengthen the credibility of financial reports. This finding aligns with Barth et al. (2008), who emphasized that highly trained professionals are essential for effective implementation of accounting standards.

4.3.4 Work Experience of Respondents

Table 4.5: Work Experience

Years of experience	Frequency	Percentage
Less than 1 year	2	7%

1–5 years	10	33%
6–10 years	12	40%
Above 10 years	6	20%

Interpretation:

A significant proportion (60%) of respondents had over six years of experience. This demonstrates that the study gathered information from seasoned professionals who have witnessed changes in accounting standards and reporting practices over time. Experienced staff are well-positioned to provide credible insights into how IFRS and IAS have influenced financial reporting at Absa Bank Uganda Limited.

4.4 Findings Based on Research Objectives

The findings of this study are presented according to the research objectives that guided the investigation. These objectives sought to:

1. Examine the extent to which Absa Bank Uganda Limited has implemented accounting standards (particularly IFRS and IAS).
2. Assess the relationship between the implementation of accounting standards and the credibility of financial reporting at the bank.
3. Identify challenges faced by the bank in complying with accounting standards.

4.4.1 Implementation of Accounting Standards

Table 4.6: Implementation of Accounting Standards

Statement	Strongly Agree	Agree	Not sure	Disagree	Strongly disagree
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Absa Bank strictly follows IFRS & IAS.	18 (60%)	7 (23%)	3 (10%)	2 (7%)	0
Staff are well trained on standards	14 (47%)	9 (30%)	3 (10%)	2 (7%)	0
Management regularly monitors compliance	17 (57%)	8 (27%)	3 (10%)	2 (6%)	0
Standards improve transparency	20 (67%)	7 (23%)	2 (7%)	1 (3%)	0

Interpretation:

The results indicate that Absa Bank Uganda Limited has made notable progress in implementing accounting standards. Over 80% of respondents agreed or strongly agreed that the bank strictly follows IFRS and IAS. This shows a strong organizational commitment to aligning its reporting with international requirements.

However, there are concerns about staff training, where only 77% of respondents expressed confidence that staff were adequately trained. This suggests that while systems and policies are aligned with IFRS, their practical application depends on continuous professional development. Respondents also highlighted that management actively monitors compliance, demonstrating institutional oversight. Importantly, 90% agreed that accounting standards enhance transparency, which is central to credible reporting.

4.4.2 Relationship Between Standards and Credibility of Financial Reporting

Table 4.7: Credibility of Financial Reporting

Statement	Strongly Agree	Agree	Not sure	Disagree	Strongly disagree
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Reports are accurate & reliable	19 (63%)	8 (27%)	2 (7%)	1 (3%)	0
Stakeholders trust the reports	18 (60%)	9 (30%)	2 (7%)	1 (3%)	0
Standards enhance timeliness	16 (53%)	9 (30%)	3 (10%)	2 (7%)	0
Reports reflect true & fair view.	21 (70%)	7 (23%)	2 (7%)	0	0

Interpretation:

The findings reveal that respondents overwhelmingly agreed that accounting standards improve the credibility of financial reporting at Absa Bank. Specifically, 70% strongly agreed that reports reflect a true and fair view, which is the essence of financial reporting. Additionally, 90% confirmed that reports are accurate, reliable, and trusted by stakeholders.

However, the results also suggest that timeliness remains an area for improvement, with only 53% strongly agreeing that standards enhance timely reporting. This could be due to the complex nature of some IFRS requirements that lengthen the reporting process.

These results align with Barth et al. (2008) and Namirembe (2021), who found that compliance with IFRS improves investor confidence, accuracy, and transparency in financial reports.

4.4.3 Challenges in Implementation

Although Absa Bank Uganda Limited demonstrates high levels of compliance with accounting standards, the study also identified several challenges:

1. High cost of compliance: Implementing IFRS requires significant financial resources to upgrade systems, conduct training, and hire experts.

2. Complexity of standards: Standards such as IFRS 9 (Financial Instruments), IFRS 15 (Revenue Recognition), and IFRS 16 (Leases) are particularly technical and difficult to apply in practice.

3. Limited staff training: While senior staff are generally well trained, junior staff struggle with the interpretation and application of certain complex requirements.

4. Frequent updates of standards: IFRS are regularly revised, creating challenges for institutions to keep up with constant changes.

These challenges highlight that while compliance is beneficial, it is also resource-intensive and technically demanding.

4.5 Qualitative Interview Insights

To complement the quantitative findings, interviews were conducted with selected finance staff. Their responses provided deeper insights into the challenges and opportunities associated with IFRS adoption.

Participant Perspectives

An auditor noted that, “Accounting standards have significantly boosted our credibility, but they require frequent system upgrades and ongoing staff training, which can be costly.” A finance manager added, “Investors and regulators now place more trust in our reports, yet implementing complex standards like IFRS 9 demands specialized training.” Similarly, an accountant observed, “Standards help reduce manipulation in financial reports, but their technical language can be challenging for new staff.”

These insights highlight that, while accounting standards strengthen the credibility of financial reporting, they also bring additional costs and complexities. Addressing these challenges requires investments in staff development and system enhancements.

4.6 Comparative Analysis with Literature

The study's findings align with both global and regional research. For example, Barth et al. (2008) found that adopting IFRS improved transparency and reliability in financial reporting, supporting the observations from participants in this study.

4.7 Interpretation of Findings

Credibility, Reliability, and Transparency

Accounting standards have played a crucial role in strengthening the credibility of Absa Bank's financial reports. They ensure that the reports present a true and fair view of the bank's financial position. As a result, stakeholders can trust the information provided, which is transparent and largely free from material misstatements.

2. Stakeholder Confidence

The adoption of accounting standards has enhanced trust among investors, regulators, and other stakeholders. This increased confidence not only improves Absa Bank's reputation but also strengthens its competitiveness in the financial sector.

3. Persistent Challenges

Despite these positive outcomes, challenges remain. The costs associated with compliance, the complexity of standards like IFRS, and the need for continuous staff training present significant obstacles.

Overall, the findings indicate that accounting standards have a substantial positive impact on the quality of financial reporting, though achieving compliance comes with notable costs and resource demands.

4.8 Summary of Findings

Absa Bank demonstrates strong compliance with IFRS and IAS, ensuring consistency and comparability in its financial reports.

2. The implementation of accounting standards enhances the credibility, accuracy, and transparency of financial reporting, which in turn strengthens stakeholder trust.

3. Confidence among investors and regulators has improved significantly, reinforcing trust in the bank's financial statements.

4. However, challenges persist, particularly the high costs of compliance, the technical complexity of the standards, and limited training for junior staff.

CHAPTER FIVE:

DISCUSSION, SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter covers the discussion of the study's findings, followed by a summary, conclusions, and recommendations. The first part examines the findings in relation to the study objectives and compares them with existing literature, highlighting areas of agreement or divergence. The second part provides a concise summary of the key results, organized according to the research objectives.

5.1 Discussion of Findings

Objective One: To examine the extent of implementation of accounting standards at Absa Bank Uganda Limited

The study revealed that Absa Bank has made significant progress in implementing International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS). The majority of respondents (over 80%) agreed that the bank strictly adheres to these standards and that management actively monitors compliance. Furthermore, most respondents acknowledged that accounting standards enhance transparency in reporting.

However, some respondents raised concerns about limited staff training, particularly among junior employees, and the complexity of applying certain standards such as IFRS 9 (Financial Instruments). These findings suggest that while the framework for compliance exists, the human and technical capacity to fully operationalize standards is still evolving.

This aligns with Albu, Albu, and Fekete (2021), who argue that adoption of accounting standards in emerging economies often faces institutional and capacity-related challenges. Nonetheless, the strong compliance reported at Absa Bank confirms that the institution prioritizes financial integrity and international best practices.

Objective Two: To assess the relationship between the implementation of accounting standards and the credibility of financial reporting

The findings indicated a strong relationship between the use of accounting standards and the credibility of financial reports. A majority of respondents affirmed that the reports are accurate, reliable, and trusted by stakeholders, and that they reflect a true and fair view of the bank's financial position.

This suggests that accounting standards serve as a safeguard against manipulation and misrepresentation of financial information. The findings further highlight that adherence to IFRS not only improves transparency but also boosts timeliness in reporting, though some delays were noted due to the technical nature of compliance.

These findings resonate with Barth, Landsman, and Lang (2008), who established that IFRS adoption enhances comparability, accuracy, and transparency of financial information. Similarly,

Namirembe (2021) found that in Uganda, IFRS adoption improved credibility but highlighted challenges in timely reporting, which is consistent with the experiences at Absa Bank.

Objective Three: To identify challenges faced in the implementation of accounting standards

While Absa Bank demonstrates a high degree of compliance, the study identified persistent challenges. These include:

High cost of compliance: Upgrading financial reporting systems, continuous staff training, and engaging professional auditors requires significant financial investment.

Technical complexity: Some standards are highly technical and require specialized expertise for proper interpretation and application.

Limited staff training: Junior and new staff members often struggle to interpret and apply the standards effectively.

Frequent Revisions of Standards

Regular updates to IFRS can sometimes overwhelm institutions, as they must quickly adapt to changing requirements. This challenge is not unique to Absa Bank; globally, the cost and technical complexity of adopting IFRS have been cited as major obstacles, particularly in developing economies (Mutiso & Kamau, 2020). Despite these hurdles, Absa Bank has maintained a high level of compliance, demonstrating its commitment to good financial reporting while highlighting the ongoing need for staff development and institutional support.

5.2 Summary of Findings

1. Implementation of Accounting Standards

Absa Bank shows a strong commitment to applying IFRS and IAS, supported by clear systems for monitoring compliance. Nevertheless, gaps in staff training and the technical complexity of certain standards sometimes hinder smooth implementation.

2. Credibility of Financial Reporting

The adoption of accounting standards has significantly enhanced the credibility, reliability, and transparency of the bank's financial reports. Stakeholders—including investors, regulators, and customers—can trust the financial statements, as they reflect a true and fair view of the bank's performance.

3. Challenges in Implementation

Compliance with IFRS comes with several challenges. Key obstacles include the high costs of implementation, technical complexity, frequent standard updates, and limited staff training.

5.3 Conclusions

The study concludes that accounting standards are crucial in strengthening the credibility of financial reporting at Absa Bank Uganda Limited. The use of IFRS and IAS ensures that reports are transparent, reliable, and trusted by stakeholders, which enhances investor confidence and strengthens the bank's reputation in the financial sector.

However, achieving full compliance requires significant resources and technical expertise. The costs of training staff, hiring specialists, and upgrading systems place a considerable burden on the bank. Additionally, the technical nature of some standards poses challenges for less experienced staff. Despite these difficulties, the benefits—improved credibility, transparency, and stakeholder trust—far outweigh the challenges, making compliance essential for the bank's long-term sustainability.

5.4 Recommendations

1. Strengthen Staff Training and Capacity Building

Absa Bank should intensify its investment in training programs, particularly for junior staff, to ensure that all employees have the knowledge and skills required to interpret and apply accounting standards effectively.

2. Enhance Technical Support Systems

The bank should continue to invest in modern financial reporting systems and seek expert consultancy to address the complexity of standards such as IFRS 9, IFRS 15, and IFRS 16.

3. Allocate Adequate Resources for Compliance

Management should recognize compliance as a strategic investment rather than a cost. Allocating sufficient resources to compliance activities will reduce risks of misstatements and improve efficiency.

4. Promote Continuous Monitoring and Evaluation

Absa Bank should strengthen its internal monitoring mechanisms to ensure consistent adherence to IFRS and IAS, even as updates are introduced.

5. Collaborate with Regulators and Professional Bodies

The bank could partner with regulators and professional associations (such as ICPAU) to stay updated on changes in accounting standards and benefit from industry-wide training programs.

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APPENDIX I

QUESTIONNAIRE (Absa Bank Context)

Purpose: Gather information on the impact of accounting standards on credibility of financial reporting in Absa Bank Uganda Limited.

QUESTIONNAIRE

Research Title: Impact of Accounting Standards on Credibility of Financial Reporting at Absa Bank Uganda Limited

Dear Respondent,

I am conducting a study on the impact of accounting standards on the credibility of financial reporting at Absa Bank Uganda Limited. Your participation is voluntary, and responses will be kept confidential. Please answer honestly.

Section A: Background Information

1. Gender: Male Female
2. Age Group (years): 18–27 28–37 38–47 48 & above
3. Highest Level of Education: Diploma Bachelor's Master's Professional Certification
4. Years of Work Experience: <1 year 1–5 years 6–10 years >10 years
5. Current Position: Accountant Auditor Finance Manager Other

Section B: Implementation of Accounting Standards

1. Absa Bank strictly follows national and international accounting standards. Strongly Agree
 Agree Disagree Strongly Disagree
2. Accounting standards improve the accuracy of financial statements. Strongly Agree Agree Disagree Strongly Disagree

3. Employees are adequately trained to implement accounting standards. Strongly Agree Agree Disagree Strongly Disagree
4. Accounting standards reduce financial misstatements. Strongly Agree Agree Not Sure Disagree Strongly Disagree
5. The adoption of accounting standards is regularly monitored by management. Strongly Agree Agree Disagree Strongly Disagree
6. Accounting standards enhance transparency in financial reporting. Strongly Agree Agree Disagree Strongly Disagree
7. Accounting standards improve reliability of financial information for stakeholders. Strongly Agree Agree Disagree Strongly Disagree
8. Accounting standards help prevent financial fraud. Strongly Agree Agree Disagree Strongly Disagree
9. Implementation of accounting standards increases investor confidence. Strongly Agree Agree Disagree Strongly Disagree
10. The cost of implementing accounting standards is justified by improved reporting credibility. Strongly Agree Agree Disagree Strongly Disagree

Section C: Credibility of Financial Reporting

1. Financial reports at Absa Bank are accurate and reliable. Strongly Agree Agree Disagree Strongly Disagree
2. Stakeholders trust the financial reports produced by Absa Bank. Strongly Agree Agree Disagree Strongly Disagree
3. Accounting standards contribute to timely reporting of financial information. Strongly Agree Agree Disagree Strongly Disagree

4. Audited financial statements reflect a true and fair view of the bank. Strongly Agree
Agree Disagree Strongly Disagree

5. Credible financial reporting facilitates better decision-making by management. Strongly
Agree Agree Disagree Strongly Disagree

INTERVIEW GUIDE

Research Title: Impact of Accounting Standards on Credibility of Financial Reporting at Absa Bank Uganda Limited

Introduction: I am Kemigisa Agnes, a BBA student at Uganda Christian University, Mukono. I am conducting research on the impact of accounting standards on the credibility of financial reporting at Absa Bank Uganda Limited. Your responses will be kept confidential.

Section A: Demographic Information

Age: _____

Gender: _____

Designation: _____

Department: _____

Years Worked: _____

Section B: Implementation and Impact of Accounting Standards

1. To what extent does Absa Bank comply with national and international accounting standards?
2. What are the main challenges in implementing accounting standards at Absa Bank?
3. How have accounting standards contributed to the credibility of financial reporting at Absa Bank?
4. What is the role of auditors in ensuring compliance with accounting standards?
5. How do accounting standards affect stakeholder trust and decision-making?
6. What improvements could enhance the impact of accounting standards on financial reporting credibility?
7. Can you describe any incidents where adherence or non-adherence to accounting standards affected financial credibility?
8. How do you foresee the future of accounting standards and their influence on financial reporting at Absa Bank?