**UNIVERSITY OF EDUCATION, WINNEBA**

# THE ADOPTION OF IFRS AND AUDITOR SWITCHING: A CASE OF GHANAIAN LISTED COMPANIES

**EMMANUEL ABREFA-KODOM**

**2017**

**UNIVERSITY OF EDUCATION, WINNEBA**

# THE ADOPTION OF IFRS AND AUDITOR SWITCHING: A CASE OF GHANAIAN LISTED COMPANIES

**EMMANUEL ABREFA-KODOM**

**A Dissertation in the Department of Accounting Studies, Faculty of Business Education, submitted to the School of Graduate Studies, University of Education, Winneba in partial fulfilment of the requirements for the award of Master of Business Administration (Accounting) degree**

**AUGUST, 2017**

# DECLARATION

## STUDENT'S DECLARATION

I, EMMANUEL ABREFA-KODOM, declare that this Dissertation, with the exception of quotations and references contained in the published works which have all been identified and duly acknowledged is entirely my own original work, and it has not been submitted, either in part or whole, for another degree elsewhere.

SIGNATURE ……………………………………….

DATE……………………..……………………..

## SUPERVISOR'S DECLARATION

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

NAME: DR. JOSEPH MBAWUNI

SIGNATURE ……………………………………….

DATE……………………..……………………..

## ACKNOWLEDGEMENTS

My heartfelt appreciation goes to my supervisor, Dr. Joseph Mbawuni for his unceasing guidance in keeping me focussed on the research topic, his mentorship, constructive criticism and motivation throughout the study.

My appreciation further goes to the Managers, Accountants, External Auditors, Internal Auditor and Staff of the various listed companies I interacted with during my data collection in the Kumasi Metropolis. Your contributions were enormous and heart-warming.

I also applaud these friends Richard Apau, Albert, Gabriel Mensah and my younger brother, Isaac Akwasi Nyamekye for the diverse assistance they accorded me during this study.

To my sweet children, Nkunim and Sompa, I owe you guys the time and attention you were denied during the course. I am also indebted to my lovely wife, Rachel, who sacrificed her time to keep and care for the family whilst I was away. Finally, to all my colleagues, family members and all persons who offered me a helping hand in the course of the study, I say thank you for your efforts. God bless you all.

# DEDICATION

I dedicate this all important work to Almighty God for His protection and direction throughout the period, to my amazing parents, Mr. Haruna Peh and Ms. Margaret Afia Nyame, my sweetheart, Rachel Osei and to my adorable children, Afia Nkunim and Nana Yaa Sompa whose relentless prayers saw me through.

# TABLE OF CONTENTS

**CONTENT** **PAGE**

# LIST OF TABLES

TABLE PAGE

# LIST OF FIGURES

FIGURE PAGE

# LIST OF ABBREVIATIONS

| | |
|---|---|
| ACCA | Association of Certified Chartered Accountants |
| CIMA | Chartered Institute of Management Accountants |
| EU | European Union |
| FASB | Financial Accounting Standards Board |
| GNAS | Ghana National Accounting Standard |
| GRA | Ghana Revenue Authority |
| GSE | Ghana Stock Exchange |
| IAS | International Accounting Standards |
| IASB | International Accounting Standards Board |
| IASC | International Accounting Standards Committee |
| ICAG | Institute of Chartered Accountants, Ghana |
| IFAC | International Federation of Accountants |
| IFRIC | International Financial Reporting Issues Committee Statements |
| IFRS | International Financial Reporting Standards |
| IMF | International Monetary Fund |
| MDI | Mandatory Disclosure Index |
| MOFEP | Ministry of Finance and Economic Planning |
| OSC | Observance of Standards and Code |
| ROSC | Report on Observance of Standards and Codes |
| SEC | Securities and Exchange Commission |
| SICS | Standing Interpretation Committee Statements |
| SME | Small and Medium Enterprise |

# ABSTRACT

Given the growing levels of corporations through international trade and the significant changes global economies have seen over the last few years have resulted in significant changes in business operations world over. Prominent among such changes the financial sector has witness is the adoption of International Financial Reporting Standards (IFRS). The purpose of the study was to examine the extent of compliance with IFRS by Ghanaian companies, its association with auditor switching and the effects of auditor switching on listed companies' operating in the Kumasi Metropolis. The study employed quantitative approach using structured questionnaire. The target population of the study included staffs and management of the 28 companies listed on the GSE that are operating in the Kumasi Metropolis. In all 104 respondents out of a sample size of 112 individuals participated in the study giving a response rate of 92.9%. Data collected was analysed using the Statistical Package for Social Sciences (SPSS Version 20.). Analysis employed descriptive and inferential statistics which included measures of dispersion and factor analysis. From the analysis of the data collected it was observed that, the level of compliance among listed companies is relatively low. The study further observed that, the rationale behind the switch in auditors as results of IFRSs adoption were observed to be unaffordable audit fees, demand by shareholders, poor quality of audit service, auditor's lack of knowledge in IFRSs, there was change in management, reported disputes occurred, unqualified opinion was not received and to reduce cost of operations.

The study therefore concludes that IFRSs adoption results in auditor switching among listed companies.

# CHAPTER ONE

# INTRODUCTION

## 1.1 Background to the Study

The reliance on financial statements by users of financial information to make major economic decisions, makes it critical for the development and utilization of acceptable standards that will guide the preparation of such statements and enhance their dependability.

Internationalization of trade and globalization of world economies in the last few decades have resulted in significant changes in business operations world over. As more and more investment take place in global levels, standards of business operations across countries vary to accommodate international principles. One of such changes in the financial sector is the adoption of IFRSs. According to Ocansey and Enahoro (2014) the IFRSs has been one of the most widespread adopted standard in the financial sector. One reason for the fast pace adoption of IFRSs according to Fosbre *et al.,* (2009) is increasing movement of business across countries and internationalization of trades.

The (IFRSs) were developed by the International Accounting Standard Board as a global standard for financial accounting in 2001(IASB, 2007). The IFRSs comprised of 41 International Accounting Standards, 18 IFRSs, 33 Standing Interpretation Committee Statements, (SICs) and 18 International Financial Reporting Issues Committee Statements, (IFRICs) (Azobu, 2010).The rationale for these standards is to provide common language for financial communication and practices across countries. As a result of the comparative advantage of the IFRS over national standards, the numbers of countries that adopted the IFRSs over the years have increased significantly (Lourenço *et al*., 2015). Currently about 101 countries have adopted in full or partly the IFRSs (Lourenço *et al.,* 2015). Indeed, apart from the United State, Japan, India and few other countries, many of the world economic hubs have adopted the IFRSs principles and the numbers continue to increase yearly.

Ocansey and Enahoro (2014) noted that during the period when countries were using their national standards in the preparation and reporting of financial information, it was often incomparable when statements are taken from different countries. As a result of this, international companies and investor were finding it difficult handling and comprehending financial statements from different countries without making any adjustment. IFRSs therefore emerge as a solution to this problem. The principle of the IFRSs as noted by Doubnik and Perero (2007), is to encourage professionally accepted judgments and do away with over reliance on detailed rules.

In Ghana, prior to the adoption of the IFRS, the Ghana National Accounting Standard (GNAS) practices were used in the preparation, presentation and disclosure of financial information. However, in 2004, when the Ministry of Finance and Economic Planning (MOFEP) in collaboration with the World Bank commissioned a report on Observance of Standardsa nd Codes (OSC) in Ghana, they noted a number of weaknesses in the accounting and auditing practices of the country (World Bank, 2005). The OSC report according to the World Bank (2005) detected that Ghana suffer from international weaknesses in regulation, compliance and enforcement of standards, laws and regulations governing financial reporting. Against this backdrop, it was recommended that IFRSs be adopted without any modifications to replace the GNAS which was accepted and adopted (World Bank, 2005).

Despite the greater benefits of the IFRSs over domestic standards that have led to its proliferation, a number of challenges and negative consequences has been recently linked with the adoption of it. There are increasing number of reasons to believe that adoption of IFRSs have often resulted in some other negative externalities. Some negative outcomes that have been linked with the adoption of IFRSs include increase in audit fees, litigation, and auditor switching among others. In a study conducted by Risheh (2014), it was observed that adoption of IFRSs has significantly increased audit fees for Jordanian listed industrial companies. A similar study by Lin and Yen (2010) in China also made a similar conclusion and added that among listed companies in China audit fee was found to have significantly increased in the initial years of IFRSs adoption.

In Ghana and many other developing countries, the problems associated with IFRSs adoption are not limited to only increase in audit fees and auditor switching, but also issues of compliance as well. According to a study by Yiadom and Atsunyo (2014) in Ghana, many companies in the country have still not been able to fully comply with the IFRSs. Abata (2014) have reported that, among many developing countries a number of factors such as political influences, cultural issues, legal impediments and educational needs have made it difficult for companies to fully comply with the IFRSs. This notwithstanding, a preponderance of literature has reached consensus that strict enforcement and compliance with IFRSs is indispensable in achieving the benefits that it promised (Leuz, 2010; Barth, et al., 2012; Brown, 2013; Kaya & Pillhofer, 2013).

Shehu and Masunda, (2015) have noted that in many developing countries, a significant number of accounting professionals (accountants, preparers and auditors), investors, and other users of financial statements has still not fully grasp the principle of the IFRSs. As a result of lack of qualified personnel, companies move from one audit firm to the other in search for professionals competent in the practices of IFRSs. As this trend continues, it has become unclear how sustainable and effective is auditing approach in ensuring compliance with IFRSs. This backdrop of challenges therefore warrants an empirical examination of the extent of compliance with the IFRSs, its association with auditor switching and the implications of auditor switching on listed companies in Ghana.

### 1.2 Problem Statement

The introduction and adoption of the IFRSs as a global standard for financial reporting has generated a lot of controversies among researchers and scholars. While it has been broadly agreed that the IFRSs have ease financial communication by creating common language for financial disclosure, the debate around its relevance has not ended. Some researchers especially Jeanjean and Stolowy, (2008) have argued that although commonality of financial reporting is a necessary condition for IFRSs, it is nevertheless not a sufficient reason.

Many research works have supported claims that the adoption of IFRSs adoption has increased the complexity of accounting system, brought about increase in cost (audit fee) and other negative consequences. Shehu and Masunda (2015) for instance noted that the increase in the complexity of accounting system as a result of the adoption of IFRSs has brought about the need for new sets of professional skills and knowledge which are seldom available. The effect of this is that companies are finding is difficult to comply with the IFRSs due to the limited proficiency of accounting staff on the IFRSs and the increase in cost associated with engaging audit firms. The situation has also brought about auditor switching which also may have some implication on the running of companies.

In the academia however, many of the studies on IFRSs conducted in developing countries have focus mainly on adoption and compliances level of listed companies with the IFRSs without looking at the implication of auditor switching and the effects it may have on companies (Shehu and Masunda, 2015). This study is designed to throw more light on not only the adoption or compliance level of IFRSs but also factors that affect adoption, and whether or not the claims that IFRSs adoption result in auditor switching have any empirical basis among listed companies in the Kumasi Metropolis in the Ashanti Region of Ghana.

### 1.3 Objectives of the Study

The main objective of the study is to examine the extent of compliance with IFRSs by Ghanaian companies, its association with auditor switching and the effects of auditor switching on listed companies' operating in the Kumasi Metropolis.

The specific objectives include;

i. To examine factors that affect compliance with IFRSs among listed companies operating in the Kumasi Metropolis

ii. To determine the influence of IFRSs adoption on auditor switching among listed companies operating in the Kumasi Metropolis

iii. To identify the challenges faced by listed companies operating in the Kumasi Metropolis as a result of auditor switching

### 1.4 Research Questions

The study seeks to provide answers to the following research questions;

i. What are the factors that affect compliance with IFRSs among listed companies operating in the Kumasi Metropolis?

ii. How does the adoption of IFRS influence auditor switching among listed companies operating in the Kumasi Metropolis?

iii. What are the challenges faced by listed companies operating in the Kumasi Metropolis as a result of auditor switching?

### 1.5 Significance of the Study

This study is very significant for many reasons. In the first place, the adoption of IFRSs has been a subject of interest and controversy among professionals, scholars, investors, and other users of financial information. The study seeks to provide relevant empirical information to these stakeholders especially investors and other professionals on the level of compliance with IFRSs among Ghanaian companies and the effects it has on auditor switching. This information will be very useful for the stakeholders as it will provide baseline knowledge on the concept of IFRSs adoption in the Ghanaian context for an informed action.

Also, the findings of the study will be very useful for regulators and policy makers on the financial sector of Ghana. The Institute of charted accountants, auditors and other institution that train, monitor and enforce compliance with the IFRSs will particularly find the results of this study very useful for their activities. The study will add up to information necessary for evaluating the success and challenges of IFRSs adoption in the Ghanaian business sector and the way forward.

In the academia, the findings of the study will also serve as a useful reference material for further studies on the topic. Specifically, researchers with interest in the implication of the IFRS adoption and compliance with the standards among companies in Ghana will particularly find this study a useful guide. The recommendation of the study will also spark a surge and interest in research on IFRS adoption in the Ghanaian landscape and the world at large.

### 1.6 Scope and Limitation

The study is limited to a geographic scope, context, time period and design. Geographically, the study focused on the Kumasi Metropolis in the Ashanti Region of Ghana. In term of context, the study focus on assessing the extent of compliance with the IFRS among Ghanaian listed companies, how the adoption influence auditor switching and the challenges companies face as a result of auditor switching. The time period the study focus on is the 2016-2017 fiscal year. In terms of design, the study employed a case study research design. The limitations envisage in the study will be in relations to the inadequacy of the measurement of variables that may arise from limited access to information, unwillingness of participants and systemic errors that may be inherent in the sample selection.

### 1.7 Organisation of the Study

This study is organized be organized into five chapters (Chapter one, two, three, four, five and six). The chapter one covered the introduction to the study which comprised the background to the study, problem statement, and objectives of the study, research question, the significance and scope of the study. The chapter two presents a review of related relevant literatures to the study. The chapter three covers the methodology employed in conducting the study while the chapter four covers the presentation and discussion of the results of the study. The chapter five presents summary of the main findings of the study, conclusions made and recommendation.

# CHAPTER TWO

# LITERATURE REVIEW

## 2.0 Introduction

This chapter delved into a review of existing literature on the adoption of IFRSs and Auditor Switching globally, with particular focus on Ghana. The chapter reviewed published works and researches in books and peer reviewed journals locally and internationally. It discussed the adoption of IFRSs globally, the challenges and factors driving its adoption. It also reviewed pertinent literature on the level of compliance of IFRSs adoption and implementation challenges of listed companies in Ghana. The chapter further elaborated on Auditor Switching and also provided empirical review on the extent of relationship between IFRSs adoption and Auditor Switching. The chapter also focused on the benefits of adopting IFRSs in Ghana and finally ends the chapter by providing a discussion and elaboration on the consequences of auditor switching on listed companies.

## 2.1 Overview of International Financial Reporting Standards

IFRSs are standards, framework and interpretation engineered and adopted by the IASB for the purposes of harmonizing financial reporting and auditing across the globe. IFRS are products and initiatives of the private sector geared towards the internationalization and harmonization of financial reporting as a means of responding to the globalization and regional convergence of business demands (Abata, 2015). According to Benson (1976), the IASC is a professionally mandated body of all accounting bodies of countries which was formed in 1973 by the International Federation of Accounting resulting in the production of first IASknown as the International Accounting Standard (IAS) between the year 1973 and 2001. In 2007, there was a change of name from IASC to IASB occasioning the publication of a standard in a series of pronouncements known as the IFRSs. Abata (2015) states that, the IASB continually adopted the body's standards issued by IASC under the umbrella name IAS.

IFRSs are a set of single high quality and understandable standards initiated for the general purposes of financial reporting which are based on principles rather than the rule based approach previously in existence. IFRSs basically consists of four different types of documents, namely; IAS (41), IFRSs (18), the Standing Interpretation Committee Statements, SICS (II); and the International Financial Reporting Issues Committee Statements, IFRICS (18) (Azobu, 2010). According to Doubnik and Perero (2007), the tendency for designing the IFRSs is to encourage professionally accepted judgments and do away with over reliance on detailed rules. According to Abata (2015), the adoption and implementation of the IASs were not mandatory or compulsory but was rather through persuasions on independent countries' accounting bodies that are part of the board. The problem of these standards are the automatic adoption by all countries due to differences in backgrounds and traditions of countries, differences in the need and economic environments as well as anticipated challenges of the sovereignty of state and enforcing standards (Frank, 1971 as cited in Apata, 2015).

Ahmed et al. (2013) and Barth et al. (2012) opined that, the adoption of IFRSs is affecting global financial reports content and quality. Several researches have been conducted in many other countries to examine the impact and estimate the effects of

IFRSs adoption on the financial reports preparation by firms and the way in which financial analysts, individuals and institutional investors use the reports (Brüggeman et al., 2011; DeFond et al., 2011). Nonetheless, researchers have paid significantly less attention to how the adoption of IFRSs affects auditors, who play critical and an integral role in the financial reporting preparation. It must however be stated that, few researches have been conducted and examined the effects of IFRSs adoption on Audit Markets, Auditor Judgments and client-auditor relationships (Kim et al. 2012; DeGeorge et al. 2012). In order that the gap is filled, this study is designed to examine the impact and effects on the adoption of IFRSs and Auditors in Ghanaian listed companies. The research seeks to examine whether or not the replacement of auditors is occasioned by IFRSs adoption by companies. The study will also examine the consequences of audit switching on the companies as results of IFRSs adoption.

**2.2 International Financial Reporting Standards Adoption and Implementation**

There is continues growth and increment in the number of firms and countries mandating the use of IFRSs for financial reporting, accounting and auditing. According to Deloitte (2013) and PwC (2011), more than hundred (100) countries have mandated the use of the IFRSs globally. The process leading to the adoption of IFRSs globally has seen some level of irregularities and inconsistencies (KPMG, 2007). The European Union and Australia saw the adoption of IFRSs in 2005, New Zealand followed in in 2007 and Canada committed itself to adopt it in 2010. Also, the United States of America (USA) is also seriously considering adopting the IFRSs in the coming years as a standard accounting and auditing practice (SEC, 2010a; SEC, 2010b). It is also important to note that, many constituents including auditors, institutional and individual investors, accountants, analysts as well as managers continue to face the switch to IFRS (Wieczynska, 2014). Taking into consideration how popular IFRSs has become and owing to the constant growth rate in its adoption, it is important to assess and examine all issues associated with its implementation and adoption.

Acquaye (2015) opined that, the level of compliance with the IAS in many countries has seen some level of discrepancies. This is attributed to the unwillingness of financial report preparers to comply with all the requirements of the IAS. Some other researches have also lamented on the lack of consistency in the use of IAS and IFRSs sometimes resulting in reporting of over stated income (Prather-Kinsey and Meek, 2004). The lack of consistency in the implementation of the International Standards is attributed to so many factors including social, political and cultural background. The inconsistencies have influenced the interpretation of the standards and have resulted in substantial dissimilarities in amounts reported. In a survey conducted by KPMG (2006) on 26 IFRSs options in 22 countries, the results indicated that, the option chosen for implementation by a country is largely influenced by the previous national GAAP which that country was using before the IFRSs adoption.

The use of local accounting standards leads to comparison of reports between companies of one country relatively than those in existing sectors across borders. For instance, automobile companies in Germany appear more resemblance to pharmaceutical companies in Germany than Pharmaceutical companies in France (KPMG, 2007). Although, many countries within different jurisdiction have acknowledged the standards, many more are yet signed on to it. Some countries also have their national standards thus their national GAAP similar to that of IFRSs especially the UK and Ireland. According to Sellhorn and Gornik-Tomaszewski (2006), the similarity of the national GAAP of UK and Ireland has made them have high level of reputation in financial reporting and auditing within the EU. The US is also among a tall list of countries that have not adopted the IFRSs yet and have held on to their national GAAP instituted by the FASB. Nonetheless, the SEC which has oversight responsibility of the FASB has agreed on some conducive coordination for the adoption and convergence of IASB and FASB (Street, 2006). In 2002, a Memorandum of Understanding was signed between the IASB and FASB called the Norwalk Agreement which was to necessitate the convergence of US GAAP and IFRSs (Street, 2006).

Researches have been conducted severally to examine the consequences of IFRSs adoption. Principally, it can be argued that, the effects of IFRSs adoption are dependent on the quality of regulatory regime within a country and the incentives provided by individual firms to produce high quality financial reports (Christensen et al, 2008). A lot more of the researches have focused on the effects of IFRSs on capital markets and disclosure, few of which have concentrated on the effects of IFRSs adoption on auditor switching.

### 2.3 Factors Influencing IFRSs Adoption

IFRS is seen as a global GAAP comprising of a set of principles based on globally accepted standards produced by the IASB to help in the preparation and presentation of transparent, high quality and comparable financial statements all over the world. The strengths of the IFRSs adoption is its ability to provide substantial number of benefits to corporate entities of proper and easy consolidation of financial statements; cost; efficient management and control of consistencies in internal financial reporting; trade promotion among and within countries in regional economic groups; the capabilities and abilities of international investors to make informed comparisons of investment portfolios across different countries and improving access to financial capital markets in the global scene (Okoye and Akenbor, 2014). The quest and the feasibility of ensuring a globally accepted and a uniform financial reporting framework and standards have been lingering for some time now (Abata, 2015). Research has identified six factors as the main reasons compelling the adoption of IFRSs. These include: Continuous integration of world economy, increased interdependence of the international financial markets, and absence of barriers of capital flows across national boundaries, increased mobility of capital across national boundaries, multiple listing by companies in capital markets within and outside their home jurisdiction as well as continuous demand by stakeholders for quality information and greater disclosures (Abata, 2015; Christensen et al, 2008). According to Albu et al (2013), the continuous integration of the world economy propels many companies of international nature to adopt and implement IFRSs in their financial reporting and statement preparation. This is as a result of the unification of economic policies between different states which results in the harmonization, adoption and abolition of certain policies, laws and standards by countries. The financial markets of various countries are interwoven, thus according to Dua (2013) as such the happenings of a major financial markets has effect on other country's financials. This therefore supports the reason why interdependence of financial market remains of factor of IFRSs adoption.

Over the last twenty (20) years, the barriers to the international movement of capital across national boundaries have been removed and dismantled (Frankel, 2003). This has resulted in financial integration and has greatly enhanced the removal of capital controls globally therefore resulting in the adoption of common standard of financial capital reporting (Adetoso and Oladejo, 2013). The removal of the barriers of international capital movement occasioned the mobility of capital across national boundaries. Many times, companies with international jurisdiction list their products on many international stock exchange companies. For the sake of reliability and consistency in their operation on the financial markets, a standard reporting of their financial statement is required to ensure transparency for their investors. This therefore accounts for the reason why, multiple listing of companies within or without their operational boundaries results in adoption of IFRSs (Christensen et al, 2008). Often times, stakeholders of companies ensure that, the financial information being communicated to them by managers of the companies are accurate and meet international standards. This has therefore forced most managers of companies to adopt international reporting standards to conform to the demands of their shareholders and investors. However, aligning with IAScomes with some inherent problems.

**2.4 Challenges of IFRSs Implementation**

All over the world implementation of every process comes with a problem, and IFRSs was no exception. As already identified by Abata (2015), Acquaye (2015) also identified some non-technical factors such as political influences, cultural, legal and educational as essential elements in the process of IFRSs adoption. One major challenge that confronts the adoption and implementation of IFRSs is non-compliance of all the options in the standards. According to Acquaye (2015), Rong- Ruey Duh indicated in 2006 that compliance challenges in IFRS adoption is centred around interpretation of standards, the persistent and continuous modification of IFRSs, the availability of accounting knowledge, and the financial statements preparers and regulators expertise in relation to its usage. Soderstrom & Sun (2007) further stated that, cultural, political and business differences negatively impact the achievement towards a single financial communication system globally. This is because, a single set of accounting standards lack the ability to replicate the differences in national business practices as results in cultural and institutional alterations. The perceived quality issue raised in the adoption of IFRSs is also critical for its implementation.

McEnroe & Sullivan (2011) conducted a survey in the US to ascertain the level of preparedness of businesses and investor to migrate to IFRSs. The results showed that, investors were more content with US accounting system and had no intention of moving to the implementation of IFRSs. According to Winney et al (2010), small businesses had not made up their mind of migrating from US GAAP to the IFRSs because they see no benefits of its implementation. The problems that come with the implementation of IFRSs are enormous as it results in the alteration of regulatory framework of the implementing country as well as changes in legal and economic structures (Acquaye, 2015). Due to law and taxes application, the regulatory framework of countries is normally changed to make room for full IFRSs implementation. The implementation of

IFRSs also requires empowering regulatory institutions responsible for oversight roles (Wieczynska, 2015).

Several other factors inhibit the successful implementation of IFRSs. These implementation challenges include possibility of knowledge shortfalls, high demand for education and training, effect of complex tax system, the effects in changing legal systems and framework, and mechanisms put in place for enforcement and compliance (Alp and Ustundag, 2009; Martins, 2011). Also, the need to acquire new set of skills and expertise, transitional challenges arising as results of bottlenecks in management changes, lack of consistencies in applicable laws, continuous review of the standards, the emergence of technical area and terminologies are some of the challenges that were face in countries like Rwanda in the IFRSs implementation (Okundi, 2013). The regulatory framework and financial reporting system already in place before the adoption of the IFRSs and the economic growth level also present IFRSs implementation challenges. The regulatory challenges may include issues of consistency in the regulatory framework, technical capacity and enforcement as well as relevant institutional ground works among others. It is also believed that IFRSs implementation is not suitable for SMEs but more appropriate for medium enterprises of companies with branches in other countries otherwise the implementation cost is higher than the derived benefits (Bohušová and Blašková, 2011).

According to the United Nations (2008), developing countries face the biggest challenges of implementation when it comes to IFRS. These challenges are more severe in countries that had not developed their own accounting standards prior to the adoption of IFRSs (Bohušová and Blašková, 2011), as compared to developed nations which developed their own accounting standards. Challenges of SMEs in developing countries comprising of lack of human resources capital is seen as a major implementation challenge to IFRSs (Correa-Cortes, 2008 as cited in Bohušová and Blašková, 2011). These stated challenges affect the implementation of IFRSs in developing countries as those who set the standards consider no country level of developments.

## 2.5 The Adoption of IFRSs in Ghana

In recent times, there has been consistent push towards the adoption of IFRSs initiated and produced by the IASB. The push towards IFRSs adoption is due to the increasing growth of cross border trade and investments, international trade as well as international financial transactions which unavoidably results in the preparation and presentation of financial accounting reports that meet the standards of stakeholders across various nationals (Armstrong et al, 2007). Such trade activities of international nature have brought about and occasioned the adoption of IFRSs by both developing and developed countries. The roadmap leading to the adoption of IFRSs saw major boost in 2002 when the European Union (EU) adopted the it in its regulation 1606/2002 which mandated and made it a requirement for all public companies operating within its territory to convert to the use of IFRSs as a standard financial reporting standard by 2005 (Iyoha & Faboyede, 2011). Following the global push for the adoption of IFRSs, many countries with the African continent have adopted or indicated their intention to adopt it as a standard financial reporting standard in their various countries. Countries that have since adopted it in Africa include: Nigeria, Zimbabwe, Lesotho, Tunisia, Kenya, South Africa, Sierra Leone and Ghana (Abata, 2015). The adoption among these countries is to make them internationally recognized when it comes to international trade and investments as well as financial reporting and standardization. Though, before the coming into force of IFRSs, these countries have their own standards based on their respective countries' professional accounting bodies, they embraced the IFRSs due to its obvious international competitive. The World Bank in 2004 conducted a review on accounting and auditing standards in Ghana and presented a report known as the Report on Observance of Standards and Codes [ROSC] (Gyasi, 2010). The purpose underpinning the World Bank's review was to assess and evaluate the strengths and weaknesses associated with accounting and auditing requirements in Ghana and also to examine the reporting requirements against what is actually practiced (ROSC, 2004). The IFRSs and the International Standards on auditing were the main standards used by the World Bank as benchmarks to assess the National Accounting and Auditing Standards in Ghana. In June 2004, the World Bank completed its review on the auditing and accounting standards in Ghana and published its Report on Observance of Standards and Codes. The assessment and the subsequent publication of the review of the accounting and auditing standards resulted in a policy recommendation by the World Bank for Ghana to improve its financial reporting framework (Gyasi, 2010).

Following the recommendation by the World Bank in 2004, Ghana just like most other countries across the globe adopted the IFRSs and the International Accounting Standard in 2007 (Abedana and Gayomey, 2016). The adoption of IFRSs in 2007 marked a dramatic shift from the national accounting standards towards more internationally acceptable and globally recognized standards produced by the IASB (Abedana and Gayomey, 2016). Before the adoption of the IFRSs, Ghana was using its Ghana National Accounting Standards (GNAS) for financial reporting and auditing. Due to the fact that, the change from National Accounting Standards (GNAS) to IASB and International Accounting Standard was huge, it is anticipated that the adoption has the potential of causing switch in auditors and audit markets.

### 2.5.1 Compliance of IFRSs in Ghana

Several researches have been conducted on the level of compliance of IFRSs by countries and companies. Some of these researches have shown significant compliance whereas others showed non-compliance. In some cases, companies indicated compliance of IFRSs whiles in practice they were not complying. In terms of IFRSs compliance, the IAS 1 states that, any company whose financial statements comply with IFRSs shall make unreserved and categorical statement of such compliance in their notes (Acquaye, 2015; Mwaura and Nyaboga, 2008). However, no company is allowed or shall make a statement of IFRS compliance unless the financial statements comply and conform to all the requirements of IFRS (IASB, 2005). The International Federation of Accountants (IFAC) in many instances has observed a situation where auditors assert that they comply with IASs and IFRS when in actual facts, the notes to the financial statements states otherwise (Glaum and Street, 2003). This presupposes that there is a gap between claiming to have complied with IFRSs and the extent of compliance by corporate bodies.

The same global situation could be applicable to companies listed on the Ghana Stock Exchange Company who have claimed to fully comply with IFRSs.

In Ghana, preponderance of literatures exists on IFRSs adoption and the extent of compliance by listed companies. Amoako and Asante (2012) conducted an empirical study on the compliance with IFRSs with special emphasis on financial instruments IFRS 7 on listed banks in Ghana. The study used mandatory disclosure index (MDI) to measure the level of mandatory compliance with IFRS 7 from self-constructed compliance checklist. The sample of the study consisted of six listed banks from 2008 to 2009. The results of the study showed high degree of compliance with IFRS 7, although the compliance was not absolute.

Acquaye (2015) conducted a study on the adoption of IFRSs and the level of compliance with respect to the preparation of financial statements by listed companies in Ghana. The study sampled 29 companies listed on the Ghana Stock Exchange and recorded high compliance rate among the sampled companies.

Yiadom and Atsunyo (2014) also conducted a study to examine the level or the extent to which listed companies on the Ghana Stock Exchange comply with IFRS's disclosure requirements and presentation. The study used financial statements of 31 companies listed on the Ghana Stock Exchange (GSE). The study used descriptive statistics and ANOVA to analyze the data and the results showed an overall mean of 85% compliance rate with companies listed on the GSE.

### 2.5.2 Challenges of Adopting IFRSs in Ghana

There are practical challenges that Ghana may face in the attempt to implement IFRSs in the country. In order that the country benefit fully from the introduction, adoption and implementation of IFRSs, such challenges must be identified and dealt with. The challenges confronting IFRSs implementation in Ghana has been evidently identified by several researches conducted by Scholars. These challenges include: Effects on Ghanaian legal system and potential knowledge shortfall (Acquaye, 2015); effects on the tax system and education and training (Abedana and Gayomey, 2016); compliance and enforcement mechanisms (Amoako and Asante, 2010; Yiadom and Atsunyo, 2014). Many challenges confront the IFRSs adoption and implementation in Ghana ranging from inadequate expertise in IFRSs, the difficulty and struggle associated with language translation, the instability of accounting infrastructures that were previously in existence, as well as lack of appropriate corporate governance (Abedana and Gayomey, 2016). The pivotal and critical challenges that IFRS implementation may face are discussed:

#### 2.5.2.1 Level of Awareness

The process of transition between IFRSs planning and adoption as well as the potential implication that is likely to face financial statements preparers and users, regulators, educators and all other stakeholders in the implementation process must be efficiently and well-coordinated and communicated (Amoako and Asante, 2010). Such coordination and communication should include awareness creation on the impact of IFRSs conversion and the potential impacts on financial position and business performance as well as addressing all the legal synergy issues that may come along (Yiadom and

Atsunyo, 2014). There is the need for adequate country and entity preparation before the implementation of IFRSs to ensure coherence and clarity on the authority IFRSs implementation is likely to bring on existing laws in the country.

#### 2.5.2.2 Accounting Education and Training

The implementation of IFRSs requires adequate and practical technical capacity among users and preparers of financial statements, auditors, regulators and accountants. Many countries that adopted and implemented IFRSs faced variety of issues relating to capacity depending on the approach they took. Undoubtedly, one key challenge Ghana may face in the practical implementation of IFRSs may be shortage of accountants and auditors who are technically competent in the implementation of IFRSs ((Abedana and Gayomey, 2016)). Mostly, the duration between decision to implement IFRSs and actual implementation date is not enough to allow for proper training of accountants and auditors to meet the required capacity needed for the implementation of the international standards.

#### 2.5.2.3 Training Resources

The successful implementation of IFRSs is largely dependent on professional accountants. In addition to the professional accountants, some other workers are needful in the adoption process of IFRSs. These officers include auditors, tax collectors and practitioners, financial analysts, government officials, regulators, lecturers of accounting subjects, information officers, stock-brokers and financial statement preparers and users (Acquaye, 2015; KPMG, 2007). Materials on IFRSs needed for proper training of accountants in Ghana is readily not available and in the case of availability, it is highly not affordable for purchases which are challenges to the successful implementation of IFRSs in the country (ICAG, 2015). In Ghana, the charges involve in training accountants on IFRSs are expensive and serve as impediments to the IFRSs adoption and implementation.

**2.5.2.4 Amendment of Existing Laws**

In Ghana, accounting practices are regulated by the Institute of Chartered Accountants Ghana (ICAG). ICAG was established by an Act of Parliament, Act 170 in 1963 charge with the responsibility of solely regulating accounting practice in Ghana with its members being the only accounting professionals recognized under the Companies Act, (Act 179) 1963. The ICAG issued the Ghana National Accounting Standards (GNAS) to guide financial preparation and auditing in Ghana. Other laws such as Financial Administration Act 2003, (Act 654), Stock Exchange Act 1971, (Act 384), Insurance Act 2006, (Act 724), Banking Act 2004 (Act 673) and Non-Bank Financial Institutions Act 2008 (Act 774) also exist (Yiadom and Atsunyo, 2014). These laws provide some guidelines in the financial preparation in Ghana.  Unfortunately, IFRSs does not recognized these laws and such accountants and auditors have to strictly and fully follow the IFRSs without overriding provisions from the existing laws in the country (ROSC, 2004). Therefore, for smooth transition to IFRSs, it is imperative for the Parliament of Ghana to make amendments to some of the existing laws to accommodate the IFRSs.

### 2.5.3 Benefits of Adopting IFRSs in Ghana

There have been several proponents and opponents of IFRSs adoption in Ghana. Several other people have also argued for and against the adoption of IFRSs in Ghana. Barth (2007) opined that, the introduction, adoption and implementation of a single international standard has a lot of expected and inherent benefits. Such benefits include: the cost of financial information processing is lowered and lower cost of auditing to financial markets participants; being familiar with a common or a single set of international accounting standard instead of the numerous local accounting standards being used by auditors and accountants in financial reports preparation; financial statement from different companies within different countries become easy to compare and ensure uniformity across various countries thereby making investment analysis easy and the attraction of general capital market liberalization and increases foreign investment. According to Abedana and Gayomey (2016), in developing countries such as Ghana where local government institutions are low in quality, the adoption and implementation of IFRSs could be very much beneficial.

Ahmed (2011) and Okundi (2013) enumerated several perceived benefits that could be derived from IFRSs adoption and implementation. The listed benefits include: reduction of capital cost, enhancing capital allocation efficiently, development of wider markets, the value and the liquidity of the market becomes higher and improved. Other benefits as proposed by scholars also include: investors having access to information that is higher in quality, the transparency of results is further enhanced, and also facilitate the movement of capital across border (Bhattacharjee and Hossain 2010; Essien-Akpan, 2011; Madawaki, 2014).

In Ghana, Ocansey and Enahoro (2014) believed that the adoption and implementation of IFRSs will enhance and ensure meaningful compilation of data for reporting entities' performance. This will therefore promote easy comparability and reliability. The adoption will enhance and facilitate the investors' decision enhancement as well as attracting foreign investment into the country. Since the adoption of IFRSs enhance the financial capacity of local companies and presents transparent financial results easy to interpret by foreign individuals, it is believed that the adoption will attract easy access to capital for local companies to boost their investment base (Ocansey and Enahoro, 2014). In addition, the cost of doing business across borders is believed to have been lowered, multinational companies' financial consolidation would be easy, regulation of companies will also be easy and the knowledge of reporting financial statements globally will be enhanced and improved. Zori (2011) conducted a study to examine the benefits and impacts of IFRSs adoption of companies listed on the Ghana Stock Exchange. The analyses of the financial statement of the selected companies show that the adoption of IFRSs has impacted positively on the financial performance of those listed companies.

Though the adoption and implementation of IFRSs come with many challenges and difficulties, successful implementation has benefits which cannot be over emphasized. The benefits that come along with the implementation and adoption of IFRS enhance the capacity and international outlook of Ghanaian listed companies on the stock markets.

## 2.6 Auditor Switching

Audit plays an important role in the financial reporting processes. There is an existing literature citing the agency conflict between managers of firms and shareholders of firms thereby making the role of auditors as the controller of financial reporting quality and protectors of shareholders' interest (Wieczynska, 2015). Though the purposes of financial and accounting reporting standards are to reduce the tendencies and opportunities of misreporting as a result of managerial incentives, implementing these standards properly cannot be guaranteed (Atkinson et al, 2002). Therefore, there is an urgent need to ensure and assess the financial reporting standards objectively and properly apply the standards in financial reporting. These objective and proper assessment of the standards are done through the services of external auditors.

According to Stefaniak et al (2009), the determinants of the choice of external auditors are financial markets elements and multiple clients firm. In determining the external auditors, the firms' choice of external auditors is based on the firms' incentives. For instance, firms whose financial operations are complex choose larger audit firms due to their capacity to efficiently audit such firms. In similar manner, because larger audit firms charge higher audit fees for their services, firms that are smaller in nature choose smaller audit firms (Choi et al, 2008). Furthermore, the clients' audit-related incentives changes, which may include superior audit quality standards of the willingness of auditors to ensure aggressive reporting. In addition, incentives for clients' changes and not are static. As firms begin to see expansion in their operation, their reliance on external investment becomes less or take decision to branch into new business area, or expand their business internationally or take the decision of downsizing to become more specialized in their activities (Azobu, 2010). As a results of fluctuation on competitive and operational environments, and owing to the facts that the characteristics of firm changes, the clients firm should continuously examine the category of auditors that meet or match their incentives.

There are long-term and far reaching consequences for auditor replacements for auditors and firms alike. The consequences and immediate cost effects that comes with auditor switching include: the cost that has to be incurred for auditors to familiarize themselves with clients internal and external operational environment, potential cost that may be incurred if the audit is unsuccessful due to the inability of auditors to understand firms' operation, and the risk of assigning high degree of information to financial statements (Gyasi, 2010). Further to the consequences of auditor change, researches show that, replacements of auditors results in frequent negative stock market reactions according to (Stefaniak et al, 2009) due to the fact that yearly financial reports given to investors by firms are certified by auditors, the auditors' replacements affect the quality of the reports directly.

Switching of independent auditors has received a considerable level of attention since the independent auditor is seen as an audit function (Garach, 2001). Empirical studies on the subject of auditor switching exists more in the US, UK, Australia and Germany. The phenomenon hardly exists in Ghana with little or no work done to ascertain the level of audit switching in Ghana and its effects on both the audit firms and listed companies.

There is therefore the need for new knowledge to be emerged with respect to auditor switching in Ghana. The growing phenomenon of auditor switching has been a great source of concern to professionals in the auditing industry and the general public as well as third parties that depend on audit services rendered by professional auditors (Chang et al, 2010). This so because, auditing plays the role of adding credibility to financial statements thereby enhancing the effectiveness associated with accounting communication in every economic system (Lin and Liu, 2010).

The removal or resignation of auditors from a client's firm is part of audit change (Turner et al, 2005). However, the term audit change can be defined as the decisions by management of a corporate entity to change or retain auditors when there is a significant change in the firms' characteristics as time goes by (Aghaei – Chadegani et al, 2011; Lin and Liu, 2010). Several factors and reasons may occasion auditor switching within a corporate entity. As indicated by Garach (2001), several reasons have been attributed to auditor switching though limited literature exist on those reasons. Auditor switching may occur as a result of dispute between a company and audit firm, which causes the company to search for auditors who agrees to their terms and conditions (Aghaei – Chadegani et al, 2011; Chang et al, 2010; Theng, 2014).

According to Thahir Abdul Nasser et al (2006) there is an anxiety about auditor switching whenever and wherever it occurs, especially based on the reasons upon which the auditor changes happen. Often times, companies that changes auditors are accused of "shopping around" for audit firms that will oblige with the client's company and conspire to present audit reports that presents their financial affairs in their interest (Garach, 2001). In many occasions also, critics of companies have claimed that, the companies' changes auditors and go round to "shop for" auditors that will accept accounting standards that other auditors may consider as objectionable (Lin and Liu, 2010; Thahir Abdul Nasser et al, 2006).

Aghaei – Chadegani et al (2011) identified six determinant factors as the reasons resulting in auditor switching in many listed companies. These factors included; change in management, qualified audit opinion, client size, financial distress, and audit quality as well as audit fees. According to Hudaib and Cooke (2005), management of companies influences the choice of audit firms and thereby have the desire switching auditors when there is change in managers to pursue their own selfish interest. Knechel and Vanstraelen (2007) opined that, qualification of audit opinions has a tendency to results in auditor switching when the clients audit firms provides an opinion regarded as unclean audit reports. According to Copley and Douthett (2002) size of client's firm lead to auditor switching as a results of complexities and audit fees increase and the need to adopt audit standards that meet the growing needs of the client's firm. The quality of audit reports by a company is essential for its competitive advantageon the financial markets; as such larger firms go in for large audit firms that have the capacity to use acceptable IASto audit their financial transactions (Hudaib and Cooke, 2005). Companies experiencing financial down turn normally go in for auditors who are seen on the financial market as highly independent to boost investors and shareholder's confidence so as to allow more investment and cash flow to shore up their capital strength (Thahir Abdul Nasser et al, 2006). Audit fees remain one major factor that determines the choice and selection of auditor, thus when management are not comfortable with audit fee, they change auditors for a better option (Knechel and Vanstraelen, 2007).

### 2.7 IFRSs Adoption and Auditor Switching

The financial market was directly affected by the introduction and adoption of IFRSs. Often times, there is adjustment of accounting systems so as to gather information necessary for the preparation of financial statements which are IFRSs compliant. Normally, auditors have to learn and examine the preparation of financial statements under IFRSs. Investors, financial analysts and other financial reports users also have to learn the interpretation of financial reports under IFRSs. The adoption and implementation of IFRSs may change the incentives clients provide resulting in substantial changes in financial reporting (Abedana and Gayomey, 2016). The question we need to ask is whether or not all types of audit firms are able to meet the updated incentives of the clients when those clients adopt IFRSs. Due to the fact that, audit firm's replacement comes with a cost, it is important to evaluate and examine the effect of client-auditor relationship as a results of IFRSs adoption.

A handful of literature exists on the effects of IFRSs adoption and changes to client-auditor relationship (Atkinson et al, 2002; Comprix et al, 2011; Lin and Yen, 2010). Comprix et al (2011) conducted a study on the client-auditor relationship following the adoption of IFRSs based on the assumption that if a client uses an audit firm and changes the audit firm after 2007, then it's because of the adoption of IFRSs. Based on that assumption, the results of the study showed that larger firms are more likely to switch from small audit firms to larger audit firms due to the adoption of IFRSs. However, the study stated that, the reasons underpinning audit replacement by firms between 2003 and 2007 cannot solely be attributed to IFRSs adoption as firms switch for some other reasons. It is not clear whether audit firms are affected before IFRSs adoption or during the process of adopting IFRSs.

Furthermore, incentives associated with auditor switching for the purposes of IFRSs adoption differs among firms depending on weaker or stronger regulatory regimes. There is however numerous researches on the need to consider the regulatory regime in the adoption of IFRSs as it remains essential for successful IFRSs implementation (Barth et al. 2012; Leuz et al, 2003; Vulcheva, 2012).

The issuance of first time IFRSs compliant financial reports to the market by firms that newly adopted it create a situation of misunderstanding among market participants. It therefore becomes difficult for the market participants to understand the new reporting standards and may be of the concern that the new financial statement does not reflect the effective application of IFRSs. Initially, investors may not be comfortable about the interpretation of the financial statements as it may increase the fear of managers' opportunistic reporting (Melatti, 2008; PwC, 2006; Joos and Leung, 2013). As the incentives for IFRSs adoption increases, the uncertainty of financial reporting quality for firms would be diminished. This therefore makes it more pronounced for firms and companies with weak incentives to IFRSs. Directors and managers of firms who are more aware of the concerns of the investors with respect to financial statements may try to alleviate them by providing with financial statements that is high in quality by properly applying IFRSs (Wieczynska, 2015). This therefore makes the firm take the concerns of the investors and appropriate work on their fears.

Ordinarily, companies hire audit firms to ensure that their financial statements conform to the appropriate accounting and auditing standards in use. Nonetheless, the quality of audit or financial statements is contingents on the proficiency of the auditors to apply the standard accounting principles in a situation when the old style of accounting reporting is replaced with new ones (Barth et al. 2012; Wieczynska, 2015). Presumably, countries that adopt IFRSs for their financial statement preparation offers the participants in the markets the opportunity and ample time to prepare for the implementation of the IFRSs. Furthermore, it must be noted that, not all firms and audit firms have the adequate resources and capacity for proper application of IFRSs or for high quality IFRSs standard audits. Most audit firms specialize in the quality services they provide to clients. Though, some audit firms may decide to provide audit reports based on or driven by IFRSs application, another audit firms may also decide to specialize in audit services that are less strict. Consequentially, the firms' responsibility and task are to employ auditors who conduct audits based on the firm's incentives and requirements (Barth et al. 2012; Leuz et al, 2003). Therefore, audits firms which have been employed by companies and failed to comply or align with the firm's incentives to produce audits report based on acceptable international standards are more likely to face replacements.

There seems to be little or not much empirical research or evidence on the impact of accounting standards adoption and auditor switch rates.  Other researches in existence talks about dispute in accounting principle standards, change in management, additional services requirement and financing, not satisfied with services provided by auditors, high audit fees as well regular rotation of policy were seen as some of the factors causing auditor switching (Atkinson et al, 2002; Choi et al, 2008; Stefaniak et al, 2009). The share of auditors' industry, financial distress of auditors, the tenure of auditors' engagement by the clients, as well as the cost structures of the audit firms have also been enumerated as the possible causes of auditor switching (Atkinson et al, 2002). The opinions of qualified auditors were seen as either related or unrelated to auditor switching. Some other scholars in the field of accounting have stated that, accounting standard adoption especially IFRSs reduce the rate of audit switching among companies.

Atkinson et al (2002) conducted an empirical study to ascertain the impact of accounting standards on audit firm switch rates. The researcher evaluated the impact by testing some four hypotheses. The results of the study showed that, in the year in which the accounting standard was enacted, there was faster rate of audit firm changes by firms. The study therefore confirms the opinion that implementation of IFRSs brings conflict in auditor-client relationship causing client firms to change auditors. Due to the non-availability of researches or literature on the adoption of IFRSs by listed companies in Ghana with respect to auditor switching, this study is designed to present an in-depth empirical study on the subject matter. The study is also designed to examine the effects, repercussions and consequences of auditor switching on listed companies in Ghana.

### 2.8 Consequences of Auditor Switching on Listed Companies

Stefaniak et al (2009) conducted an extensive review on the causes and repercussions on auditor switching. In their work, 57 literatures or studies conducted on the causes and consequences of auditor switching were reviewed from the perspectives of the client. The literatures used were studies that used archival data on publicly listed companies. Out of the 57, only 8 of the studies used survey data and there was no use of interview in any of the studies used. The review showed that, in most of the studies, high audit fees were seen as the major reason for auditor switching (Brazel and Bradford, 2011). Whereas some cited economic reasons, others also indicated client-auditor relationship as the frequent change in auditors. Throughout the literature, majority of studies has cited high audit fees by audit firms as a major cause of auditor switching. It must however also be noted that, audit firms do not charge high fees for the purpose of charging. Audit service fees are based on the services provided vis-à-vis the complex nature and incentives of the client firm.

Fontaine et al (2013) also conducted an interview study to understand the reasons clients change audit firms and the client's perceived value of the audit service. In their research, 20 financial managers of firms who have casting decision on the determination of audit firms were interviewed. The study revealed that, the quality of relationship between the client and auditor is a major determinant to auditor switching. However, the issues of auditor fees become the selecting and replacement criterion when relationships are mismanaged between clients and audit firms. In the study, audit firms expressed concern about how client perceive the audit service. Client sees the audit service as a commodity and therefore changes to another audit firm for lower audit fees as soon as fees are increased. Because the study is based on IFRSs adoption and its accompanied challenges and auditor switching, it must be stated that, IFRSs adoption has also been identified as key elements resulting in high audit fees.

Lin and Yen (2010) conducted a research on the effects of IFRSs adoption on audit fees for listed companies in China. The study showed that, the audit fees of companies listed in China were significantly increased as results of IFRSs adoption. The study also observed that big audit firms charged higher audit fees than local audit firms after the adoption of IFRSs. The findings in this study were very much consistent with other research in confirming higher audit fees after the adoption of IFRSs. The obvious relationship between IFRS adoption and auditor switching is that, because IFRSs leads to higher fees for audit services, firms also change their auditors based on audit fees. Literature has therefore established a relationship between IFRS adoption and auditor switching. It must also be noted that, the consequences and repercussions of auditor switching can be dire to both the audit firms and the client firms.

The decision by management of a firm to switch auditors comes with some consequences and repercussions and they must be aware before taking the decision. A switch from one audit firm to another audit firm always sends a signal to potential investors; therefore, it is imperative for management of a firm to know whether investors see the switch as good or bad (Janssen, 2012). In the US, it is a requirement for every company that changes its auditors to provide certain information according to (Janssen, 2012). However, the companies need not provide specific reasons as to why they changed the auditors (Turner et al, 2005). This therefore makes investors worry as to what reason actually accounts for the auditor change.

In the study conducted by Janssen (2012) to examine the consequences of auditor switching on the listed companies financial position, the results showed negative relationship. The results indicate a change in auditor announcements by a firm lead to consensus by potential investors. This therefore makes the value of the firm's assets to be lowered. The results also indicate that, to the potential investor whether the change in auditors is good or bad, the announcement alone is informative enough to the investor. The change in auditors also has implications on the financial position of the client firm. In a research conducted by Persons (1995 as cited in Janssen, 2012) showed that firms that were financially troubled and changed their auditors from big 8 (B8) to non-big 8 witness a highly unfavourable stock markets price reaction from investors thereby affecting the firm's financial position on the stock. These and many other factors suggest dire consequences of auditor switching for both audit firms and client firms. This study is therefore designed to ascertain and examine the repercussions of auditor switching on both firms.

### 2.9 Summary

In summary, this chapter reviewed the adoption of IFRSs from the global level with specific focus on the adoption by listed companies in Ghana. The chapter offers in depth evaluation of IFRSs adoption and implementation and its resultant effect on Auditor switching. The review has identified several factors that propel the adoption of IFRSs by listed companies and also expose us to the consequences of IFRSs implementation on auditor switching. It also elaborated the challenges listed companies face in the event of auditor switching. However, the review identified academic gap with respect to the relationship between IFRSs adoption and its effects on auditor switching. There seems to be no work or the little researches available that seek to examine the relationship between

IFRSs adoption and Auditor switching. The study also revealed that, though listed companies in Ghana always boast of having adopted IFRSs, the level of adoption and extent of compliance is not known. These gaps and many others identified would form the basis on the next chapter and subsequently design appropriate methods to solve the identified gap in the literature.

# CHAPTER THREE

# METHODOLOGY

## 3.1 Introduction

This chapter presents the methodology employed in the conduct of the study. It covers the research design used, the types of data collected, the data collection method, the population sample size and the sampling technique used, the approach used to ensure validity and reliability of the data collected and the data collection techniques.

## 3.2 Research Design

The study adopted a descriptive and interpretive case study research design using both qualitative and quantitative approaches. The use of descriptive and interpretive case study allows the researcher to analyse, interpret and examine theories on compliance with the IFRSs using empirical data collected from specific context. According to Yin (2003) case studies are conducted when there is the need to obtain detail and in-depth information concerning a particular phenomenon within a confined geographic scope and time frame. Case study research designs are characterized by their focus on investigating a phenomenon within a limited setting (boundaries).

Despite the fact that case study designs are widely used, there is a loud criticism of the design on the grounds of its non-representativeness and a lack of statistical generalisability. Cornford and Smithson (1996) noted that the richness and complexity of the data collected in case studies also open up the study for different interpretations, and potential researcher bias. There are however other researchers such as Denzin and

Lincoln (2000) and Yin (2002) who have argued that case studies can be generalised especially when there are multiple actors in multiple settings. Yin (2002) argues that case studies can be used for analytical generalisations, where the researcher's aim is to generalize a particular set of results to some broader theoretical propositions.

In spite of the imperfection of the case study research design, but given the interpretive stance adopted in this study and the nature of the research objectives and questions, the Researcher believes that the case study approach is the most appropriate research design for this study. One advantage that makes the case study design much more suitable is the fact that it enabled the researcher obtained unique perceptions and concerns of individual participants in a real-world situation without having to replicate the phenomenon in an experimental field. The case study design is particularly suitable for the study especially because the problem, compliance with the IFRS needed to be investigated within specific context (Listed companies operating in the Kumasi Metropolis), as the phenomenon exist in context.

### 3.3 Population of the Study

The study was conducted with staffs and management of listed companies on the Ghana Stock Exchange that are operating in the Kumasi Metropolis. Currently there are 42 companies listed on the Ghana Stock Exchange from nine (9) sectors. Of these, 28 from six (6) sectors operates in the Kumasi Metropolis (Ghana Stock Exchange, 2017). Since the study is focused on the Kumasi Metropolis, the population of the study considers only the listed companies operating in the Kumasi Metropolis. The target population of the study therefore includes staffs and management of the 28 companies listed on the GSE that are operating in the Kumasi Metropolis.

### 3.4 Sample Size

Against all consideration and base on the objectives of the study, a sample size of 112 individuals comprising of three (4) people from each of the 28 listed companies operating in the Kumasi Metropolis. All the 28 listed companies operating in the Kumasi Metropolis were used based on the counsel of Njeru (2015) that for smaller sample (Not more than 30 units) census approach become more appropriate and adequately representative enough.

In determining the sample sizes of the individual respondents from the selected companies, a number of considerations were observed. Although there is no fast-rule on the size of sample for any research work, the researcher selected a sample mindful of the need to ensure representativeness, reliability, flexibility and efficiency with the size of the sample. According to Gersten, *et al.,* (2005) the sample size of any study must be just of adequate size relative to the objectives of the study. It must be just “big enough” so that an effect of such magnitude as to be of scientific significance will also be statistically significant but not “too big,” also where an effect of little scientific importance is nevertheless statistically detectable. The sample size of 112, although selected arbitrary took into consideration the needs to ensure representativeness. The 28 companies selected for the study are presented in Table 3.1

**Table 3.1 List of Listed Companies Operating in the Kumasi Metropolis**

| S/N | Company | Symbol | Sector |
|---|---|---|---|
| 1 | African Champion Industries | ACI | Consumer Goods |
| 2 | Benso Oil Palm Plantation | BOPP | Consumer Goods |
| 3 | Cocoa Processing Company | CPC | Consumer Goods |
| 4 | Fan Milk | FML | Consumer Goods |
| 5 | Golden Web | GWEB | Consumer Goods |
| 6 | Guinness Ghana Breweries | GGBL | Consumer Goods |
| 7 | Pioneer Kitchenware | PKL | Consumer Goods |
| 8 | Produce Buying Company | PBC | Consumer Goods |
| 9 | PZ Cussons Ghana | PZC | Consumer Goods |
| 10 | Unilever Ghana | UNIL | Consumer Goods |
| 11 | Mechanical Lloyd Company | MLC | Consumer Services |
| 12 | Sam Woode | SWL | Consumer Services |
| 13 | Access Bank Ghana | ABG | Financials |
| 14 | Agricultural Development Bank | ADB | Financials |
| 15 | CAL Bank | CAL | Financials |
| 16 | Ecobank Ghana | EGH | Financials |
| 17 | Enterprise Group | EGL | Financials |
| 18 | Ghana Commercial Bank | GCB | Financials |
| 19 | HFC Bank | HFC | Financials |
| 20 | Mega African Capital | MAC | Financials |
| 21 | SIC Insurance Company | SIC | Financials |
| 22 | Societe Generale Ghana | SOGEGH | Financials |
| 23 | Standard Chartered Bank Ghana | SCB | Financials |
| 24 | UT Bank | UTB | Financials |
| 25 | Ayrton Drugs Manufacturing | AYRTN | Health Care |
| 26 | Camelot Ghana | CMLT | Industrials |
| 27 | Ghana Oil Company | GOIL | Oil & Gas |
| 28 | Total Petroleum Ghana | TOTAL | Oil & Gas |

**Source: Ghana Stock Exchange, 2017**

### 3.5 Sampling Technique

In selecting the sample for the study census and the purposive sampling methods were employed. In the first place the selection of all 28 listed companies in the Kumasi Metropolis was done using the census approach. The use of the census approach became necessary as a result of the fact that sample of listed companies in the Kumasi Metropolis was small. The use of the census approach in this case is justified by Field (2006) claim that results obtained from a census are likely to be more representatively accurate and reliable than results obtained from a population sample.

In selecting the individual respondents from the selected company, a purposive sampling approach was used. The use of the purposive sampling method was necessary to enable the researcher select only persons knowledgeable and currently working in roles that involved compliance with the IFRSs. In this regards, the manager of each company, accountant, internal auditor and external auditors were selected for the study. The managers were selected as a result of their roles as the general supervisor and authority of the company. The accountants were also selected as a result of their roles involving the preparation of financial statements using the IFRSs whereas the auditors were selected as a result their roles in ensuring compliance with IFRSs and their affiliation with the operation of the companies.

**3.6 Types and data Source**

The study collected and analyse both quantitative and qualitative data. The use of both quantitative and qualitative data is informed by the nature of the variable of the study and the level at which they were measured. Qualitative data were collected for variables measured at nominal level which included the occurrence of auditor switching or not, factors that influence auditor switching and the challenges companies face as a result of auditor switching.  Variables that measure how compliance with IFRS influence auditor switching were measured with quantitative data.

In terms of the source, the data collected included both primary and secondary data. Primary data were collected directly from the respondents through field survey using questionnaire. The secondary data on the other hand were collected from existing data relevant for the study. The secondary data for the study were obtained from financial reports and statements of the selected companies and other relevant sources within the companies through documentary review.

### 3.7 Data Collection Technique

The data for the study were collected using a multiplicity of techniques and approaches. The main methods used were field survey using questionnaires and documentary review. The field surveys were conducted among Managers, accountants and auditors (both internal and external) of the selected companies. Two category of questionnaires were used, one administered to the managers, internal auditor and accountants of each company whereas the other is administered to external auditors of the company. The questionnaires used were self-designed and were structured to collect data on, factors affecting compliance with IFRS, the influence of IFRSs adoption on auditor switching and the effects of auditor switching on the operations of the selected companies.

On the other hand, document review was conducted in each of the selected companies to provide supplementary data for the study. The review encompassed desk review of documents of relevant financial reports including financial statements and other reports. The review focused on comparing the financial reporting practices of the companies with the IFRS.

### 3.8 Data Validation and Reliability

The study employed a number of approaches to ensure the findings of the study are valid and reliable. In adopting the definitions by Weiner *et al* (2008), by validity the researcher means the degree to which measurement instrument or data collected succeeds in describing what it is designed to measure and reliability, the degree of consistency that the instrument or procedure of data collection can achieve the same or similar results if the study was to be replicated.

The researcher identified four (4) possible sources of mistakes that may affect the validity and reliability of the findings viz. participant error, participant bias, observer error and bias. To ensure that these errors and bias don't occur, the study applied triangulation approach that allow for the collection of data from different categories of respondents to ensure cross verification. The data collection instruments were also validated through pre-testing. The pre-testing would be done to ensure that the questions are logical on the face of it (face validity) and that the conclusion and information it seek to obtain will also be credible (construct validity).

### 3.9 Data Analysis

The data collected for the study were analysed statistically using the Statistical Package for Social Sciences (SPSS version 20) software. In the first place, the data collected from the field were edited to ensure completeness and legibility of entries, coded and entered into the SPSS software. The data entered were analysed using both descriptive and inferential statistical analytical methods. The descriptive statistical analysis approach involved frequency counts, determination of central tendencies (mean, medial and mode) and measures of dispersion (Standard deviation and Coefficients of Variations) for each of the variables.

The descriptive statistical analysis tools were used to determine and display the extent to which the selected companies adopted IFRSs, the influence of IFRSs adoption on auditor switching and the challenges the selected companies face as a result of auditor switching. The results from the analysis are presented mainly in tables and discussed.

# CHAPTER FOUR

# RESULTS AND DISCUSSION

## 4. 1 Introduction

This chapter presents the results and discussion from analysis of empirical data collected for the study. The data analysed were collected from respondents selected from Listed Companies operating in the Kumasi Metropolis. In all 104 respondents out of a sample size of 112 individuals participated in the study. The response rate was therefore 92.9%.

## 4.2 Demographic Characteristics

The demographic characteristics of interest in the study included the educational level of the respondents, their positions in the selected companies, professional certification and the length of service to the selected companies. The results on the demographic characteristics of respondents are presented in Table 4.1. From the results it showed that 54.8% of the respondents hold master's certificates whereas 40.5% of the respondents are first degree holders. Only 4.8% of respondents have a degree in Doctor of Philosophy (PhD). From the results, it can be observed that, majority of the respondents hold qualification above first degree, which therefore means that, their level of knowledge in the subject matter under investigation is high.

In terms of position respondents occupy in the listed companies, the results show that there were equal numbers of Managers, Accountants and Internal Auditors as indicated in table 4.1. In all 33.3% of each management member who are top managers of the listed companies were selected. In each company, three top management officers were selected, thus, the Accountant of the company, the manager and the Internal Auditor. Also a total of 20 External Auditors, who primarily audit the listed companies were also part of the respondents. The Management of the listed companies remain the right people who are in the position to provide answers that the study seeks.

From Table 4.1, the results show that top management of the various listed companies have three professional backgrounds. These include Certified Institute of Management Accountants (CIMA), Association of Chartered Certified Accountants (ACCA) and Institute of Chartered Accountants, Ghana (ICAG). The results show that a whopping 60.7% are ICAG certified Accountants, Auditors and Managers, with 23.8% and 15.5% being ACCA and CIMA professionals respectively.

In terms of the length of service, majority (56%) of the respondents have worked in their respective companies for a period of 6 to 10 years whiles 22% have worked for less than five years in their company. The results therefore mean that majority of the respondents have had sufficient experience in their field and could therefore provide well informed responses concerning the adoption of IFRSs in their companies.

**Table 4.1 Demographic Characteristics of the Respondents**

| Characteristics | Category/options | Frequency | Percentages |
|---|---|---|---|
| Education | Bachelor Degree | 34 | 40.5 |
| | Master's Degree | 46 | 54.8 |
| | PhD | 4 | 4.8 |
| Position | Accountant | 28 | 33.3 |
| | internal auditor | 28 | 33.3 |
| | Manager | 28 | 33.3 |
| Professional | ICA GHANA | 51 | 60.7 |
| Certification | ACCA | 20 | 23.8 |
| | CIMA | 13 | 15.5 |
| Length of service | 5 years or less | 19 | 22.6 |
| | 6-10 | 47 | 56.0 |
| | 11-15 | 12 | 14.3 |
| | 16 or more | 6 | 7.1 |

**Source: Field Survey (2017)**

### 4.3 Factors that Affect Compliance with IFRSs among Listed Companies

The study examined the factors that influence the adoption of the IFRSs from the perspective of the staff (Managers, Accountants and Auditors) and External Auditors of the Listed Companies operating in the Kumasi Metropolis. The results on the Auditors view on the extent of compliance and the factors that influence the adoption of IFRSs among the Listed Companies in the Kumasi Metropolis. The results are as follows;

**4.3.1 External Auditors' views of the Compliance with IFRSs by Selected Companies**

The results in Table 4.2 presents the Auditors view of the extent to which the listed companies on the Ghana Stock Exchange operating in the Kumasi Metropolis have complied with IFRSs. The results show that the extent of compliance with IFRSs among listed companies on the Ghana Stock Exchange who operate in Kumasi is moderate. A total of 50% of the external Auditors who audit the companies are of the view that compliance rate among listed companies are average. Also a significant number of respondents, 30% are also of the view that, IFRSs compliance among listed companies is very low. Only a cumulative number of 20% of the respondent held the opinion that the extent of compliance among listed companies on the GSE is to some extent high.

Ghana since 2007 adopted the IFRSs as the international standard acceptable for the preparation of financial statements and reports as well as auditing. Since the adoption, companies listed on the Ghana Stock Exchange (GSE) are mandated to prepare their financial statements and reports based on IFRS. From the results as indicated in table 4.3, it can be inferred that compliance rate among listed companies on the Ghana Stock Exchange operating in the Kumasi Metropolis is generally low. This observation is a deviation from an earlier study conducted by Acquaye (2015), Amoako and Asante (2012), and Yiadom and Atsunyo (2014) which found that the level of compliance with IFRSs among listed companies on the Ghana Stock Exchange is high. The results obtained in this study are contrary to these observations as the results indicate that, the extent of compliance is generally low among listed companies. The results however, confirm a statement that most companies report of having complied with IFRSs when the situation in reality is contrary (Glaum and Street, 2003).

**Table 4.2 Extent Compliance with IFRSs among Listed Companies**

| Rating | Frequency | Percentage |
|---|---|---|
| Very Low extent | 6 | 30.0 |
| Moderate | 10 | 50.0 |
| High extent | 2 | 10.0 |
| Very High extent | 2 | 10.0 |
| **Total** | **20** | **100.0** |

Source: Field Survey (2017)

### 4.3.2 Factors influencing Adoption of the IFRSs by Listed Companies Operating in Kumasi

Some factors were found to have facilitated the adoption of IFRSs among the listed companies operating in the Kumasi Metropolis. In the study, the respondents responded to a 5-point Likert Scale defined as 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4= Agree and 5=strongly agree. The factors identified as having influence on IFRSs adoption are Globalization and internationalization of trade and business activities, pressure from external organisation e.g. IMF, WORLD BANK, the legal system influenced IFRSs adoption, economic growth in Ghana greatly influenced the adoption of IFRSs, the existence of capital market influenced IFRSs adoption and the comparative effectiveness of IFRSs over previous accounting standards. The results from the analysis are presented in Table 4.3.

From the results it is observed that, respondents agree to the fact that Globalization and internationalization of trade and business activities (Mean=4.4≈4, SD=0.606), comparative effectiveness of IFRS over previous accounting standards (Mean=4.1≈4, SD=1.002), influence of legal system (Mean=4.0≈4, SD=0.712), and economic growth in Ghana (Mean=3.6≈4, SD=0.937) are the major factors that influence the adoption of IFRSs by listed companies on the Ghana Stock Exchange (GSE). The continuous integration of the world economy which ensures that financial report and financial statements are prepared based on globally accepted standards thereby resulting in the globalization and internationalization of trade and business activities. These developments therefore require a standard and globally recognized system of reporting. In Ghana for instance, the ICAG, the body mandated to regulate accounting profession makes it a requirement for companies listed on the GSE to comply with IFRSs since it has been adopted as the standard for accounting and auditing.

The results obtained in this study is in consonance with an observation made by Albu et al (2013), which the continuous integration of the world economy propels many companies of international nature to adopt and implement IFRSs in their financial reporting and statement preparation. The results confirm a report by Dua (2013) which stated that the legal regime in a particular country greatly influence the adoption of IFRSs by companies operating in the country. In Ghana, listed companies are mandated to comply with IFRSs. The study results are also in conformity with an assertion made by Abata (2015) which indicated that economic growth is one major determinant encouraging the adoption of IFRSs by many countries.

On the other hand, the results as indicated in Table 4.3 show that respondents were neutral on whether or not the existence of capital market(Mean=3.3≈3, SD=0.801), and pressure from external organisation e.g. IMF, WORLD BANK (Mean=3.3≈4, SD=1.059), are factors that influence the adoption of IFRSs by listed companies. Though, several reports have suggested the adoption of IFRSs is not mandatory by countries and international organisations do not also force its adoption and implementation (KPMG, 2007; IASB, 2005; Wieczynska, 2015), opinions were divided among respondents in this study. The existence of capital market has been listed by many researches as a major contributing factors that influence the adoption of IFRSs (Abata, 2015; Adetoso and Oladejo, 2013; Christensen et al, 2008), however the study results showed that respondents were neutral about the possibility of financial market existence to influence IFRSs adoption (Mean=3.3≈3, SD=0.801).

**Table 4.3 Factors that influence the adoption of IFRSs by Listed Companies**

| Statement | N | Mean | SD |
|---|---|---|---|
| Globalization and internationalization of trade and business activities | 84 | 4.4 | .606 |
| Pressure from external organisation e.g. IMF, WORLD BANK | 84 | 3.3 | 1.059 |
| The legal system influenced IFRSs adoption. | 84 | 4.0 | .716 |
| Economic growth in Ghana greatly influenced the adoption of IFRSs. | 84 | 3.6 | .937 |
| The existence of capital market influenced IFRSs adoption. | 84 | 3.3 | .801 |
| The comparative effectiveness of IFRSs over previous accounting standards | 84 | 4.1 | 1.002 |

Source: Field Survey (2017)

### 4.3.3 Factors that Affect Compliance with IFRSs among Listed Companies

The study examined the factors that affect the adoption of IFRSs among the listed companies operating in the Kumasi Metropolis. The respondents indicated their level of agreement with the factors identified using a 5-point Likert Scale defined as 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4= Agree and 5=Strongly agree. Factors that affect the implementation and compliance of IFRSs were identified and evaluated by respondents. These factors were identified from various existing literatures on IFRSs compliance. The results from the analysis are presented in Table 4.3.

From the results it is observed that, respondents agree to the statements that complexities and difficulties associated with IFRSs implementation (Mean=4.0≈4, SD=0.644), apparent complexities and voluminous disclosure, measurement, and recognition of items (Mean=3.8≈4, SD=0.929), as well as frequent change in the IFRSs (Mean=4.1≈4, SD=0.592), are factors that affect the IFRSs compliance among listed companies on the Ghana Stock Exchange. Many scholars and researchers have attributed the non-compliance of IFRSs to the complexities associated with the standards. Some also are of the opinion that frequent changes of the standards are also a major source of worry and concern among many implementing agencies. The study results therefore confirm existing works by Acquaye (2015) and Abata (2015), which indicated that compliance challenges in IFRSs adoption is centred around interpretation of standards, the persistent and continuous modification of IFRSs. Due to the complex nature of IFRSs, many accountants, auditors and stakeholders within the financial industry find it difficult interpreting financial statement and report prepared based on IFRS.

The results also revealed that respondents agree to the facts that inadequate number of professional accountants in the country (Mean=4.4≈4, SD=0.696), and demand for a new set of skills and expertise (Mean=4.3≈4, SD=0.974), are also factors that affect the compliance of IFRS among listed companies on the Ghana Stock Exchange. The study results further revealed that respondents strongly agree to the statements that unavailability of or limited chartered accountants (Mean=4.5≈5, SD=0.728) in the country affects the compliance level of IFRSs among listed companies. Before the adoption of IFRS in 2007 by Ghana, there used to be in existence the Ghana National Accounting Standards which was prepared by the ICAG. The adoption of the new standard therefore means that, requisite skills and expertise would be needed for its effective compliance and implementation. This result confirms a study conducted by Abedana and Gayomey (2016) which stated that one key challenge Ghana may face in the practical implementation of IFRSs may be shortage of accountants and auditors who are technically competent in the implementation of IFRSs.

One key factor which mandates companies to prepare financial statements, reports and auditing are for the purposes of tax obligations and compliance. The Companies Act, (Act 179) 1963, Financial Administration Act 2003, (Act 654), and the Internal Revenue Act all place premium on tax obligations by companies. The results of the study show respondents agree that absence of general guidelines from ICA-G / CIT-G / GRA on tax treatment following IFRSs adoption (Mean=3.6≈5, SD=1.214) and increase adjustment from financial accounting to tax accounting (Mean=3.6≈5, SD=0.792) are also factors that affects compliance of IFRSs by listed companies. The results largely support claim by Abedana and Gayomey, (2016) that IFRSs adoption has effects on tax systems hence it presents a challenge of compliance.

In terms of regulation of IFRSs in Ghana, respondents disagree to the statement that inadequate regulatory bodies to monitor and ensure compliance with IFRS (Mean=2.4≈2, SD=1.057) is a factor that affect IFRSs compliance by listed companies. This result therefore means that respondents hold the opinion that there are regulatory bodies to monitor compliance with IFRS. In Ghana, the Institute of Chartered Accountants Ghana (ICAG) is mandated by law to regulate accounting professional and is also responsible for all accounting standards in the country. The Ghana Stock Exchange Commission also ensures strict compliance of listed companies to accept international standards. There is therefore regulatory framework and bodies to monitor compliance of IFRSs in Ghana. This finding is a sharp contradiction to earlier works which found that lack of appropriate regulatory body and framework is a factor that affect IFRSs compliance among listed companies (Amoako and Asante, 2010; Yiadom and Atsunyo, 2014).

In terms of the cost associated with the compliance of IFRSs, respondents disagree that cost of IFRSs adoption is more than benefits (Mean=2.4≈2, SD=0.839). The results however show that, respondents were neutral about the difficulty of combining IFRSs with national requirements e.g. company code as a factor that affects compliance. The benefits of IFRSs adoption is there more than the cost.

**Table 4.4 Factors that affect the adoption of IFRSs among Listed Companies**

| Factors | N | Mean | SD |
|---|---|---|---|
| IFRS are complex and difficult | 84 | 4.0 | .644 |
| Frequent changes on IFRSs | 84 | 4.1 | .592 |
| Inadequate number of professional accountants in the country | 84 | 4.4 | .696 |
| Inadequate technical competence in applying IFRSs | 84 | 3.3 | 1.289 |
| Inadequate regulatory bodies to monitor and ensure compliance with IFRSs | 84 | 2.4 | 1.057 |
| Cost associated with IFRSs compliance is high compared to benefit | 84 | 2.4 | .839 |
| Too difficult to combine with national requirements e.g. company code | 84 | 3.1 | .972 |
| Fair value accounting is biased and not easy to manage for tax purposes | 84 | 3.2 | 1.096 |
| High cost of compliance by way of accounts preparations | 84 | 3.7 | .818 |
| Unavailability of or limited qualified chartered accountants | 84 | 4.5 | .728 |
| Apparent complexities and voluminous in disclosure, measurement, and recognition of items | 84 | 3.8 | .929 |
| Increase adjustment from financial accounting to tax accounting | 84 | 3.6 | .792 |
| Absence of general guidelines from ICA-G / CIT-G / GRA on tax treatment following IFRSs adoption | 84 | 3.6 | 1.214 |
| Demand for a new set of skills & expertise | 84 | 4.3 | .974 |

Source: Field Survey (2017)

### 4.4 Influence of IFRSs Adoption on Auditor Switching among Listed Companies

The influence of IFRSs adoption on auditor switching among listed companies was examined in this study. This considers the frequency at which companies switch auditor, frequency at which auditors switch companies, the results of IFRSs adoption on auditor switching as well as how IFRSs adoption results in auditor switching among listed companies.

### 4.4.1 Frequency at Which Companies Switch their Auditors

The results on the frequency at which the companies studied switch Auditors were assessed from the rating of the respondents as presented in Table 4.5. The results show that more than a quarter, 25.5% of the listed companies used for the study switch auditors frequently. The results further show that, 40.2% of all studied companies moderately switch auditors. Cumulatively, the results further indicate that 34.3% of the listed companies on the Ghana Stock Exchange rarely switch auditors.

Auditor switching by listed companies occurs for varied reasons. As indicated in the results, listed companies on the Ghana Stock exchange have change auditors often. This phenomenon of auditor switching among listed companies may not be attributed only to IFRSs adoption. Auditor switching may occur as a result of dispute between a company and audit firm, which causes the company to search for auditors who agrees to their terms and conditions (Aghaei – Chadegani *et al.,* 2011; Chang *et al,* 2010; Theng, 2014). In many occasions also, critics of companies have claimed that, the companies change auditors and go round to "shop for" auditors that will accept accounting standards that other auditors may consider as objectionable (Lin and Liu, 2010; Thahir Abdul Nasser et al, 2006).

**Table 4.5 Frequency at which Listed Companies Switch Auditors**

| Frequency of Auditor Switching | Frequency | Percent |
|---|---|---|
| Very rarely | 10 | 11.8 |
| Rarely | 19 | 22.5 |
| Moderately | 34 | 40.2 |
| Frequent | 21 | 25.5 |
| **Total** | 84 | 100.0 |

Source: Field Survey (2017)

### 4.4.2 Frequency at Which Auditor Switch Companies

The frequency at which Auditors switch companies was also examined as presented in Table 4.6. From the results it is clear that whopping majority, 60% of auditors have never switch companies since their engagement with the company. Only 10% of Auditors firms switch companies every three years whereas 30% of auditors switch companies after every three years. The finding as indicated in this study therefore means that most auditors of listed companies on the Ghana Stock Exchange operating in Kumasi have not change their firms for a very long time. This also means that the audit firms have not complied with provisions of the Company Registration Act of 1963, Act 179 which mandate audit firms to switch after every five (5) years.

**Table 4.6 Frequency at Which Auditors Switch Companies**

| How Often Auditors Switch Companies | Frequency | Percentage |
|---|---|---|
| Once in three years | 2 | 10.0 |
| Once after three years | 6 | 30.0 |
| Never been switch | 12 | 60.0 |
| Total | 20 | 100.0 |

Source: Field Survey (2017)

### 4.4.3 Switching of Auditors as a Result of Adoption of IFRSs

To further explore the influence of IFRSs adoption on Auditor switching, the researcher sought to find out from respondents if the adoption of IFRSs by their company resulted in Auditor switching. The results are presented in Figure 4.1. From the results it is clear that a greater number, 87% of all respondents believe IFRSs adoption results in auditor switching. Only a small proportion 13% of the respondents did not share the opinion that IFRS adoption results or leads to auditor switching by companies. This result can therefore be interpreted to mean that 87% of companies listed on the Ghana Stock Exchange changed their auditors when they first adopted IFRSs as their standard auditing and accounting preparation procedure.

The adoption of IFRSs and its resultant effects on auditor switching have received much attention both in theory and practice. The introduction of IFRSs directly affected the financial market greatly. This is because adjustment has to make to the accounting standards in existence before the coming into effect of IFRSs to enable financial statement prepared to be IFRSs compliant. The finding is consistent with earlier work of Comprix *et al.* (2011) which found out that the adoption of IFRSs change the client auditor relationship resulting in auditor switching. The finding is also in consonance with Lin and Yen, (2010) which indicated that IFRSs adoption has consequential effects on auditor and that adoption of IFRSs by many companies has resulted in auditor switching. Ordinarily, companies hire audit firms to ensure that their financial statements conform to the appropriate accounting and auditing standards in use. As such when a new standard is adopted and the auditor exhibit non-compliance and appropriate knowledge in applying the standard, companies tend to change the auditor for others to come in.

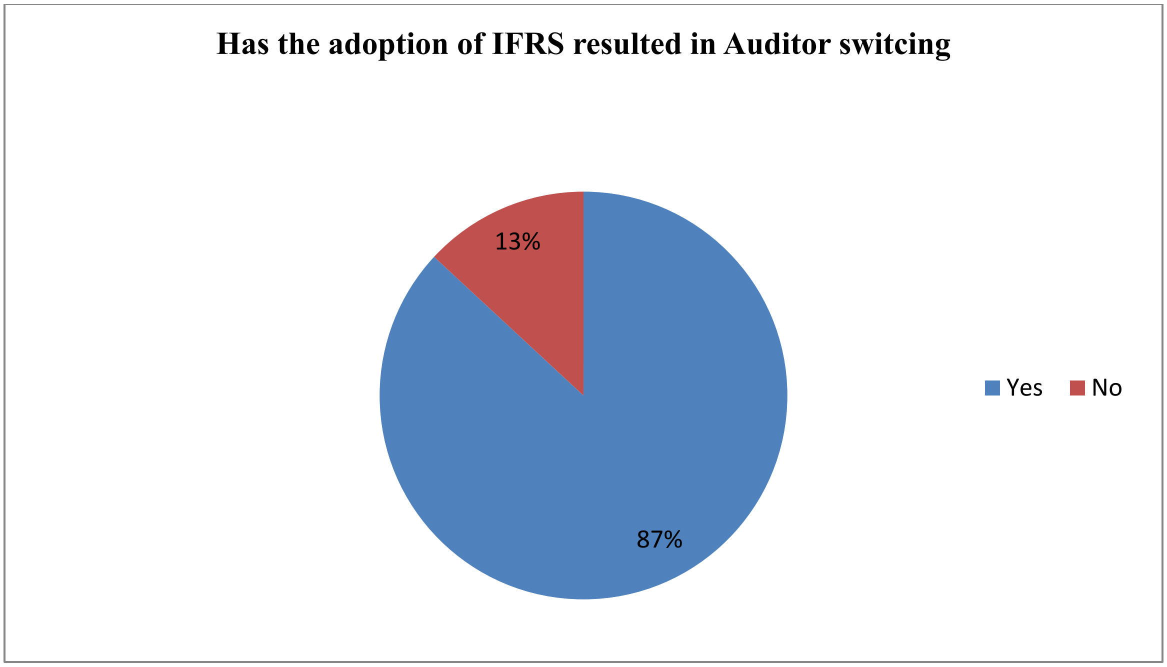


**Fig.4.1. Adoption of IFRSs and Auditor Switching**

Source: Field Survey (2017)

### 4.4.4 How IFRSs Adoption Result in Auditor Switching

The study also examines how or reasons that make adoption of IFRSs lead to Auditor switching. The results from the analysis on the reasons why Auditors are switched following the adoption of IFRSs are presented in Table 4.7. Several reasons have been given to explain the reason why IFRSs adoption results in auditor switching. The reasons identified by the study to contribute to auditor switching as results of IFRSs adoption included unaffordability of audit fees, demand by Shareholders, poor quality of audit service, auditor's lack of knowledge in IFRSs, management change took place, reporting dispute occurred, unqualified opinion was not received and to reduce cost of operations.

From the results it can be noted that unqualified opinion not received and auditor's lack of knowledge in IFRS are two most rated reason for which IFRSs adoption results in auditor switching. 75.5% of all respondents indicated that unqualified opinion not received account for the reason of auditor switching as a result of IFRSs adoption whereas as 70.6% of the respondents also pointed auditor's lack of knowledge as the main reason. The complexities associated and the standard requirement in IFRSs demands adequate training and knowledge in IFRS before one can appropriately prepare financial statement and auditing based on the standards. Lack of auditor's knowledge in IFRSs means that the auditors would not be able to prepare financial statement that meets the companies' requirement and as a results unqualified opinion would not be given. This finding confirms Wieczynska, (2015) work which listed lack of auditor's knowledge in IFRS a reason for auditor switching. Atkinson et al (2002) study report is further confirmed in this study that qualified opinion of auditors has resulted in auditor switching. Knechel and Vanstraelen (2007) opined that, qualification of audit opinions has a tendency to results in auditor switching when the clients audit firms provides an opinion regarded as unclean audit reports.

Poor quality of audit service and demand by Shareholders are rated as reason for which adoption of IFRS result in auditor switching. 53.9% of respondents listed poor quality audit service whereas 44.1% also listed demand by stakeholders as the reason for which auditors switch.

Quality of audit services that companies receive has direct benefit on the operation of the companies. Therefore, it is possible for companies to change auditors when the audit firms do not provide quality audit services based on the standards spelt out in the IFRSs. Most audit firms specialize in the quality services they provide to clients.

Consequentially, the firms' responsibility and task are to employ auditors who conduct audits based on the firm's incentives and requirements (Barth et al. 2012; Leuz et al, 2003). Therefore, audit firms which have been employed by companies and failed to comply or align with the firm's incentives to produce audits report based on acceptable international standards are more likely to face replacements.

Unaffordability of audit fees, change in management and occurrence of reporting disputes also contribute significantly to auditor switching as result of IFRSs adoption. 27.5% of all respondents indicated auditing reporting dispute occurrences and management changes as part of the reasons for which IFRSs adoption result in auditor switching. 25.5% of respondents also indicated unaffordability of audit fees as contributing factor to auditor switching due to IFRSs adoption. Other researches in existence talks about dispute in accounting principle standards, change in management, additional services requirement and financing, not satisfied with services provided by auditors, high audit fees as well regular rotation of policy as some of the factors causing auditor switching as a result of IFRSs adoption and implementation (Atkinson et al, 2002; Choi et al, 2008; Stefaniak et al, 2009). According to Hudaib and Cooke (2005), management of companies influences the choice of audit firms and thereby have the desire switching auditors when there is change in managers to pursue their own selfish interest.

Auditor switching has gained a lot of debate over some time now. Though several reasons have been attributed to the phenomenon the study report in this research has adequately demonstrated that IFRSs adoption and implementation has contributed significantly to auditor switching. The study therefore confirms the opinion that implementation of IFRSs brings conflict in auditor-client relationship causing client firms to change auditors (Barth et al. 2012).

**Table 4.7 Reasons for Which IFRS Adoption Result in Auditor Switching**

| Reasons | Frequency* | Percentage |
|---|---|---|
| Unaffordability of audit fees | 21 | 25.5 |
| Demanded by Shareholders | 37 | 44.1 |
| Poor quality of audit service | 45 | 53.9 |
| Auditor's lack of knowledge in IFRSs | 59 | 70.6 |
| Management change took place | 23 | 27.5 |
| Reporting dispute occurred | 23 | 27.5 |
| Unqualified opinion was not received | 63 | 75.5 |
| To reduced cost of operations | 14 | 16.7 |

Source: Field Survey (2017) *Multiple response frequency

**4.5 Challenges faced by listed companies as a result of auditor switching**

Switching Auditors result in several challenges. From the findings of this study switching auditors cause or lead to more cost incurrence on audit service, high risk of audit failure, company loses some competitive advantage, reduction of investors' confidence and delay in the provision of audit services. The challenges that arise from audit service based on the responses of the company staff and auditors interviewed are presented in Table 4.8.

From the results of the study, it can be observed that 95.1% of respondents who are company staff indicated that auditor switching pose the challenge of more cost being incurred on audit service when auditors are switched. This indication was further corroborated by 70% of External Auditors who also believe that change in auditor results in more cost on audit service. When auditors are changed for new auditors, the new auditors have to spend resources and time to learn about the company, this therefore may bring additional cost in the process of auditing thereby increasing the cost of audit service that is rendered. Audit service fees are based on the services provided vis-à-vis the complex nature and incentives of the client firm. In a study conducted by Lin and Yen (2010) on the effects of IFRSs adoption on audit fees for listed companies, the study showed that, the audit fees of listed companies were significantly increased as results of IFRSs adoption. According to Copley and Douthett (2002) size of client's firm lead to auditor switching as a results of complexities and audit fees increase and the need to adopt audit standards that meet the growing needs of the client firm.

Delay in provision of audit services and high risk of audit failure were also considered major challenges that companies face as results of auditor switching. Whereas 95.1% of company staff and 80% of External Auditors believed auditor switching bring the challenge of delay in provision of audit services, 98% of company staff and 70% of auditors again listed high risk of audit failure as a major challenge company's face when auditors are switched. Auditor switching poses a lot of challenges to company since the new audit firm coming could fail the audit and the repercussion would be great on the client's company.

Whiles a majority 70% of auditors indicated that a company loses some competitive advantage when auditors are switched, company staff believes thatthis challenge is small. Only 30% of company staff interviewed indicated loss of competitive advantage as a challenge. A switch from one audit firm to another audit firm always sends a signal to potential investors; therefore, it is imperative for management of a firm to know whether investors see the switch as good or bad (Janssen, 2012). This assertion therefore confirms the conviction that companies lose competitive advantage when auditors are switched. Hudaib and Cooke (2005) also provided that audit report provides a lot of competitive advantage on the financial market; as such a change in auditor send the wrong signal to the financial market since investor may be reading different interpretation to the switch thereby causing loss of competitive advantage to the company.

**Table 4.8 Challenges caused by Auditor Switching**

| **Challenges caused by Auditor Switching** | **Company staff (N=84)** | **Auditor s (N=20)** |
|---|---|---|
| More cost is incurred on audit service when auditors are switch | 80(95.1) | 14(70) |
| There is high risk of audit failure | 82(98) | 18(90) |
| Company loses some competitive advantage | 27(32.4) | 14(70) |
| Lead to reduction of investors' confidence | 30(35.3) | 8(40) |
| Delay in provision of audit services | 80(95.1) | 16(80) |

**Source: Field Survey (2017)**

# CHAPTER FIVE

# SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

## 5.1 Introduction

This chapter presents a summary of the findings of the study as obtained from the analysis of empirical data collected for the study. It also presents conclusion arrived at by the researcher and recommendations based on the findings of the study.

## 5.2 Summary of Main Findings

This section presents a summary of the main findings of the study. The summary is under the findings of the specific objectives of the study and factors that affect compliance with IFRSs among listed companies, influence of IFRSs adoption on auditor switching among listed companies and challenges faced by listed companies operating in the Kumasi Metropolis as a result of auditor switching.

### 5.2.1 Factors that Affect Compliance with IFRS among Listed Companies

In identifying the factors that affect compliance of IFRSs among listed companies, the study sought to find out from the external auditors of companies their view on the extent of compliance among listed companies. The findings of the study revealed that the level of compliance of IFRSs among listed companies operating in the Kumasi Metropolis is generally low. Globalization and internationalization of trade and business activities, comparative effectiveness of IFRSs over previous accounting standards, influence of legal system and economic growth in Ghana are the major factors that influence the adoption of IFRSs by listed companies on the Ghana Stock Exchange. The existence of capital market and pressure from external organisation e.g. IMF, WORLD BANK were not considered as factors that influence IFRSs adoption. Factors that affect IFRSs compliance included complexities and difficulties associated with IFRSs implementation; apparent complexities and voluminous in disclosure, measurement, and recognition of items; frequent change in the IFRSs; inadequate number of professional accountants in the country; demand for a new set of skills and expertise; unavailability of or limited chartered accountants in the country; absence of general guidelines from ICA-G / CIT-G / GRA on tax treatment following IFRSs adoption and increase adjustment from financial accounting to tax accounting. However, inadequate regulatory body to monitor and ensure compliance with IFRSs; cost associated with the compliance of IFRSs; inadequate technical competence in applying IFRS; fair value accounting is biased and not easy to manage for tax purposes and too difficult to combine with national requirements (e.g. company code) were not considered as factor that affect compliance of IFRSs among listed companies operating in the Kumasi Metropolis.

### 5.2.2 Influence of IFRS Adoption on Auditor Switching among Listed Companies

The findings of the study suggest that listed companies on the Ghana Stock Exchange Operating in Kumasi change auditors often. On the contrary, external auditors of the listed companies also indicated that, they have never switch companies. To further explore the influence of IFRSs adoption on auditor switching, the researcher sought to find out from respondents if the adoption of IFRSs by their company resulted in auditor switching. From the findings of the study results, it is clear that, IFRSs adoption results in auditor switching among listed companies. On how IFRSs adoption results in auditor switching, the results identified unaffordability of audit fees, demand by Shareholders , poor quality of audit service, auditor's lack of knowledge in IFRSs, management change took place, reporting dispute occurred, unqualified opinion was not received and to reduce cost of operations as the reasons identified by the study to contribute to auditor switching as results of IFRSs adoption among listed companies on the Ghana Stock Exchange operating in the Kumasi Metropolis.

### 5.2.3 Challenges Faced by Listed Companies as a Result of Auditor Switching

Auditor switching due to adoption of IFRSs poses several challenges to listed companies. These challenges if not well managed has greater repercussion on the companies' operation. From the findings of this study switching auditors cause or lead to more cost incurred on audit service, high risk of audit failure, Company loses some competitive advantage, reduction of investors' confidence and delay in the provision of audit services. When auditors are changed for new ones, the new auditors have to spend resources and time to learn about the company, this therefore may bring additional cost in the process of auditing thereby increasing the cost of audit service that is rendered. A switch from one audit firm to another audit firm always sends a signal to potential investors; thereby causing the company to lose some competitive advantage on the financial market. The complexities associated with IFRSs demands time for new auditors to learn in order to audit the company, this therefore may lead to delay in the provision of audit services.

### 5.3 Conclusion

The evolution of the world's economies in the last few decades have resulted in significant changes in business operations globally. One of such changes in the financial sector is the adoption of IFRSs. IFRSs has been one of the most widespread adopted standards in the financial sector. One reason for the fast pace adoption of IFRSs is due to increasing movement of business across countries and internationalization of trades. The study was design to examine the extent of compliance with IFRSs by Ghana companies, its association with auditor switching and the effects of auditor switching on listed companies' operation.

From the analysis of the data collected it was noticed that the level of compliance among listed companies on the Ghana Stock Exchange operating in the Kumasi Metropolis is relatively low. The adoption of IFRSs by listed companies were primarily identified to be influenced by globalization and internationalization of trade and business activities, comparative effectiveness of IFRSs over previous accounting standards, influence of legal system and economic growth in Ghana. The compliance of IFRSsis hindered by several factors. These factors were identified as complexities and difficulties associated with IFRSs implementation; apparent complexities and voluminous disclosure, measurement, and recognition of items; frequent change in the IFRSs; inadequate number of professional accountants in the country; demand for a new set of skills and expertise; unavailability of or limited chartered accountants in the country.

Notwithstanding the low level IFRSs compliance as well as the factors that significantly affect the compliance level of IFRSs by listed companies, the companies which adopted IFRS change auditors as results of the adoption. Interestingly, the rationale behind the switch in auditors as results of IFRSs adoption were observed to be unaffordability of audit fees, demand by Shareholders, poor quality of audit service, auditor's lack of knowledge in IFRSs, management change took place, reporting dispute occurred, unqualified opinion was not received and to reduce cost of operations. Listed companies face numerous challenges when auditors are changed or switched. The study observed the challenges as more cost incurred on audit service, high risk of audit failure, company loses some competitive advantage, reduction of investors' confidence and delay in the provision of audit services.

The study therefore concludes that IFRSs adoption results in auditor switching among listed companies on the Ghana Stock Exchange operating in the Kumasi Metropolis. Auditor switching by listed companies also presents several challenges which affect the general operation of the companies especially on the financial markets. Therefore, efforts must be put in place to ensure strict compliance of IFRSs by listed companies as the law stipulates. In order to improve the compliance of IFRSs, measures must also be put in place to limit the changes that occur and the challenges that companies face as results of IFRSs adoption and its subsequent auditor switching.

### 5.4 Recommendations

The following recommendations are being made based on the findings of this study.

1. **Education and Training of More Qualified Auditors/Accountants**

The Institute of Chartered Accountants, Ghana (ICAG), the body mandated to regulate accounting and auditing profession in the country must facilitate the training of more chartered or professional accountants. Inadequate professional accountants were identified as a major factor affecting the level of compliance of IFRSs among listed companies operating in the Kumasi metropolis. Therefore, education and training of more qualified accountants will curtail the situation of limited number of professional or chartered accountants in Ghana.

2. **Audit Firms Must Organise Regular Refreshers and In-service Training**

Poor quality of audit service, auditor's lack of knowledge in IFRSs, unqualified opinion was not received were among some of the reasons why the adoption of IFRSs results in auditor switching among listed companies. This therefore presupposes that audit firms lack qualified and technical professionals with in-depth knowledge concerning the complexities of IFRS. Owing to the fact that IFRSs change more often, audit firms must ensure regular training of their staff on IFRS and continued in-service training to make them stay current and abreast with time.

3. **Monitoring, Supervision and Regulation by Relevant State Bodies**

The findings of the study revealed that compliance level among listed companies is low. The Institute of charted Accountants, Ghana Stock Exchange and Securities Exchange Commission, Ghana Revenue Authority as well as the Registrar General's Department must monitor and ensure strict compliance with the various laws that mandates listed companies to comply with IFRSs The results suggest that most audit firms have never switch companies since their first engagement contrary to regulation which mandates auditors to mandatory switch firms after a period of five years. Effective monitoring and supervision by state bodies will curtail this situation.

**4. Appointment of Qualified and Competent Auditors by Listed Companies**

Board of Directors and Management of listed companies must thoroughly do critical and extensive research on audit firms during appointments. Audits firms that are competent and qualified with adequate knowledge in IFRSs must be appointed. This will save the companies from the frequent change in auditors due to IFRSs. More cost incurred on audit service, high risk of audit failure, company loses some competitive advantage were some of the identified challenges companies face as results of auditor switching. Appointment of qualified and competent audit firms with adequate knowledge and experience in IFRSs will significantly reduce such challenges.

# REFERENCES

–Views from Ghana.*The International Journal of Business & Management* (Abata, M. A. (2015). Impact of IFRS on Financial Reporting Practices in Nigeria (A case of KPMG). *Global Journal of Contemporary Research in Accounting, Auditing and Business Ethics (GJCRA).* Vol: 1 Issue: 1,263-281.

Abedana, V. N., & Gayomey, J. (2016). IFRS/IAS Adoption and Its Tax Challenges and ManagementISSN 2321–8916). 4, (5), 197-210.

Acquaye, S. (2015). *The Adoption of International Financial Reporting Standard (IFRS) by Ghanaian companies the level of compliance with reference to the preparation of financial +statement* (Masters dissertation, Kwame Nkrumah University of Science and Technology).

Adetoso, J. A., & Oladejo, K. S. (2013). The Relevance of International Financial Reporting Standards in the Preparation and Presentation of Financial Statements in Nigeria. *Research Journal of Finance and Accounting. ISSN*, 2222-1697.

Aghaei Chadegani, A., Muhammaddun Mohamed, Z., & Jari, A. (2011). The determinant factors of auditor switch among companies listed on Tehran Stock Exchange.

Ahmed, A. S., Neel, M., & Wang, D. (2013). Does mandatory adoption of IFRS improve accounting quality? Preliminary evidence. *Contemporary Accounting Research*, *30*(4), 1344-1372.

Albu, C. N., Albu, N., Pali-Pista, S. F., Gîrbină, M. M., Selimoglu, S. K., Kovács, D. M., &Arsoy, A. P. (2013). Implementation of IFRS for SMEs in emerging economies: Stakeholder perceptions in the Czech Republic, Hungary, Romania and Turkey. *Journal of International Financial Management & Accounting*, *24*(2), 140-175.

Alp, A., & Ustuntag, S. (*2009). Financial reporting transformation the experience of Turkey*. Critical Perspective on Accounting, 20, 680-699.http://dx.doi.org/10.1016/j.cpa.2007.12.005

Amoako, G. K., & Asante, S. (2010). Compliance with international financial reporting standard 7 (IFRS 7): a study of listed banks in Ghana. Available at:https://www.mysciencework.com/publication/show/c380979020c61826482599b66b8620e3, retrieved from March 16, 2017.

Atkinson, K. E., C. W. Taylor, D. L. Flesher, & M. H. Stocks. (2002). The Impact of Accounting Standards on Audit Firms Switch Rates. *International Journal of Auditing,* 6 (3): 215-229.

Azobu, M. (2010). Adoption of IFRS in developing countries. *International Journal of Business and Management*, 7(3), 155-157.

Ballas, A. A., & Tzovas, C. (2010). An empirical investigation of Greek firms' compliance with IFRS disclosure requirements. *International Journal of Managerial and Financial Accounting, 2*(1), 40–62. Retrieved ( March 14, 2017) from; http://dx.doi.org/10.1504/IJMFA.2010.032489

Barth, M. E. (2007). 'Standard-setters, measurement issues, and the relevance of research'. *Accounting and Business Research, Forthcoming*.

Barth, M. E., Landsman, W. R., Lang, M., & Williams, C. (2012). Are IFRS-based and US GAAP-based accounting amounts comparable? *Journal of Accounting and Economics*, *54*(1), 68-93.

Barth, M., W. Landsman, M. Lang, & C. Williams. (2012). Are IFRSs-based and US GAAP based Accounting Amounts Comparable? Working Paper, Stanford University, University of North Carolina, and University of Michigan.

Benson, H. (1976). *The story of international accounting standards*. Accountancy, July, 34.

Bhattacharjee, S., & Hossain, M. S. (2010). *Determinants of financial reporting outcomes following IFRSs adoption-implications for Bangladesh*. [Online] Available: http://www.icab.org.bd/journal/61.pdf , accessed: March 17, 2017.

Bohušová, H.& Blašková, V. (2011). In What Ways Are Countries Which Have Already Adopted IFRS for SMEs Different. Acta Universitatis Agriculturae Et Silviculturae Mendelianae Brunensis, 4 (2), 37-41.

Brazel, J., and M. Bradford. (2011). Shedding new light on auditor switching. Strategic Finance (January): 49–53.

Brown, P. (2013). Some observations on research on the benefits to nations of adopting IFRSs. The Japanese Accounting Review.

Brüggemann, U., Daske, H., Homburg, C., & Pope, P. F. (2012). How do individual investors react to global IFRSs adoption? Working Paper, Lancaster University, University of Manheim, University of Cologne.

Chang, H., Cheng, C. A., & Reichelt, K. J. (2010). Market reaction to auditor switching from Big 4 to third-tier small accounting firms. *Auditing: A Journal of Practice & Theory*, *29*(2), 83-114.

Choi, J.-H., J.-B. Kim, X. Liu, & D. A. Simunic. (2008). Audit Pricing, Legal Liability Regimes, and Big 4 Premiums: Theory and Cross-country Evidence. Contemporary Accounting Research 25 (1): 55-99.

Comprix, J., Muller K. A., & J. Sinclair. (2011). Mandatory Accounting Requirements and Demand for Big Four Auditors: Evidence from IFRSs Adoption in the EU. Working Paper, Syracuse University, the Pennsylvania State University, the University of Connecticut.

Copley, P. A., & Douthett, E. B. (2002). The association between auditor choice, ownership retained, and earnings disclosure by firms making initial public offerings. *Contemporary accounting research*, *19*(1), 49-76.

Cornford, T. & Smithson, S. 1996. Project Research in Information Systems. London: Macmillian

De George, E. T., Ferguson, C. B., & Spear, N. A. (2012). How much does IFRS cost? IFRS adoption and audit fees. *The Accounting Review*, *88*(2), 429-462.

DeFond, M., Hu, X., Hung, M., & Li, S. (2011). The impact of mandatory IFRS adoption on foreign mutual fund ownership: The role of comparability. *Journal of Accounting and Economics*, *51*(3), 240-258.

Deloitte. (2013). Jurisdictions. IAS Plus. Retrieved March 7, 2017, from http://www.iasplus.com

Denzin, N. K., & Lincoln, Y. (2000). Qualitative research. *Thousand Oaks ua*, 413-427.

Doupnik, T. S. & Perera, H. (2007). *International Accounting*. Mcgraw Hill Higher Education.

Dua, P. (2013). *Interdependence of international financial markets: the case of India and us* (Doctoral dissertation, Department of Economics Delhi School of Economics Divya Tuteja Email: divya@ econdse. org Department of Economics Delhi School of Economics Working Paper No. 223 Centre for Development Economics Department of Economics, Delhi School of Economics).

Essien-Akpan, I. (2011) *The IFRSs. The Role of the Chartered Secretary and Administrator*. A paper presented at the 35th Conference of ICSAN. Lagos Sheraton Hotels and Towers.

Fontaine, R., Letaifa, S. B., & Herda, D. (2013). An interview study to understand the reasons clients change audit firms and the client's perceived value of the audit service. *Current Issues in Auditing*, *7*(1), A1-A14.

Fosbre, A. B., Kraft, E. M., & Fosbre, P. B. (2011). US Adoption of IFRS May Help to Jumpstart the US Economy.

Frankel, J. A. (2003). Measuring International Capital Mobility: A Review. *International Library of Critical Writings in Economics*, *156*, 3-8.

Garach, H. (2001). *Auditor switching* (Doctoral dissertation, University of South Africa).

Gersten, R., Fuchs, L. S., Compton, D., Coyne, M., Greenwood, C., & Innocenti, M. S. (2005). Quality indicators for group experimental and quasi-experimental research in special education. *Exceptional Children*, *71*(2), 149-164

Gyasi, A. (2010). *Adoption of IFRS in developing countries-The case of Ghana. Business Economics and Tourism*. Available at :https://www.researchgate.net/file.PostFileLoader.html?id...assetKey..., Accessed on: 14th March, 2017.

Hudaib, M., & Cooke, T. E. (2005). The impact of managing director changes and financial distress on audit qualification and auditor switching. *Journal of Business Finance &Accounting*, *32*(9-10), 1703-1739.

IASB. (2005). Update, London: IASB. October.

Janssen, G.J.G. (2012). *The Financial Crisis and the Consequences for Auditor Switching. Masters Dissertation. Tilburg University*. Available at http://arno.uvt.nl/show.cgi?fid=128256, accessed on : March 17, 2017.

Jeanjean, T., & Stolowy, H. (2008). Do accounting standards matter? An exploratory analysis of earnings management before and after IFRS adoption. *Journal of accounting and public policy*, *27*(6), 480-494.

Joos, P.P.M., & E. Leung. (2013). Investor Perceptions of Potential IFRS Adoption in the United States. *The Accounting Review*, 88(2): 577-609.

Kaya, D., & Pillhofer, J. A. (2013). Potential adoption of IFRS by the United States: a critical view. *Accounting Horizons*, *27*(2), 271-299

Kim, J. B., Liu, X., & Zheng, L. (2010). Does Mandatory IFRSs Adoption Impact Audit Fees? Theory and Evidence. In *Annual Conference of the Canadian Academic Accounting Association, CAAA 2010*. Canadian Academic Accounting Association Inc...

Knechel, W. R., & Vanstraelen, A. (2007). The relationship between auditor tenure and audit quality implied by going concern opinions. *AUDITING: A journal of practice & theory*, *26*(1), 113-131.

KPMG (2006), '*The application of IFRS: Choices in practice'*, KPMG, London, 36pp.

KPMG (2007), *IFRSshe quest for a global language*, London, KPMG, 46pp.

Leuz, C. (2010). Different approaches to corporate reporting regulation: How jurisdictions differ and why. *Accounting and business research*, *40*(3), 229-256.

Leuz, C., D. Nanda, and P. D. Wysocki. (2003). Earnings Management and Investor Protection: An International Comparison. *Journal of Financial Economics*, 69 (3): 505-527.

Lin, H. L., & Yen, A. R. (2010). *The effects of IFRSs adoption on audit fees for listed companies in Chin*a. In Availableat http://www. business. illinois. edu/accountancy/research/vkzcenter/conferences/taiwan/papers/Lin_Yen. pdf.

Lin, Z. J., & Liu, M. (2010). The determinants of auditor switching from the perspective of corporate governance in China. *Advances in Accounting*, *26*(1), 117-127.

Lourenço, I. M. E. C., Branco, M. E. M. D. A., & Castelo, D. (2015). Main consequences of IFRS adoption: analysis of existing literature and suggestions for further research. *Revista Contabilidade & Finanças*, *26*(68), 126-139.

Madawaki, A. (2014). Adoption of IFRS in Developing Countries: The Case of Nigeria. *InternationalJournal of Business and Management*, 7 (3), 152-161. Retrieved on March 10, 2017 from http://www.ccsenet.org/ijbm

Martins, V. W. (2011). *Practical Challenges in IFRS Implementation*. What Bank Regulators need to know. IFRS International Conference-Nigeria, KPMG.

McEnroe, J. E., & Sullivan, M. (2011). An Analysis of the Content of Form 20-F US GAAP Reconciliation by Foreign Entities Employing IFRS: Is the SEC IFRS Roadmap Premature? *Academy of Accounting and Financial Studies Journal*, *15*(1), 117.

Melatti, A. (2008). *Oracle's Financial Management Solutions: Preparing U.S. Companies for the Transition to IFRS*. April 2008. Redwood Shores, CA: Oracle Corporation World Headquarters.

Mwaura, M. & Nyaboga, A. (2008).*'International Financial Accounting Standards and the Continent of Africa*', USA:San Juan, Puerto Rico.

Njeru, S. E. (2015). *Factors affecting effective implementation of Procurement Practices in tertiary public training institutions in Kenya* (Doctoral dissertation, Jomo Kenyatta University of Agriculture and Technology).

Ocansey, E. O., & Enahoro, J. A. (2014). Comparative Study of the International Financial Reporting Standard Implementation in Ghana and Nigeria. *European Scientific Journal*, *10*(13).

Okoye, P. V., & Akenbor, C. O. (2014). Financial reporting framework in Nigeria and the adoption of the IFRS. *International Journal of Business and Economic Development (IJBED)*, *2*(1).

Okundi, B. (2013). *Tax Implications of Implementing IFRSs*. Retrieved from www.acoa13.com/.../Remarks%20by%20CPA%20Benson%20Okundi,%..., March 15, 2017.

Prather-Kinsey, J. & Meek, G. K. (2004), 'The Effect of Revised IAS 14 on Segment Reporting by IAS Companies', *European Accounting Review*, 13,(2), 213-234.

PricewaterhouseCoopers LLP (PwC). (2011). IFRSs Adoption by Country. Available at:http://www.pwc.com/us/en/issues/ifrs-reporting/assets/ifrs_country_adoption.pdf, accessed on March 12, 17.

Risheh, K. E. A. (2014). The impact of IFRSs adoption on audit fees: evidence from Jordan. *Accounting and Management Information Systems*, *13*(3), 520.

Securities and Exchange Commission (SEC). (2010a). *Commission Statement in Support of Convergence and Global Accounting Standar*ds. SEC Release NOS. 33-9109; 34-6157. Washington, D.C.: SEC.

Securities and Exchange Commission (SEC). (2010b). Work Plan for the Consideration of Incorporating IFRSs into the Financial Reporting System for U.S. Issuers. SEC Release NOS. 33-9109; 34-61578. Washington, D.C.: SEC.

Sellhorn, T. & Gornik-Tomaszewski, S. (2006). 'Implications of the IAS Regulation for research into the international differences in accounting systems', *Accounting in Europe*, 3, 187-217.

Shehu, A. U., & Masunda, T. (2015). Compliance with IFRSs. *International Journal of Business and Management Invention*. 4 (2), Utara, Malaysia.

Soderstrom, N. S., & Sun, K. J. (2007). IFRSs adoption and accounting quality: a review. *European Accounting Review*, *16*(4), 675-702.

Stefaniak, C. M., J. C. Robertson, & R. W. Houston. (2009). The Causes and Consequences of Auditor Switching: A Review of the Literature. *Journal of Accounting Literature*, 28: 47-121.

Street, D. L. and Gray, S. J. (2002), 'Factors Influencing the Extent of Corporate Compliance with International Accounting Standards: Summary of a Research Monograph', *Journal of International Accounting, Auditing and Taxation, 11, 51-76.*

Street, D. L., Gray, S. J. & Bryant, S. M. (1999), 'Acceptance and observance of International Accounting Standards: an empirical study of companies claiming to comply with IASs', *The International Journal of Accounting, 34, (1), 11-48.*

Street, D.L. (2006). 'The G4's role in the evolution of the international accounting standard setting process and the partnership with the IASB', *Journal of International Accounting*, *Auditing and Taxation*, 15, 109-126.

Thahir Abdul Nasser, A., Abdul Wahid, E., Nazatul Faiza Syed Mustapha Nazri, S., &Hudaib, M. (2006). Auditor-client relationship: the case of audit tenure and auditor switching in Malaysia. *Managerial Auditing Journal*, *21*(7), 724-737.

Theng, C. W. (2014). *Determinants affecting the auditor switching: A Malaysian study*(Doctoral dissertation, Universiti Tunku Abdul Rahman).

Turner, L. E., Williams, J. P., & Weirich, T. R. (2005). An Inside Look at Auditor Changes. *The CPA Journal*, 12.

United Nations (2008).Accounting and Financial Reporting Guidelines for Small and Medium-sized Enterprises (SMEGA) – Level 3 guidance. Retrieved on March 16, 2017 from http://www.unctad.org/en/docs/c2isard50_en.pdf.

Vulcheva, M. (2012). The *Role of Reporting Incentives and Country Institutions in Firm Delisting Following the IFRSs Mandate in Europe*. Working Paper, Florida International University.

Weiner, B. (2006). *Social motivation, justice, and the moral emotions: An Attributional approac*h. Mahwah, NJ: Lawrence Erlbaum Associates.

Weiner, B. J., Amick, H., & Lee, S. Y. D. (2008). Conceptualization and measurement of organizational readiness for change: a review of the literature in health services research and other fields. *Medical Care Research and Review*, *65*(4), 379-436.

Wieczynska, M. (2015). The "Big" Consequences of IFRSs: How and When Does the Adoption of IFRSs Benefit Global Accounting Firms? *The Accounting Review*, *91*(4), 1257-1283.

Winney, K. Marshall, D. Bender, B., & Swiger, J. (2011).'Accounting Globalization: Roadblocks to IFRSs Adoption in the United States', *Global Review of Accounting and Finance,* 167 – 178.

Yiadom, E. M., & Atsunyo, W. (2014). Compliance with IFRS by listed companies in Ghana. *International Journal of Business and Management*, *9*(10), 87.

Yin, R. K. (2003). *Case study research: design and methods, Applied social research methods series*. Thousand Oaks, CA: Sage Publications, Inc. Afacan, Y., & Erbug, C. (2009). An interdisciplinary heuristic evaluation method for universal building design. *Journal of Applied Ergonomics*, *40*, 731-744.

Yin, R.K. (1994), *Case Study Research*, (2nd ed.), London: Sage.

# APPENDIX I: QUESTIONNAIRE FOR COMPANY STAFF

**UNIVERSITY OF EDUCATION, WINNEBA**
**SCHOOL OF GRADUATE STUDIES**
**QUESTIONNAIRE FOR ACCOUNTANTS, INTRENAL AUDITORS AND MANAGERS OF LISTED COMPANIES**

Dear Sir/Madam,

I am a Master of Philosophy candidate at the University of Education, Winneba. As part of the requirement for the award of the degree, I am conducting research study **on the topic "*The adoption of IFRS and Auditor Switching: A Case of Ghanaian Listed Companies.*"**

I'm therefore, seeking your assistance to fill the questionnaires attached for the purpose of the study. The filling of the questionnaire will take about twenty minutes to complete. Kindly answer all the questions as best as you can. The research results will be used for academic purposes only and will be treated with utmost confidentiality.

**SECTION A: BACKGROUND INFORMATION OF RESPONDENTS**

1. Position in the company__________________________________
2. Highest Education qualification
   [ ] WASSCE/SSCE
   [ ] Bachelor Degree
   [ ] Master's Degree
   [ ] PhD
   [ ] Other (Specify) ______________________________
3. What professional certification do you have?
   [ ] ICA GHANA
   [ ] ICAESW
   [ ] ACCA
   [ ] Public certified Accountant (USA)
   [ ] CIMA
   [ ] Others (specify)

________________________________________

4. How long have you worked for this company
   [ ] 5 years or less
   [ ] 6-10 Years
   [ ] 11-15years
   [ ] 16 years and above

## SECTION B: COMPLIANCE WITH THE IFRS BY LISTED COMPANIES

**5.** Please indicate below the IFRSs your company has always complied with. Tick yes if fully complied with and no if otherwise.

| IFRS | | Yes | No |
|---|---|---|---|
| IAS 1 | Presentation of Financial Statement | | |
| IAS 2 | Inventories | | |
| IAS 7 | Statement of Cash flows | | |
| IAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors | | |
| IAS 10 | Events after the Reporting Period | | |
| IAS 12 | Income tax | | |
| IAS 16 | Property, plant and equipment | | |
| IAS 17 | Leases | | |
| IAS 18 | Revenues | | |
| IAS 19 | Employee benefits | | |
| IAS 37 | Provisions, Contingent Liabilities and Contingent Assets | | |
| IAS 39 | Financial Instruments: Recognition and Measurement | | |

## SECTION C: FACTOR THAT AFFECT COMPLIANCE WITH IFRS

Please, use a scale of 1 – 5, to indicate **strongly disagree (1), disagree (2), Neutral/not sure (3), Agree (4), stronglyagree (5)** to the statement in question 12 and 13 below.

6. Factors that influenced the adoption of IFRS by your company.

| Statement | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Globalization and internationalization of trade and business activities | [ ] | [ ] | [ ] | [ ] | [ ] |
| Pressure from external organisation e.g. IMF, WORLD BANK | [ ] | [ ] | [ ] | [ ] | [ ] |
| The legal system influenced IFRS adoption. | [ ] | [ ] | [ ] | [ ] | [ ] |
| Economic growth in Ghana greatly influenced the adoption of IFRS. | [ ] | [ ] | [ ] | [ ] | [ ] |
| The existence of capital market influenced IFRS adoption. | [ ] | [ ] | [ ] | [ ] | [ ] |
| The comparative effectiveness of IFRS over previous accounting standards | [ ] | [ ] | [ ] | [ ] | [ ] |
| **Other 1(Specify and Rank)** | [ ] | [ ] | [ ] | [ ] | [ ] |
| **Other 2(Specify and Rank)** | [ ] | [ ] | [ ] | [ ] | [ ] |

7. Factors that affect compliance with IFRS in your company.

| Statement | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| IFRS are complex and difficult | [ ] | [ ] | [ ] | [ ] | [ ] |
| Frequent changes on IFRS | [ ] | [ ] | [ ] | [ ] | [ ] |
| Inadequate number of professional accountants in the country | [ ] | [ ] | [ ] | [ ] | [ ] |
| Inadequate technical competence in applying IFRS | [ ] | [ ] | [ ] | [ ] | [ ] |
| Inadequate regulatory bodies to monitor and ensure compliance with IFRS | [ ] | [ ] | [ ] | [ ] | [ ] |
| Cost associated with IFRS compliance is high compared to benefit | [ ] | [ ] | [ ] | [ ] | [ ] |
| Too difficult to combine with national requirements e.g. company code | [ ] | [ ] | [ ] | [ ] | [ ] |
| Fair value accounting is biased and not easy to manage for tax purposes | [ ] | [ ] | [ ] | [ ] | [ ] |
| High cost of compliance by way of accounts preparations | [ ] | [ ] | [ ] | [ ] | [ ] |
| Unavailability of or limited qualified chartered accountants | [ ] | [ ] | [ ] | [ ] | [ ] |
| Apparent complexities and voluminous in disclosure, measurement, and recognition of items | [ ] | [ ] | [ ] | [ ] | [ ] |
| Increase adjustment from financial accounting to tax accounting | [ ] | [ ] | [ ] | [ ] | [ ] |
| Absence of general guidelines from ICA-G / CIT-G / GRA on tax treatment following IFRS adoption | [ ] | [ ] | [ ] | [ ] | [ ] |
| Demand for a new set of skills & expertise | [ ] | [ ] | [ ] | [ ] | [ ] |

**SECTION D: IFRS ADOPTION AND AUDITOR SWITCHING**

8. How often does your company switch (change) your external auditor?
   [ ] Very rarely
   [ ] Rarely
   [ ] Moderately
   [ ] Frequent
   [ ] Very frequent
9. Does adoption of IFRS result in auditor switching
   [ ] Yes
   [ ] No
10. How often has your organisation switch auditor(s) since it adopted the IFRS
   [ ] Very rarely
   [ ] Rarely
   [ ] Moderately
   [ ] Frequent
   [ ] Very frequent

11. For what reasons do you switch/change auditors following the adoption of IFRS? (*Tick all that apply*)
    [ ] Unaffordability of audit fees
    [ ] Demanded by Shareholders
    [ ] Poor quality of audit service
    [ ] Auditor's lack of knowledge in IFRS
    [ ] Management change took place
    [ ] Reporting dispute occurred
    [ ] Unqualified opinion was not received
    [ ] To reduced cost of operations
    [ ] Other (specify)…………………………………………
12. Has the change/switch of auditor resulted in any challenges for your company in anyway?
    [ ] Yes
    [ ] No
13. Tick and rank the following statements as challenges companies face as a result of auditor switching (Please rank using 1, 2, 3, 4……. and write 0 if you did not consider a particular statement as a challenge. You can add more option and rank accordingly

| Statement | Is this a challenge | Rank |
|---|---|---|
| More cost is incurred on audit service when auditors are switch | Yes [ ] No[ ] | |
| There is high risk of audit failure as the new firm may not fully understand the company's operations or practice | Yes [ ] No[ ] | |
| Company loses some competitive advantage | Yes [ ] No[ ] | |
| Lead to reduction of investors' confidence | Yes [ ] No[ ] | |
| Delay in provision of audit services | Yes [ ] No[ ] | |
| Other 1 (Specify)………………………………………………… | Yes [ ] No[ ] | |
| Other 2 (Specify)………………………………………………… | Yes [ ] No[ ] | |
| Other 1 (Specify)………………………………………………… | Yes [ ] No[ ] | |

***END OF QUESTIONS! THANK YOU.***

# APPENDIX II: QUESTIONNAIRE FOR EXTERNAL AUDITORS

**UNIVERSITY OF EDUCATION, WINNEBA**
**SCHOOL OF GRADUATE STUDIES**
**QUESTIONNAIRE FOR EXTERNAL AUDITORS OF LISTED COMPANIES**

Dear Sir/Madam,

I am a Master of Business Administration, Accounting Option candidate at the University of Education, Winneba. As part of the requirement for the award of the degree, I am conducting research study on the topic ***"The adoption of IFRS and Auditor Switching: A Case of Ghanaian Listed Companies."***

I'm therefore, seeking your assistance to fill the questionnaires attached for the purpose of the study. The filling the questionnaire will take about twenty minutes to complete. Kindly answer all the questions as best as you can. The research results will be used for academic purposes only and will be treated with utmost confidentiality.

**SECTION A: COMPLIANCE WITH IFRS AND AUDITOR SWITCHING**

1. In your assessment to what extent have companies comply with the IFRSs in your last audited Company

[ ] Very low extent
[ ] Low extent
[ ] Moderate extent
[ ] High extent
[ ] Very High extent

2. How will you rate the extent of compliance with the IFRS as compare to other companies you have audit?

[ ] Much worse than
[ ] Worse than
[ ] About the same
[ ] Better than
[ ] Much better than

3. How often do you switch or get switched by the company you work for as an external auditor?

[ ] More than once in a year
[ ] Once a year
[ ] Once in every two years
[ ] Once in every three years
[ ] Once after three years
[ ] Never been switch

4. Which of the following do you think contribute to Auditors been switch? *(more than one option allowed)*

[ ] Need for compliance with IFRS

[ ] High Cost of service
[ ] Poor quality of work by Auditors
[ ]Auditor's lack of knowledge in IFRS
[ ] Reporting dispute occurred
[ ] Others (specify)…………………………………………………………..

5. Tick and rank the following statements as challenges companies face as a result of auditor switching (Please rank using 1, 2, 3, 4……... and write 0 if you did not consider a particular statement as a challenge. You can add more option and rank accordingly

| Statement | Is this a challenge | Rank |
|---|---|---|
| More cost is incurred on audit service when auditors are switch | Yes [ ] No[ ] | |
| There is high risk of audit failure as the new firm may not fully understand the company's operations or practice | Yes [ ] No[ ] | |
| Company loses some competitive advantage | Yes [ ] No[ ] | |
| Lead to reduction of investors' confidence | Yes [ ] No[ ] | |
| Delay in provision of audit services | Yes [ ] No[ ] | |
| Other 1 (Specify)………………………………………………… | Yes [ ] No[ ] | |
| Other 2 (Specify)………………………………………………… | Yes [ ] No[ ] | |
| Other 3 (Specify)………………………………………………… | Yes [ ] No[ ] | |

***END OF QUESTIONS! THANK YOU.***