

Innovations

Assessing Role of Accounting Records and Suitability of International Financial Records Standard for Small and Micro Enterprise: Case of Goro town, Ethiopia

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Abstract

The purpose of this study is to assess the Role of Accounting Records and Suitability of International Financial Report Standard for small and micro enterprise in Goro town, Ethiopia. In order to achieve the objectives of this study and thereby provide solution to its problems, mixed research approach was used by the researchers. Descriptive research design was applied. Both primary and secondary data were used in this study. Convenience and purposive sampling technique was used. The population of the study was including 200 employees of SME and 5 auditor of the woreda. Data was collected through the use of self-administered schedule and structured interview and Data analysis section of the study was based on both descriptive and inferential analysis. Accordingly, $R^2=0.729$ meant that all independent variables together explained the total variation of the dependent variable, usage of Accounting and suitability of international financial report standard of SME by 72.9 percent. The findings indicate Accounting records help to increase profitability, the type of SME influence the application of IFRS, and absences of support on IFRS. Based on findings, Suppliers can also issue an invoice whenever good are supplied to SME owner, and Each SME owner, trader, and supervisor should make sure that he or she is aware of the importance of accounting records towards the business growth, let it be seminars, international meetings, and conferences to improve their skill on accounting record. This study was conducted in the time range" between" April 2020 to November 2020. The study will contribute to academic understanding by clarifying the role of accounting record and suitability of international financial record standard for SME and the study will also help for other researcher as reference.

Keywords; 1.customer perception, 2.product quality, 3.financial report standard and suitability

Introduction

Background of the study

Accounting is said to be the language of business as it communicates the result of business operation to various parties who have an interest in the organization. Accounting can be used both by business and non-business entities. Accounting information system is a collection of resources such as people and equipment's designed to transform financial data into information useful for decision making. Accounting Information system is a set of interrelated

subsystems which collect, record, and process data to information which is used to make quality decision. The information is communicated to a wide variety of users. The four most important financial reports prepared by business organizations are Income statement, statement of owners' equity, balance sheet and statement of cash flow. These reports are usually communicated to external users and top management as one of their base in making business decisions [1], [2].

Through financial accounting, SMEs are able to identify measure, classify and communicate their financial information to owners and other stakeholders which permit users to make informed judgment and decisions [3]. Financial accounting information is oriented primarily toward those parties external to the business enterprise who provide capital to it. Those who have funds to invest or lend may decide where to place resources based on the financial reports. Providers of capital provide resources to business enterprises who are required to put the provided resources into productive use to maximize the interest of resource providers, and because ownership is separated from managing the business, management owe the responsibilities of providing a feedback in the form of financial accounting information to resource providers to determine how their investment has been maximized [4].

It is time-consuming, expensive, complex, and burdensome to get the understanding of any SMEs financial statements which are prepared according to its own jurisdiction's standards and regulations. It is only possible with the use of Accounting recording and assessing the suitability of international financial reporting standard by listed entities as well as non-listed entities. Therefore, a group of practitioners consisting of business entities, financial institutions, regulatory authorities, auditors and accounting professionals accepted the need for internationally accepted financial reporting standards. The most significant actor in the use of accounting record and IFRS for SMEs is the accounting professionals. Their support, obligation and commitment are very important in an effective application of the standard to compete in the real marketing environment. All the possible problems, issues and obstacles in the effective application of the standard can be resolved by the joint efforts and support of SMEs, regulatory bodies, and accounting professionals. Therefore, the preparedness as well as the perception of professional accountants about the challenges and benefits of accounting record and IFRS for SMEs will play a very important part in a victorious application procedure.

Our research is aimed to investigate the role of the accounting record and suitability of IFRS for SMEs and the associated benefits and challenges face SMEs in Goro town, Bale zone, Ethiopia. This research has implications for regulators and practitioners in the application process. This paper informs regulatory bodies to take some measures for the effective usage and implementation of IFRS for SMEs.

Statement of the Problem

SMEs "comprise the vast majority of incorporated enterprises and are also the main source of wealth creation and employment of transitional economies" [5]. The small and medium enterprises (SMEs) are considered as the engine of prosperity, economic growth and national development, both in developed and developing countries [6]. SMEs have been recognized as being great contributors to the Ethiopian economy offering both employment and platform for innovative ideas. They form a larger percentage of the businesses that operate in the country as compared to their medium and large counterparts.

International financial reporting standards (here after IFRSs) are set of international accounting standards stating how particular types of transactions and other events should be reported in (www.investopedia.com). IFRS process is characterized by slow movements since there are no local accountancy and audit professionals capable to contribute to the accounting system reform [7]. The process of reform in an accounting system in different countries is taking place towards IFRS in order to control the financial transition and to reduce failures of SME. However, anecdotal study by [8] revealed that SMEs within the financial sector have frequently noted in annual reports that they are in full compliance with IFRS, when in fact there are material deviations from IFRS. The adoption of IFRS for SME deemed to improve the confidence level of worldwide investors and investment analysts in the financial statements of companies [9].

It is also important for SMEs to have suitable accounting standards because of the increasing importance of SMEs in the global economy and arguments urging the differential reporting caused new proposals for financial reporting of these entities such as IFRS for SMEs [10]. Furthermore, it is important to identify the patterns arising from the users' perceptions of the information in the financial reports of SMEs [11] in a transitional economy, particularly as in

our case in Ethiopia. For example, banks require information about the capabilities of the entity to pay their debts in order to facilitate the lending procedure; government needs to determine the taxable income (ibid). [12] alluded to the fact that Small and are the main root of job creation in developing countries and play a significant part in income generation activities mostly for the poor who have access to work in there.

Medium Enterprises (SMEs) contribute over 90% of the private sector production and they The literature on IFRS for SME explores that these distinctive standards are suitable for entities that do not have public accountability and publish general purpose financial statements for external users such as owners, current and potential creditors and credit rating agencies excluding government and tax authorities [13], [14] further define accounting standards as a generic name given to statements issued by professional bodies in an attempt to regulate the preparation of financial statements by corporate institutions and SMEs [15] therefore it is important to address this issue in Ethiopia since the country give more concentration on the development SME because the role the sector play in the employment creation and poverty reduction thus, using improved reporting system help the country to take corrective action. Additionally IFRS for SMEs emphasizes the accounting quality, respectively the financial information quality as the determination of a good accounting practice.

SMEs in Ethiopia often face problems with regard to recording their daily transactions and the application of IFRS. This is due to the fact that most of the operators do not know how to make such records in a simple and easy manner. The absence of recording cause some problems in handling customer needs, particularly in maintenance services and also in cases of sales on credit services. lack of recording also makes it very difficult for the tax offices to levy reasonable taxes that are commensurate with the business activities. As a result, businesses operators complain on the taxes that are levied on them on the basis of estimation which they say are too heavy to bear. The purpose of this study is to examine the accounting and reporting practice of SMEs in Goroworeda, Bale zone Ethiopia.

Objective of the Study

The main objective is assessing the role accounting records for small and micro scale enterprise and suitability of international financial records standard for small and micro enterprise in Goro town. The specific objective of the study include:

- ✓ To determine the challenges SMEs face in preparation of accounting records.
- ✓ To assess SMEs awareness towards accounts record keeping procedures and recording ways used.
- ✓ To assess the role of type industry in the application of different accounting records.
- ✓ To examine effect of profitability on the usage of accounting and IFRS.
- ✓ To determine effect of SMEs size in the application accounting records.

Research hypothesis

H₀; the knowledge of accounting and IFRS of SME in Goro town does not have statistically positive relationship with the application of Accounting record like IFRS.

H₀; the size of SMEs in the Goro town does not have statistically significant positive relationship with the application of IFRS to manage their finance for SME.

H₀; the type of SME one operates in the Goro town does not have statistically significant association with the Accounting and IFRS application and presentation requirement.

H₀; the profitability level of SME in Goro town does not have statistically significant association with accounting record usage of SME.

Scope of the study

The study was delimited conceptually, on assessing the role of accounting record and IFRS for sustainability of SME, Methodologically, the study was delimited to the descriptive type of research design; both qualitative and quantitative research approach were used for data collection on accounting and IFRS for SME. In this context, the data were collected from owner, employee and auditor of the woreda. Geographically, the study was delimited to

Goro town of Bale Zone, Ethiopia and because of time, the study was conducted in time range of April 2020 to November 2020.

Literature Review; Accounting Standards

Accounting standards is viewed as an authoritative statement of how particular types of transactions and other events should be reflected in financial statements. [16] Belkaoui (2000) confirms the view of Kam by defining accounting standards as generally accepted rules that guide the practices and conduct of the accountants work and are backed by sanctions for non-conformity. [17] Further define accounting standards as a generic name given to statements issued by professional bodies in an attempt to regulate the preparation of financial statements by corporate institutions and SMEs. [18] also define accounting standards as the rules and procedures relating to the measurement, valuation, and disclosure of accounting transaction. [19] Summarizes accounting standards as definitive statements of best practices issued by a body having appropriate authority.

Evolution of Accounting Standards

[20] in the modern financial era, self-regulation by the accounting profession can be traced to just after the United States Securities and Exchange Commission (SEC) was established by the Securities Act of 1933 and Securities Exchange Act of 1934. These new laws were passed by congress in the United States (US) in response to the vast sums lost by investors in the stock market crash of 1929 and the subsequent financial depression. At the outset, there were serious discussions in Washington about whether the federal government should establish standards for preparing and auditing financial statements of publicly held corporations and micro firms. The US SEC was given statutory authority to set accounting standards and oversight over the activities of auditors.

In recognition of the expertise and resources of the accounting profession, the US SEC looked to the private sector standards-setting bodies to provide leadership in establishing and improving accounting principles and reporting standards. Between 1938 and 1959, AICPA's Committee on Accounting Procedure (CAP) issued fifty one authoritative pronouncements known as Accounting Research Bulletins that formed the basis of what has become known as Generally Accepted Accounting Principles (GAAP). According to [21], in the US, GAAP are accounting rules used to prepare, present, and report financial statements for a wide variety of entities, including publicly-traded and privately-held SMEs, non-profit organizations, and governments.

International Accounting Standards

Adoption of International Financial Reporting Standards is becoming trend among countries because of the wide array of advantages it provides for countries and multinational companies. As of February, 2012 approximately 120 nations and reporting jurisdictions permit or require IFRS for domestic listed companies of which 90 countries have fully conformed with IFRS as promulgated by the IASB and included a statement acknowledging such conformity in audit reports [22].

According to [23] IFRS are not only relevant to external parties but are useful to management decision making as well. [24] found that accounting information provided by financial statements prepared according to IFRS is reliable, relevant, understandable and comparable. In general, they believe that the quality of financial information has improved as a consequence of the introduction of IFRS.

Opponents of accounting harmonization also argue that because of different environmental influences, differences in accounting might be appropriate and necessary. For example, countries at different stages of economic development should have differently oriented accounting systems. Another argument against using international financial reporting standards is that the magnitude of the differences between countries and the political cost of eliminating those differences could be quite high [25].

IFRS for SMEs

Since Small and Medium Enterprises are seen today as the backbone of every economy throughout the world, in July 2009, International Accounting Standard Board (IASB) published IFRS for SMEs [26]. The IFRS for SMEs is a self-contained standard of 230 pages, designed to meet the needs and capabilities of Small and Medium sized Entities

(SMEs), which are estimated to account for over 95 per cent of all companies around the world. Compared with full IFRSs (and many national GAAPs), the IFRS for SMEs is less complex in a number of ways [27]. It was in 2001 when IASB formally started to develop accounting standards for the suitability of SMEs while keeping the emerging economies in focus. For this purpose a discussion paper was formulated in 2004 with the title of Preliminary

Views on Accounting Standards for Small and Medium-sized Entities and the comments were invited on this discussion paper from around the world. Emphasis and recommendation were directed to the core elements of any accounting standards which are recognition, measurement, presentation and disclosure of financial statements. The first exposure draft of IFRS for SMEs was published by IASB in February 2007, with the aim to provide simple and self-explanatory set of accounting principles for non-listed companies based on full IFRS.

The adoption of IFRS for SMEs will enhance the comparability of financial statements within and across the industry. By adopting same accounting reporting standard comparability will be enhanced [28]. The adoption of IFRs for SMEs will enhance internal reporting reliability as the credibility of financial information will be enhanced [29].When the investor will get reliable information from the financial statements, then an important public interest will be served. Similarly, when creditors gain the confidence on the financial statements of SMEs, it will become easy for the SMEs to gain capital. So, by this adoption all the benefits will be attained by the SMEs [30].

Accounting record and IFRS for SMEs is economically favorable in Ethiopian as it will raise the awareness in the users and owners of SMEs to adopt Accounting record and standards so that in future when their business will grow into big companies they would have already moved towards standardization. So, it would be definitely favorable for the Ethiopian SMEs economy as it will bring all SMEs at one point in adoption of standard.

Conceptual Framework

[31] say a conceptual framework is a graphical or diagrammatic representation of the relationship between independent and dependent variable in a study. It helps the researcher see the proposed relationship between the variables easily and quickly.

Conceptual framework of the study

Independent variables dependent variables

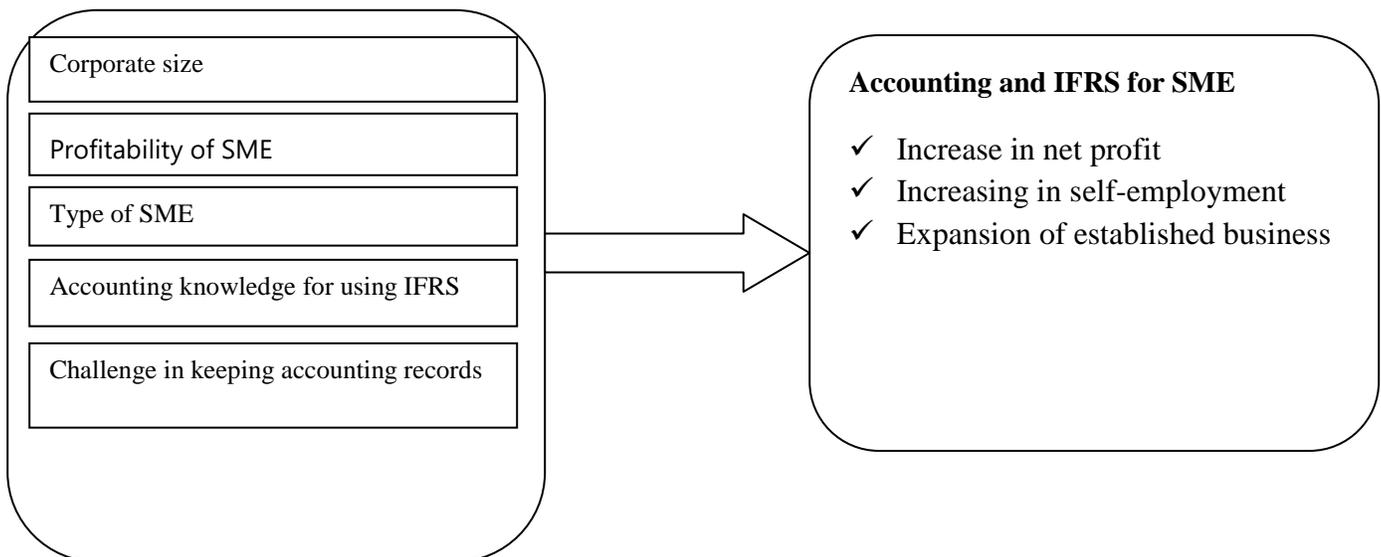


Figure 1 conceptual frame work of the study

Study area description

Goro is one of the woreda’s in the Oromia Region of Ethiopia. It shares the same name as the administrative center of the woreda, Goro Part of the Bale Zone, Goro is bordered on the southwest by Guradamole, on the west by Berbere ,

on the northwest by Sinanana, on the northeast by Ginir, and on the southeast by the Somali Region ; it is separated from Guradamole and Berbere by the Gestro River (or Weyib River). Other towns in this woreda include Meliyu . Dawe Kachenworeda was separated from Goro. Almost three-fourths of this woreda is covered by plains, and the rest are considered hilly or rugged. Mount Holachis is the highest point; other important peaks include Mounts Dadimos and Farra. Perennial rivers include the Weyib and the Mena, which are lined by forest. A survey of the land in this woreda shows that 17.7% is arable (5.9% was under cultivation), 38% pasture, 39.3% forest or heavy vegetation, and the remaining 5.3% is considered swampy, mountainous or otherwise unusable. 18.16 square kilometers of forest are part of the Goro Bale State Forest. Notable landmarks in this woreda include the Sof Omar Caves. Sugar cane, oil seeds, spices and vegetables are important cash crops .[32].

Method and Tool of the study

In order to achieve the objectives of this study and thereby provide solution to its problems, mixed research approach was used by the researchers. There are compelling reasons why the researchers opt to use mixed approach, the adoption of positivist paradigm entails that measurement remains an essential element since its basic assumption is that social phenomenon can be measured. In order to assess the role of accounting for SMEs and international financial record standard for SMEs descriptive research design were applied. Because, these design concerned with describing the characteristics of particular individual or group in sample, and give solutions to the problems.

Both qualitative and quantitative types of data were used. Primary and secondary source of data was used to meet the objective of the study. The target population for this study was employee of SMEs (1000) and auditor of the woreda (5). The researcher was used probability and non-probability sampling design. Purposive sampling technique was used because the sample is selected by some arbitrary method because it is known to be representative of the total population and the idea is to pick out the sample in relation to criterion which is considered important for the particular study. By using this method the researcher was select accountant, cashier of SME and owner.

To choose an appropriate sample size mainly four factors are taken in to consideration .These are: level of confidence (Z), Margin of error (E), variability of the population(s) and the number of groups within the samples [33]. In addition to this, the degree of precision desired, method of analysis, objective of research, cost, and time determine the type and size of the sample to be drawn. Among different methods, the one that was developed by Yamane (1967) was employed for this study.

$$n = \frac{N}{1+N(e)^2} = \frac{1000}{1+1000(.05)^2} = 286 \quad \text{Where; } n = \text{sample size}$$

N= the total size of SME population which is 1000

e= Acceptance level of error i.e. 0.05

Survey methods of data collection through the use of schedule were used to collect data for this study. In the study there were two basic approaches, these are qualitative and quantitative. The data which was collected from the field was processed. First edit to ensure completeness, accuracy and uniformity. The data was coded after editing, and enter into the computer for analysis. Data analysis section of the study was based on both descriptive and inferential analysis. The quantitative data was analyzed by descriptive statistics instruments such as frequency distribution, mean and charts. Qualitative data was analyzed by descriptive narration. The reliability of the questions for each variables are obtained when Cronbach's coefficient alpha is at least 0.6. And the internal consistency and reliability of the questions was considered higher, if the result is near to 1. In general, a reliability of a scale or item may fall between 0 and 1. [34] also stated that a reliability score of greater than 0.9 is excellent, greater than 0.8 is good, greater than 0.7 is acceptable, greater than 0.6 questionable, greater than 0.5 is poor and less than 0.5 is unacceptable.

Result of the Discussion

Descriptive statistics were used for demographic factors of are gender, education qualification, experience, age. The respondent were asked different question regarding accounting and suitability of international financial reporting standard for small and micro scale enterprise in Goro town. To assess the suitability of accounting and IFRS for SME the researcher use five factor as independent variable and the analysis were conducted based the result from the sample respondent on these variable.

The researcher considers, for his measure, an inherent assumption, which states that with the usage of any Likert scale that although the scale is truly ordinal in nature, it is assumed to be on an interval scale with which statistical properties such as the mean can be justifiably used. It is an assumption made quite frequently in empirical studies [35]. Accordingly, the scale is 1-1.80 strongly disagree, 1.80-2.60 disagree, 2.60-3.40 neutral, 3.40-4.20 agree, and 4.20-5.00 strongly agree [36].

Demographic characteristics of Respondents

Table 1 Demographic characteristic of Respondents

Demographic Factor		Frequency	%
Gender	Male	120	60%
	Female	80	40%
	Total	200	100%
Educational quality	Master	5	2.5%
	Bachelor	80	40%
	Diploma	60	30%
	Other	55	27.5%
	Total	200	100%
Experience of SMEs	Less than 1 year	30	15
	1-5	100	50
	6-10	70	35
	Total	200	100
Age of respondent	Below 20	5	2.5
	20-35	100	50
	36-55	70	35
	56 and above	25	12.5
	Total	200	100

Source; **own survey, 2020**

As we can see from the above table, sample of 200 of small and micro scale enterprise participant more of them are male (60%) and the rest (40%) are female. The result indicates that the government should have to work on creating awareness to increase the participation of the women in the small and micro scale enterprise.

Moreover employees who have educational level of bachelors (40 percent) and diploma (30) are participated than other categories. This implies that the educated people who have a middle educational qualification are more participated in small and micro scale enterprise than the higher or the lower level of educations. These indicate that they have the ability to be more productive than the present and it need more support in giving training.

Also the above table indicate that, most employee of the small and micro scale enterprise have an experience of 1-5 year (50 %), 6 -10 year experienced employee are (35%) and the rest have less than one year experience. This implies that most of the employees have good experience and it to retain them with the organization to be succeeded in their operation and to be competing in today stiff competition.

Moreover, when we see the age level of the employee of the SME more of them are in the age of productive level and they are able to produce more capital and in return support themselves as well as the country economy in whole.

Table 2; accounting record and IFRS standards

Items	Categories		
	Do you think that we have professionals who can prepare your accounts base on IFRS standards?	Yes	90
No		110	55%
		200	100%
Do you prepare your accounts base on IFRS standards?	Yes	80	40%
	No	120	60%
		200	100
Do you have any knowledge about accounting record?	Yes	50	25%
	No	150	75%
		200	100
Understanding requirements of IFRS for SMEs	Well understood	15	7.5%
	understood	70	35%
	Little understood	80	40%
	Not at all	35	17.5%
		200	100
Willingness with the introduction of IFRS for SME	Yes	78	39%
	No	122	61%
		200	100

Source; **own survey, 2020**

As the table above indicates most of the SMEs have no such professionals who can prepare their accounts based on IFRS standards (55%), and 45% of them respond that we have good professionals who can prepare their accounts based on IFRS standards, again the table depicted that most of SMEs do not prepare their accounts based on IFRS standards with the percent of (60%) and the reset of them hold their account based on the IFRS standards (40%), the result also show most of the SMEs have no any knowledge about accounting record (75%) and the reset of them do not (25%). Most of the SMEs have no Understanding requirements of IFRS for application for their organization and again lack of Willingness with the introduction of IFRS for SME. The study also inline with [37 suggested that firms voluntarily comply with IFRS in will have access to obtain greater exposure to new financial markets hence financial assistances. The SMEs are short with both financial resources and relevant expertise which is an obstacle towards accounting record and IFRS. SMEs can benefit from this in the long run when the initial cost of application/use in future will reduce to zero.

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Descriptive statistics of independent variables

Table 3 has shown that the statistical description of accounting and IFRS where it has found that the Accounting knowledge for using IFRS(with the mean scores, i.e. $M = 3.752$, $SD = .767$ to be the most dominant in using the different accounting records. Thus, the finding of the study indicates that the knowledge for the application of the IFRS determines the small and medium scaled enterprise to use or not, because it need ability to control the system after it applied in the Work place. And followed by profitability ($M = 3.66$, $SD = .747$), the study also show that, SMEs determine them whether to use or not, because as much as they are more profitable they are more striving to apply the system for their enterprise to obtain more and more in their operation. The previous studies also indicate that, the progress and success of the SMEs depends on the combined efforts and cooperation by the users of financial statements, accountants and owners of SMEs. When the investor will get reliable information from the financial statements, then an important public interest will be served. Similarly, when creditors gain the confidence on the financial statements of SMEs, it will become easy for the SMEs to gain capital. So, by this adoption all the benefits will be attained by the SMEs [38]. Accounting record and IFRS alone is not responsible for the enhancement of potential growth and sustainability of SMEs. the other to be considered is the corporate size ($M = 3.28$, $SD = .885$), as the finding of the study indicate the size of the enterprise determine the owner ability to apply the Accounting record and IFRS. The scholar also find that, Small-sized entities generally do not have sufficient financial capacity to overcome the cost of additional disclosure. Furthermore, size is an important factor that determines entities" ability

to adopt the international reporting standards because larger entities have more resources to spend on their preparation and on compliance with them [39] [40] Some of the respondents have the views that there would be an extra cost on disclosure by adopting IFRS for SMEs, the other was type of SME also determine the application of different accounting records with the mean value(M = 2.73 , SD = .754) and the challenge in keeping accounting records(M = 2.34, SD = .567) the challenge which face the SME also influence the usage of such accounting financial report. Thus, this study result shows that SME and the concerned government body should have to increase success of established SME use Accounting and international financial reporting is very crucial to stay in the business environment and SME should have try to increase the knowledge of using such accounting system to reduce the complaint raised during paying tax for government.

The study also supported with the following, The implementation of IFRS for SMEs in emerging markets is likely to improve the economy’s flow of capital, distribution of resources, countrywide financial reporting model and will give an image and reputation as an up to date, well organized and well-regulated economy to conduct business activities [41] [42] [43]. A sufficient amount of time will provide the accountant to train themselves for this adoption [44]. The regulatory authorities must adopt strict enforcement program for effective and successful implementation of IFRS for SMEs.

Table 3 descriptive statistics of independent variables

Corporate size	Mean	S.D
Our company size affect in applying the accounting records	3.4151	1.00
The size have great effect in using IFRS in our business	3.0283	1.06
IFRS help to improve our business size	3.4151	1.03
	3.28	.885
Profitability		
Accounting records help to increase profitability	3.151	.967
Accounting records improve our finance management	4.0189	.904
International financial report standard help me to calculate simply our profit at the end of the year	3.8113	.996
	3.66	.747
Type of SME		
Our SME type influence us in using the IFRS	2.333	.096
IFRS suitable for all type SME in The business environment	3.434	.860
Accounting reporting standard is only used for large company	2.567	.969
IFRS used only for Manufacturing SME	2.5689	.872
	2.73	.754
Accounting knowledge for using IFRS		
you have good Educational Background in Record Keeping	3.339	.955
Are all Cash Receipts recorded in the Books of Accounts?	3.65	.744
We are often Keep Accounting Records in standard form	4.0755	.812
We are benefited in using this accounting standard in our business	3.943	.944
	3.752	.767
Challenge in keeping accounting records		
There is adequate skilled employee in using Accounting records	2.43	.753
good training found in the business environment	2.1334	.764
Material used for applying this IFRS is simply available	2.3453	1.09
Presence of support from the government official on IFRS	2.456	1.10
	2.34	.567

Source; own survey, 2020

Correlation and Regression Analysis

For the scale typed questionnaires for all variables mean or average response of respondents was used. The mean response for all independent variables and dependent variable is between 3-4 which was stated as neutral and agree but not strongly.

Correlation analysis conducted to measure the strength of the association between corporate size, profitability, type of SME and knowledge for using accounting reporting standard. After the scale typed schedule entered to the SPSS software version 20, the following correlation analysis was made and interpreted based on:

R value greater than .5 indicate a strong correlation
 R value around .3 indicate moderate correlation and
 R value less than .2 indicate weak correlation

Table 4 correlation analysis

Variables	IFRS	SIZE	PROFI-	TYPE	K/DGE
IFRS Pearson Correlation Sig. (2-tailed) N	1 200				
SIZE Pearson Correlation Sig. (2-tailed) N	.377** .000 200	1 200			
PROFI - Pearson Correlation Sig. (2-tailed) N	.573** .000 200	-.193** .004 200	1 200		
TYPE Pearson Correlation Sig. (2-tailed) N	.675** .000 200	.383** .000 200	.455** .000 200	1 200	
K/DG E Pearson Correlation Sig. (2-tailed) N	.730** .000 200	.344** .000 200	.526** .000 200	.669** .000 200	1 200

Source; Own survey, 2020

As it is clearly indicated in the above **table 4**, a strong positive relationship was found between corporate size and accounting and IFRS usage ($r = .730, p < .01$), profitability and accounting and IFRS usage ($r = .675, p < .01$), SME type and accounting and IFRS usage has moderate and direct relationship ($r = .573, p < 0.01$), and knowledge for application of accounting reporting standard and IFRS usage has weak correlation ($r = .377, P < 0.05$) which are statistically significant at 95% confidence level. This implies that at 5% and 1% level of significance it was discovered that the corporate size, profitability, SME type and knowledge for accounting and IFRS has significant role in determining application of different accounting system and IFRS for SME in Goro town.

Regression analysis was used to know by how much the independent variable i.e. corporate size, profitability, type of SME, knowledge of using accounting and IFRS and the challenge they face in using accounting and IFRS explain or influences the dependent variable which is Accounting and IFRS for SME. The results of the regression analysis are presented as follows

Table 5 :- Coefficients of the variable

	Parameter coefficient(B)	Std. error	T-value	sig
Constant	0.29	.318	.093	.926
Corporate size	0.70	.089	.787	.433
Challenge of using IFRS	-0.009	.102	-0.89	.929
Profitability	.631	.117	1.982	.050
Type of SME	.262	.086	3.047	.003
Knowledge of IFRS	.802	.062	5.179	.000
F-statistics		(7.98=26.02	0.00	
R ² (R ² Adj.)		0.729 (0.729)		

Source; own survey, 2020

From **table 5**, it has been seen that R value is 0.854. Therefore, R value (.806) for the overall factors influencing the usage of accounting and international financial standards and this was clearly explained with variable considered as independent variables. It can also be observed that the coefficient of determination i.e. the R-square (R²) value is 0.7290, which represents that 72.9% variation of the dependent variable (Average accounting and IFRS usage) is due to independent variables and which in fact, is a strong explanatory power of regression. In other words corporate size, Type of SME, profitability, knowledge of using IFRS and the different challenges which is entered into the regression model on SPSS has relationship with accounting and IFRS usage with correlation coefficient of 0.854. The R square is the explained variance and it is actually the square of the multiple R (0.854)². Therefore, it is pointed out that 72.90 percent of the considered variables have the power to explain the dependent variables of using accounting and IFRS of SME in the study area. This indicates that those considered variables have the ability to define the usage of accounting and suitability of the international financial report standard for small and micro scale enterprise in Goro town.

Table 5 also identifies that the value of F-stat is 26.019 and is significant as the level of significance is less than 5% (p<0.01). This indicates that the overall model was reasonable fit and there was a statistically significant association between independent variables and dependent variables. These indicate that the considered variable completely influences the usage of different accounting methods and IFRS for their business of SME in Goro town of Bale zone, Ethiopia.

Conclusion and Recommendation

SME face a lot of challenges which hinder them in the whole process of keeping accounting records. However, they can overcome the challenges and be able to keep accounting records; SME owner can organize his workers in a way that there will be enough time for each transaction to be recorded into the books of accounts, they can acquire knowledge by attending proper education in institutions and entrepreneurship seminars that focus on educating record keeping. They can also keep proper documents by making sure each detail is recorded into the books of accounts correctly.

The independent variable under study has a great role in SME usage and application of different accounting reporting standards will support their business operation and since today's business environment is too difficult and it needs to use different mechanisms to survive in this stiff competition and reduce tax.

The study implies that at 5% and 1% level of significance it was discovered that the corporate size, profitability, SME type and knowledge for accounting and IFRS has a significant role in determining application of different accounting systems and IFRS for SME in Goro town.

SME owners are not aware of the procedures of keeping accounting records and most of them prefer to keep accounting records themselves rather than hiring a professional which is expensive but more efficient because professional accountants are well aware of every procedure involved in keeping accounting records. Most of SME owners don't keep accounting records successfully, they fail to record each detail required on the books of accounts. For example; they can ignore to keep dates, month, and full name of a customer or supplier.

Recommendation

Business Owners; SME owners should be motivated to participate in different business matters, let it be seminars, international meetings, conferences where they can get different information, business skills on how to manage the business.

Customers and Suppliers; Customers should also participate in motivating SMEs to keep accounting records; they can start by demanding receipt of every purchase they make, this will automatically force SME owner to record that purchase into the cash purchase books. Suppliers can also issue an invoice whenever goods are supplied to SME owner, this will enable SME owners keep track of every payment and debt to suppliers.

Enterprises; It is a known fact that, if the businesses grow, they will employ many people, they will produce quality goods and services and they will formalize and thus pay taxes, contributing to growth and reduction of poverty. Each

SME owner, trader, supervisor should make sure that he or she is aware of the importance of accounting records towards the business growth. They should involve themselves in participation of different entrepreneurship seminars which elaborate on keeping accounting records.

Limitation

This section presented limitations that was encountered and how they address. In carrying out the research, some of the limitations which were encountered in the study include. Management unwillingness to allow employees to respond to the questionnaires, these problem where overcome by convincing them about the purpose of the study and why data were collected form the employee of SME, financial limitation are also another factor which influence us to conduct study, but the researcher cover the deficiency of finance required to conduct the study.

Suggestion for future study

Our study was oriented towards the appropriateness of the Accounting record and IFRS for SME@ in bale zone Goro Town; these standards are to be implemented in 2019. The researcher believes that the suitability of these standards is to be explored in 2019, and results will be useful after their implementation especially regarding the users perceptions about the financial information presented by SMEs. A future study could also focus on the size of SMEs in Bale Zone Goro Town as well as expand the study in the zone in general, additionally if the size of the entity would be an advantage or disadvantage in using IFRS for SMEs, since these standards will be used by all the entities except listed ones.

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Acronym

IFRS: International Financial Reporting Standards
IASB: International Accounting Standards Board
SMEs: Small and micro Scale Enterprises
USSEC: United States Securities and Exchange Commission
GAAP: Generally Accepted Accounting Principles
USSEC ; United States Securities and Exchange Commission

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