



---

## CORPORATE COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS: A CASE STUDY OF SELECTED SMALL AND MEDIUM-SIZED ENTERPRISES (SMES) IN THE CAPE COAST METROPOLIS

Marshall Wellington Blay <sup>\*1</sup>, Charles Sam Cudjoe <sup>2</sup>, Daniel Odei Okyere <sup>3</sup>

<sup>\*1</sup> Department of Accounting and Finance, Takoradi Technical University, Ghana

---

### Abstract:

*The purpose of the study was to explore the extent to which Small and Medium Enterprises (SMEs) in the Cape Coast Metropolis (CCM) comply with International Financial Reporting Standards (IFRSs). The study further looked at firm attributes (size, profitability, audit type, internationality, type of SME, and leverage) that influence the level of SMEs' compliance with IFRSs. The descriptive design was adopted for this study. The study sampled 89 SMEs within the metropolis, however, data from 67 medium scale enterprises were used. A self-constructed compliance index (CINDEX) checklist was the instrument used. Both descriptive and inferential statistics were used in analysing the data. The findings revealed that medium scale enterprises average level of compliance of IFRSs is 77.9%. Also, enterprise's attributes such as types, profitability, and audit type are able to influence 70.6% of the variance in the level of enterprise's compliance with IFRSs disclosure requirements. The study recommended that the National Board for Small Scale Industries (NBSSI) and the owner/managers of the various SMEs in the metropolis should liaise with Institute of chartered Accountant Ghana (ICAG) to organise regular training programmes, for accountants within the sector, intended to provide practical guide for compliance with the International Accounting Standard Board (IASB).*

**Keywords:** Compliance; Small and Medium Enterprises; International Financial Reporting Standards.

**Cite This Article:** Marshall Wellington Blay, Charles Sam Cudjoe, and Daniel Odei Okyere. (2019). "CORPORATE COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS: A CASE STUDY OF SELECTED SMALL AND MEDIUM-SIZED ENTERPRISES (SMES) IN THE CAPE COAST METROPOLIS." *International Journal of Engineering Technologies and Management Research*, 6(1), 1-12. DOI: 10.5281/zenodo.2551601.

---

### 1. Introduction

The ever-increasing role and focus on financial accounting among Small and Medium-Sized Enterprises (SMEs) cannot be over emphasised because of its vital end products. Most SMEs performances are usually assessed using their financial statements. 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

(Wood & Sangster, 2008). Investors who have funds to invest or lend may decide where to place resources based on the financial reports.

As the forces of globalisation increase momentum, more and more countries are now opening their doors to foreign investment and as business themselves expand across borders, both the public and private sectors are increasingly recognising the benefits of having a uniform financial reporting framework supported by strong globally accepted accounting standards (Zorklui & Barbie, 2003). Attempt towards harmonisation led to the establishment of International Accounting Standards Committee (IASC) in 1973 which released a series of standards called International Accounting Standards (IAS) in a numerical sequence that began with IAS One (1) and ended with IAS 41 between the years 1973 to 2000 which was published in December, 2000 (Institute of Chartered Accountants England and Wales, 2010).

From April 2001, the International Accounting Standard Board (IASB) assumed accounting standard setting responsibilities from its predecessor body IASC with the authority of making the standards mandatory among all its members (Addo, 2010). The IASB adopted the body of standard issued by IASC which will continue to be designated 'IAS' but any new standards would be published in series called International Financial Reporting Standards (IFRS). The long awaited globally accepted accounting standard has become a success with the development of IFRS by IASB with over 120 countries synchronising their standards to IFRS including Ghana.

### **1.1. Statement of the Problem**

Ghana in its quest to promote accelerated growth of the economy through private sector-led growth converge its out-dated Ghana Accounting Standards (GAS) to IFRS effective 1<sup>st</sup> January, 2007 (Addo, 2010; Antwi, 2010). The council of the ICAG, resolved to migrate from using the GAS as the financial reporting framework to the IFRS. The adoption formally launched on 23<sup>rd</sup> January, 2007 required all enterprises including SMEs, to comply with the IFRS as at 31<sup>st</sup> December, 2007 and other entities were given an additional transition period of two years to comply. At present Ghana is among 15 countries in Africa to have adopted IFRS (Zori, 2011).

However, anecdotal study by Chatham (2008) 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. Similarly, the International Federation of Accountants (IFAC) has observed auditors asserting that financial statements comply with IASs when the accounting policies and notes indicate otherwise (Holt, 2010). Given these findings, the activity and effectiveness of enforcement bodies that are responsible for promoting compliance with IFRSs among SMEs in most developing countries such as Ghana has been questioned.

Previous research focus mainly on SMEs domiciled in developed countries and also large scale enterprises. Developing countries and SMEs have been somewhat neglected. Eleven years after IFRS adoption in Ghana, few studies have been carried out in the area of IFRS compliance among SMEs. It is this gap that the study seeks to narrow by inquiring the extent of compliance with IFRS by some selected SMEs in the Cape Coast Metropolis (CCM).

## 1.2. Objectives of the Study

The general objective of the study was to explore the extent to which SMEs in CCM comply with IFRSs. The specific objectives of the study were to:

- 1) Examine the extent and level of compliance with IFRSs by SMEs in CCM?
- 2) Find out whether certain firm attributes influence the level of SMEs compliance with IFRSs?

## 1.3. Research Question and Hypothesis

In order to address the specific objectives of the study, the following research question and hypothesis were formulated to help guide the study.

- 1) What is the extent and level of compliance with IFRSs by SMEs in CCM?

H<sub>0</sub>: Firm attributes have no statistically significant influence on the level of SMEs compliance with IFRSs.

## 1.4. Significance of the Study

The study will contribute immensely to literature in the area of accounting standards and IFRS compliance in Ghana. The study will further provide information on the extent to which SMEs comply with IFRSs and factors accounting for differences in compliance. The study will also provide appropriate basis to conduct future research in the area of IFRS compliance in Ghana.

## 1.5. Delimitation

The population of interest to the study was some selected SMEs in CCM. Due to the numerous numbers of IFRs the study was restrict to a number of standards that in the researchers view are more relevant and applicable to SMEs in Ghana and for that matter Cape Coast, thus: IAS I – Presentation of Financial Statements, IAS 7 – Statement of Cash Flows, IAS 12 – Income Tax, IAS 16 – Property Plant and Equipment, IAS 18 – Revenues, and IAS 19 – Employee Benefit. Furthermore, the study was delimited to certain attributes of SMEs such as size, profits, multinational affiliations, and leverage. Only registered, recognised and active SMEs in the metropolis were considered.

## 1.6. Literature Review

Generally, the use of IAS compliance as a variable in studies has evolved considerably in the past years (Chatham, 2008). Chatham emphasize that, earlier research on IAS compliance now IFRS, assumed that an enterprise attestations regarding its use of IAS in the financial statement were sufficient to presume that the firms were fully complying with IASC standards, making IAS compliance a dichotomous measure. Some of these authors warn of tenuous nature of firm's degree of compliance, while others do not. These examinations often apply an event-study methodology to assess the effects of or reasons for initially adopting IAS.

Chatham (2008) measured degree of IAS compliance in SMEs domiciled in France, Sweden, and Switzerland. Two percentage compliance score were computed by Chatham (2008). The first score

equally weights each of the forty six check list he developed. The second compliance score weights each question based on its perceived important to users of financial statement. Chatham discovered that, IAS compliance range from 70.25% to 95.31% compliance. Switzerland firms had the highest average percentage IAS compliance score of 85.3%, while the firms from Sweden had the lowest average compliance rate of 75.8%. Chatham also viewed the audit opinion on financial reports of firms as crucial in determining whether firms compliance or non-compliance with IAS are being affirmed by auditors in their blessings to the financial reports. The study revealed that out of the ninety one firms studied which claim compliance with IAS; only forty eight representing 52.7% had auditor confirmation of compliance.

Al-Shammari (2011) extends the study of IFRS compliance by investigating the extent to which 168 SMEs listed on KSE comply with the disclosure requirements of IFRSs. The annual reports of 2008 were examined using a self-constructed checklist based on 21 selected standards. Each disclosure item on the checklist was assigned the value of one if it was disclosed and zero if the item obviously applied but was not disclosed while items obviously not applicable to the report were coded as not applicable (NA). Disclosure index which was consistent with prior research was computed by dividing the total number of disclosure provided in SME's annual reports by the total applicable score. The study of Al-Shammari (2011) revealed that size, auditor type, liquidity, industry type, and internationality influenced the level of compliance among firms. Al-Shammari reported an adjusted  $R^2$  of 0.407.

## **2. Materials and Methods**

Descriptive research design was used for the study since the study sought to describe the extent of corporate compliance with IFRSs. The population of the study consisted of eight strata of registered SMEs grouped into various associations recognised by the National Board for Small Scale Industries (NBSS) in CCM (NBSS, 2017). The accessible population for this study was all medium scale enterprises in the metropolis. Emphasis was on medium scale enterprises because small scale enterprises usually do not lay much interest in IFRS disclosure or compliance. According to the NBSS (2017), there are 719 registered and active SMEs in CCM.

### **2.1. Sample and Sampling Procedure**

A sample size of 89 was used for the study. The sample size was picked based on the recommendations of Ary, Jacobs, Razavieh and Sorensen (2006) who posit that a sample of 5 – 10 percent of the population is appropriate for a descriptive survey study. This forms 12.4 percent of the population. Snowball sampling technique was used to select 89 medium scale enterprises in the metropolis since it was difficult to locate the various enterprises.

The sampling procedure began in each community with the help of the assembly men or women, other unit committee members and leaders of the various strata of SMEs in the metropolis. These people served as informants. As informants, the leaders of the groups of SMEs were able to identify other medium scale enterprises within the metropolis and also within their respective communities who qualified to participate in this study. Those medium scale enterprises identified in turn identify other medium scale enterprises in the study area not yet captured. Table 1 shows the sample of the study.

Table 1: Sample Distribution of SMEs Selected for the Study

Categories of Medium Scale Enterprises	Sample size	
	Frequency (No.)	Percent (%)
Finance and insurance	11	12.4
Paper converters and information technology	10	11.2
Mining, agric and agro-processing	7	7.9
Pharmaceutical and beverages	8	9.0
Manufacturing and trading	14	15.8
Metal, engineering and oil	16	18.0
Boarding and accommodation establishment	18	20.1
Other services such as hairdressing, barbering and so on	5	5.6
Total	89	100%

Source: NBSS, 2017

## 2.2. Sources of Data

The study mainly made use of secondary data. The secondary data were gathered through the various financial statements and reports of the selected medium scale enterprises. Also, review of existing literature mainly financial management books, articles, journals, theses and dissertations (both published and unpublished), internet, official records of the NBSSI and Newspaper reports. However, some primary data were obtained using an interview guide. This data dealt with information that were collected directly from the director of NBSSI, head of ICAG, Cape Coast office; and managers or owners of the selected enterprises.

## 2.3. Data Collection Instruments

Self-developed compliance checklist was used to collect data for the study. The self-developed compliance checklist was designed for each of the six selected IFRSs. The self-developed checklist was developed with reference to IFRSs issued by the IASB, checklist used in prior research (Street & Gray, 2002) and disclosure and presentation checklist published by Deloitte (2011). The validity and comprehensiveness of the checklist was confirmed by two experienced chartered accountant.

For each item on the checklist there are three possibilities for scoring: (a) the information item is disclosed in the annual report, denoted by “Yes”; (b) the information item is not disclosed in the annual reports despite the fact that it is applicable to the particular medium scale enterprise and the enterprise could have disclosed it, denoted by “No”; and the information item is not disclosed in the annual reports or financial statements because it is not applicable to the particular enterprise, denoted by “Not Applicable” (NA).

## 2.4. Measurement of Dependent Variable

The dependant variable in this research was IFRS compliance. The level of IFRS compliance was measured by a self-constructed compliance index (CINDEX) consistent with prior compliance studies (Ballas & Tzovas, 2010; Chatham 2008; Street & Bryant, 2002). The compliance index is the ratio of what an enterprise presented and disclosed in its annual report or financial statement

to what it is obliged to present and disclose for each category of standard. Thus for each medium scale enterprise and for each standard selected compliance ratio was calculated as well as overall compliance ratio for each enterprise. For this reason, the compliance ratio is computed by dividing the total of (Yes) over the total applicable presentation and disclosure requirements.

## 2.5. Measurement of Independent Variables

**Size of an enterprise (SME):** The book value of equity and that of total assets was used to measure the size of an enterprise. This has been used in some prior studies (Ballas & Tzovas, 2010). **Profitability:** Profitability was measured by ratio of return on equity (ROE), and accounting profit. This has been used in previous studies (Ballas & Tzovas, 2010; Al-Shammari, 2011). **Auditor type:** Auditor type was measured by a dummy variable coded one if the enterprise was audited by one of the big four audit firms (PricewaterhouseCoopers, Deloitte & Touche, Ernst & Young, and KPMG) and zero otherwise. This measure is consistent with that of Al-Shammari (2011). The auditor type is identified from the auditor's report. **Internationality:** Internationality was measured by a dummy variable coded one if the enterprise has affiliation as subsidiary of a parent firm in any of the developed countries. This measure is consistent with that of Chattham (2008). **Industry type:** Industry was measured by a set of dummy variables. This measure is consistent with that of Al-Shammari (2011). **Leverage:** Leverage was measured by debt to equity ratio. This is consistent with prior research (Mutawaa & Hewaidy, 2010).

## 2.6. Data Collection Procedures

In this study, data was gathered largely from secondary source. They were obtained from the 2017 annual financial reports of the selected SMEs in CCM. In all, 89 available annual financial reports for 2017 financial year were gathered from the SMEs visited. Some of the reports were obtained from the websites of the selected medium scale enterprises. During the process of examining the annual financial reports for compliance, it was discovered that some of the medium scale enterprises have not prepare their financial reports in accordance with IFRS but in accordance with U.S GAAP making them irrelevant for their inclusion in the study. In effect, 67 annual financial reports were successfully obtained for analysis.

The self-developed compliance checklist was applied to each annual report to check compliance. Prior to checking compliance, each annual report was thoroughly read and consolidated by logical reasoning to determine applicability of each of the checklist items. For scoring, each disclosure item ticked under category "a" (Yes) on the checklist was given a score of one and a zero score for category "b" (No) and "C" (NA). This approach is consistent with prior research by Ballas and Tzovas (2010), and Al-Shammari (2011).

## 2.7. Data Processing and Analysis

The data collected were analysed both qualitatively and quantitatively. Descriptive and inferential statistics were used to analyse quantitative data while qualitative data were analysed interpretatively and patterns were identified after using the axial coding method. In line with the framework of analysis used by many researchers (Al-Shammari, 2011; Street & Bryant, 2002), compliance scores was categorised into four levels. High compliance, if the presentation and

disclosure index is 80% or more, intermediate compliance between 60% and 79%, low compliance between 40% and 59%, and below 40% which reflects a substantial gap between an enterprise disclosure and present action practices and the IFRSs requirements.

### 3. Results and Discussions

This section deals with the descriptive statistics for the independent variables. The information on all the variables were obtained from the 2017 annual financial statements of 67 randomly selected medium scale enterprises in CCM. The results are presented in Table 2.

Table 2: Descriptive Statistics for other Explanatory Variables

Variables	Min.	Max.	Mean	Std. Dev.
<b>Size</b>				
Book value of equity (GH¢)	-0.677250000	27023000	967000	4840
Total assets (GH¢)	0.953588000	62629000	2750000	11280
<b>Profitability</b>				
Return on equity	-80.700	1.170	-3.253	15.227
Return on total assets	-0.597	0.342	0.025	0.153
Type of auditor	0.000	1.000	0.258	0.445
Internationality	0.000	1.000	0.193	0.486
Leverage	0.000	4.400	0.65.4	1.225

Source: Field Data, 2018

(N = 67)

Table 2 shows a brief statistical description of the explanatory variables. The data was derived from 67 SMEs in CCM 2017 annual reports. The SMEs' size was measured by book value of equity and total assets. Company size measured by book value of equity ranged from -0.66725 to 27023 thousand Ghana cedis with an average size of 967 thousand Ghana cedis. Company size measured by total assets ranged from 0.953588 to 62629 thousand Ghana cedis with an average of 2750 thousand Ghana cedis. The standard deviation of this variable is moderate either measured in terms of book value of equity or total assets. This means that, measures of enterprise size are moderately non-dispersed in a widely-spread distribution, and that the effects of size of an enterprise on compliance level of IFRSs disclosure requirements was an approximation to a normal distribution.

Profitability was measured by return on equity and return on total assets. Average percentage profitability was -3.253 (reflecting high negative return on equity) as measured by return on equity with a minimum of -80.700 and a maximum of 1.170. However, profitability as measured by return on total assets gave a more positive picture with an average of 0.025 and ranged from -0.597 to 0.342. Table 2 further shows that few of the medium scale enterprises in the metropolis, representing 25.8% of the sample population, are audited by one of the big four audit firms while 74.2% of the population are audited by local audit firms. Only 19.3% of the sample SMEs had affiliation as subsidiary of a parent firm in any of the developed countries. Average leverage of the sample SMEs was 65.4% measured by debt to equity indicating that the sample SMEs are on average heavily leveraged. Leverage ranged from 0.00 to 4.400.

### 3.1. Level of compliance with IFRSs by SMEs in CCM

The rationale behind this objective was to examine the extent as well as the level to which SMEs in CCM complies with IFRS presentation and disclosure requirements. Table 3 shows the presentation and disclosure compliance rates of industries with regards to each selected IFRS. For the purpose of ethics in research, the extents of compliance by medium scale enterprises in the metropolis are presented on the basis of SME groupings.

Table 3: Type of SME and their Extent of Compliance with Each IFRS Presentation and Disclosure Requirements

Types of medium scale enterprises	Mean scores of the various IFRS presentation and disclosure used					
	IAS 1	IAS 7	IAS 16	IAS 18	IAS 19	IAS 12
Finance and insurance (9)	0.821	0.980	0.889	1.000	0.552	0.810
Paper converters / IT (8)	0.714	0.978	0.752	1.000	0.300	0.833
Mining, agric/agro processing (8)	0.809	0.972	0.744	1.000	0.830	0.679
Pharmaceutical/beverages (5)	0.830	1.000	0.982	1.000	0.813	0.854
Manufacturing and trading (11)	0.861	1.000	0.824	1.000	0.917	0.958
Metal, engineering and oil (10)	0.825	1.000	0.958	1.000	1.000	0.861
Boarding and accommodation establishment (13)	0.899	0.992	0.988	1.000	0.612	0.731
Other services such as hairdressing, barbering and so on (3)	0.754	0.597	0.462	0.590	0.230	0.683
Total (N = 67)	0.809	0.986	0.859	1.000	0.671	0.827

Source: field Data, 2018

(N= 67)

From Table 3, with the exception of other services such as hairdressing, barbering and so on (Mean = 0.590), IAS 18 represented the only standard with absolute compliance of 100% observed for all the other seven categories of medium scale enterprises. This implies that out of the 67 medium scale enterprises captured for the study, 64 of them complied fully with the presentation and disclosure requirement of IAS 18. This is incongruent with Street and Bryant (2002) who found significant non-compliance with IAS 18. With the exception of IAS 18 there are meaningful differences in compliance within and among medium scale enterprises with regard to the selected IFRSs.

IAS 1 differs among SME with the two highest means of 89.9% and 86.1% by the boarding and accommodation establishment, and manufacturing respectively; and with a least mean of 71.4% for paper converters/IT. Surprisingly no enterprise complied fully with the presentation and disclosure requirement of IAS 1. The checklist reveals non-compliance with regards to IAS 1 was common for disclosure required for management's assessment of an entity's assessment as a going concern and disclosure information required to evaluate an entity's objectives, policies and processes for managing capital.



IAS 7 is the standard next to IAS 18 which is highly complied by all medium scale enterprises though did not achieve an overall 100% mean but an overall mean of 98.6%. Three industries embodying pharmaceutical and beverages; manufacturing and trading; and metal, engineering and oil scored a mean compliance of 100% respectively. This implies that all medium scale enterprises belonging to these industries fully complied with presentation and disclosure requirement of IAS 7. Medium scale enterprises belonging to boarding and accommodation establishment, finance and insurance, paper converters and information technology, and agric and agro industries scored a mean compliance of 99.2%, 98.0%, 97.8%, and 97.2% respectively. These results suggest little or no difficulty by medium scale enterprises in meeting the presentation and disclosure requirement of IAS 7.

The two highest rates of compliance for IAS 16 with a mean of 98.8% and 98.2% were achieved by medium scale enterprises in the categories of boarding and accommodation establishment, and pharmaceutical and beverages respectively. The average compliance level with regard to IAS 16 was 85.9% which reveals little or no difficulty in meeting presentation and disclosure requirement of property, plant and equipment. Surprisingly while SMEs in the boarding and accommodation establishment, and pharmaceutical and beverages SME were having less difficulty in dealing with this standard, some SMEs in the services such as hairdressing, barbering and so on scored as low as 46.2% compliance with IAS 16 suggesting difficulty in compliance by SMEs in such category.

The least compliance rate was observed for IAS 19 among other standard as noted earlier in the preliminary analysis. Paper converters and information technology medium scale enterprises scored as low as 30% mean compliance. Finance and insurance medium scale enterprises also had a poor mean compliance of 55.2%; however manufacturing and trading medium scale enterprises differ significantly with a mean compliance of 91.7%. This suggests extreme difficulty by most medium scale enterprises in meeting the presentation and disclosure requirement of employee benefit. Data gathered reveals extreme difficulty by most medium scale enterprises in dealing with disclosure required under defined benefit plan which involves critical actuarial assumptions.

IAS 12 also varies among SMEs with regards to their rate of compliance. Medium scale enterprises in the manufacturing and trading complied most with IAS 12 with a mean compliance of 95.8%, followed by metal, engineering and oil (86.1%), pharmaceutical and beverages (85.4%), paper converters and information technology (83.3%), finance and insurance (81%), and the least compliance by agric and agro medium scale enterprises with a mean compliance of 67.9%. IAS 12 requires a numerical reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate, disclosing also the basis on which the applicable tax rate is computed; or a numerical reconciliation between the average effective tax rate and applicable tax rate is computed. This requirement was problematic for a number of medium scale enterprises accounting for significant non-compliance with IAS 12. Table 3 clearly reveal variability in compliance within medium scale enterprises and among medium scale enterprises and congruent with Street and Bryant (2002) who concluded that the level of compliance by SMEs claiming to have adopted IASs is mixed and selective.

### 3.2. Influence of firm attributes on the level of SMEs' compliance with IFRSs

The rationale behind the second research question was to determine which firm attributes account for differences among SMEs compliance rate with IFRSs presentation and disclosure requirement. This analysis is undertaken to better understand the individual contribution of the selected company attributes to the level of enterprise's compliance with IFRSs disclosure requirements. The summary of the result analysis is shown in Table 4.

Table 4: Influence of SMEs Attributes on IFRSs Compliance

Attributes of medium scale enterprises	Beta ( $\beta$ )	SE	t-value	Sig.	Collinearity Statistics	
					Tol.	VIF
Book value of equity (Size)	-0.252	0.048	-0.387	0.702	0.699	1.431
Total assets (Size)	0.444	0.043	0.799	0.433	0.752	1.330
Return on equity (Profitability)	0.459*	0.002	2.579	0.029	0.551	1.816
Return on total assets (Profitability)	-0.463**	0.078	-3.498	0.002	0.609	1.643
Type of auditor	0.406*	0.033	2.520	0.019	0.833	1.200
Internationality	0.176	0.027	1.191	0.247	0.514	1.947
Types of SME	0.538**	0.007	3.641	0.001	0.567	1.763
Leverage	0.006	0.012	0.033	0.974	0.799	1.252
Constant	0.590					
R	0.840					
R Square	0.706					
Adjusted R Square	0.599					

Dependent variable: IFRSs Compliance ratio      \*\* $p < 0.01$       \* $p < 0.05$       (N = 67)  
 Source: Field Data, 2018      Where SE = standard error; Tol. = Tolerance values

Table 4 indicates that among the selected attributes of medium scale enterprises used for the study, profitability as measured by both return on equity and return on total assets, types of auditor, and types of SME were the only statistically significant attributes with regard to firm's level of compliance with IFRSs disclosure requirements. The attributes of medium scale enterprises that influence or predict enterprises level of compliance with IFRSs disclosure requirements in order of importance were types of SME ( $\beta = 0.538$  (0.007),  $p < 0.01$ ), profitability as measured by return on equity ( $\beta = 0.459$  (0.002),  $p < 0.05$ ), type of auditor ( $\beta = 0.406$  (0.033),  $p < 0.05$ ) and profitability as measured by return on total assets ( $\beta = -0.463$  (0.078),  $p < 0.01$ ). These findings are similar to that of Al-Shammari (2011) who found positive prediction for profitability as measured by return on equity ( $\beta = 0.118$ ,  $p < 0.01$ ); auditor type ( $\beta = 0.026$ ,  $p < 0.01$ ); and SME type ( $\beta = 0.084$ ,  $p < 0.01$ ). Table 4 indicates further that all the statistically significant attributes of medium scale enterprises influence firm's level of compliance with IFRSs disclosure requirements positively, except profitability as measured by return on total assets that contributes negatively to the dependent variable, though statistically significant.

It is however significant to observe that the proportional contribution ( $R^2$ ) of all the attributes of the medium scale enterprises in the metropolis to the firm's compliance level with IFRSs disclosure requirements was 0.706 with an adjusted  $R^2$  of 0.599 which is higher than that of Al-Shammari (2011) who reported an adjusted  $R^2$  of 0.523. This means that the selected attributes of

medium scale enterprises (independent variables) are able to influence, predict, or explain 70.6 percent of the variance in the level of enterprise's compliance with IFRSs disclosure requirements. It therefore, means that besides these selected attributes of medium scale enterprises identified; other variables that are not in the model have a chance of influencing, explaining or predicting about 29.4 percent to the level of medium scale enterprises' compliance with IFRSs disclosure requirements.

Company size as measured by book value of equity and total assets, internationality and leverage have no statistically significant influence or contribution to the medium scale enterprises level of compliance with IFRSs presentation and disclosure requirements. However, among the statistically significant contributing attributes, types of SME is the most statistically significant company attributes that influences or contributes to firm's level of compliance with IFRSs presentation and disclosure requirements in the metropolis.

#### 4. Conclusions

Based on the findings from the study, it can be concluded that the extent of IFRSs compliance by SMEs in CCM is high with an overall mean compliance of 77.9% but far from full compliance. Also, no medium scale enterprise achieved full compliance score. Furthermore, medium scale enterprises who are audited by the international auditing firms comply more than companies audited by the local auditing firms. Firm attributes of profitability, internationality, auditor type, and SME type influence the extent of IFRSs compliance. However, SME type is the most influential among the attributes as well as the attribute with a strong link with IFRSs compliance level.

#### References

- [1] Addo, A. (2010). Students guide to international financial reporting standards. Accra: Mercury Press.
- [2] Al-Shammari, B. (2011). Factors influencing the extent of mandatory compliance with international financial reporting standards: the case of Kuwaiti listed companies. *Journal of International Business and Economics*, 11(4), 305-360.
- [3] Antwi, G. K. (2010). Adoption of international financial reporting standards in developing countries: The case of Ghana. Unpublished project work, University of Applied Sciences, Vaasan Ammattikorkeakoulu.
- [4] Ary, D., Jacobs, L. C., Razavieh, A., & Sorensen, C. (2006). *Introduction to research in education* (7<sup>th</sup> ed.). New York: Thompson/Wadsworth.
- [5] 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.
- [6] Chattham, M. D. (2008). Assessing the extent of compliance with international accounting standards. *Journal of International Business Research*, 7(1), 1-7.
- [7] Deloitte. (2011). IASB's conceptual framework. Retrieved March 11, 2016, from <http://www.deloitte.com>
- [8] Holt, G. (2010). IFRS for SMEs. Retrieved May 5, 2016, from <http://www2.accaglobal.com/members/publications/accountingbusiness>
- [9] Institute of Chartered Accountants England and Wales, (2010). Knowledge guide to international accounting standards. Retrieved February 21, 2016, from

- <http://www.icaew.com/en/library/subject-knowledge-international-accounting-standards>
- [10] Mutawaa, A. A., & Hawaidy, A.M. (2010). Disclosure level and compliance with IFRSs: An empirical investigation of Kuwaiti companies. *International Business and Economics Research Journal*, 9(5), 33-50.
  - [11] National Board for Small Scale Industries (2017). Making SMEs more productive. Accra: NBSS.
  - [12] Street, D., & Bryant, S. (2002). Disclosure level and compliance with IASs: A comparison of companies with and without U.S. listings and filings. *International Journal of Accounting*, 35(3), 305-329.
  - [13] Wood, F., & Sangster, A. (2008). *Business accounting* (11<sup>th</sup> ed.). Harlow: Pearson Education Limited.
  - [14] Zori, S. (2011). International Financial reporting standards in the African continent: A look at Ghana. Retrieved February 23, 2016, from <http://solomonzori.blogspot.com>.
  - [15] Zorklui, S. Q., & Barbie, W. (2003). Financial sector reforms and savings in Sub-Saharan Africa. *Savings and Development*, Issue 1, 63-98.

---

\*Corresponding author.

*E-mail address:* marshallblay@ yahoo.com