

**BENEFITS, FIRM SIZE AND ADOPTION OF INTERNATIONAL FINANCIAL
REPORTING STANDARDS FOR SMALL AND MEDIUM
ENTERPRISES IN UGANDA**

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**A RESEARCH DISSERTATION SUBMITTED TO THE GRADUATE SCHOOL IN
PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE
DEGREE OF MASTER OF BUSINESS ADMINISTRATION IN FINANCE AND
ACCOUNTING OF KYAMBOGO UNIVERSITY**

OCTOBER, 2019

DECLARATION

I declare that this research dissertation is my original work and has not been published or submitted to any university or institution of higher learning for any award.

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Date.....

APPROVAL

This work has been done under our supervision and has met the research dissertation requirements of Kyambogo University and is now ready for submission with our approval.

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Date.....

DEDICATION

I dedicate this report to my family who have stood with me all the way through this academic journey up to the end.

ACKNOWLEDGMENT

The journey towards generating this dissertation has received support from several individuals and institutions that cannot go unacknowledged. First of all, I glorify the Almighty God for thus far he has brought me and the favor upon my life throughout the entire period of my master's studies.

Special appreciations go to my supervisors, Dr. Mary Maurice Mukokoma and Dr. Gerald Kasigwa, who have been very supportive right from the selection of the research topic to date. I am extremely grateful for the time, patience, constructive criticisms and useful suggestions they have provided.

I also wish to appreciate Dr. Dan Ayebale for the intellectual guidance he accorded me and for giving direction to my study. You allowed me to explore my potential and for this am grateful and I will always be grateful for your guidance and support. Colleagues at Kyambogo University your support and team work throughout the entire period of my master's studies cannot be under stated, thank you so much.

Finally, I also pay special tribute to the town clerk of Kawempe division urban council for allowing me to collect data from Small and medium enterprises of the division. I am also grateful for the officials of the enterprises included in the study who set aside their valuable time to share information utilized in this study. Thank you all for your support.

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LIST OF ABBREVIATIONS/ ACRONYMS

EC	European Commission
EU	European Union
GAAP	Generally Accepted Accounting Principles
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
ICPAU	Institute of Certified Public Accountants of Uganda
IFRS	International Financial Reporting Standards
IFRSs for SMEs	International Financial Reporting Standards for Small and Medium Enterprises
IMF	International Monetary Fund
ISA	International Standards on Auditing
PWC	Price Water House Coopers
SICs	Standing Interpretations Committee Standards
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for Social Sciences
UBOS	Uganda Bureau of Statistics
UIA	Uganda Investment Authority

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ABSTRACT

The objectives of the study were to analyse the influence of cost saving benefits on the adoption of IFRS for SMEs in Kawempe division urban council, to analyse the influence of decision making benefits on the adoption of IFRS for SMEs in Kawempe division urban council, to establish the moderating influence of firm size on the relationship between cost saving benefits and adoption of IFRS for SMEs in Kawempe division urban council and to establish the moderating influence of firm size on the relationship between decision making benefits and adoption of IFRS for SMEs in Kawempe division urban council. Four null hypotheses were tested based on the objectives. The study aimed at examining adoption of International Financial reporting standards for Small and Medium Sized Enterprises in Uganda with an emphasis of examining the influence of benefits that SMEs perceive from adopting IFRS for SMEs and how these benefits influence adoption of these standards contingent to firm size. The study was underpinned on the Economic Network theory and the Agency theory. A cross sectional survey design was utilised and both quantitative and qualitative data was collected using questionnaires and interviews. A total population of 851 SMEs was considered to obtain quantitative data using questionnaires and a sample of 267 SMEs was obtained using Krejcie & Morgan table (1970), data was obtained from only 230 SMEs using quota sampling and simple random sampling methods giving a response rate of 86.14 percent. Qualitative data from interviews was obtained from 10 respondents using purposive sampling method. Prerequisite tests were carried out were data was tested for normality and multicollinearity, all data was normally distributed and lacked collinearity effects. A multivariate analysis, using a binomial logistic regression model was performed to address objectives one and two while objective three and four was analyzed using a hierarchical multiple regression model. Findings from the logistic regression showed that Cost saving benefits have a positive significant influence on adoption of IFRS for SMEs and therefore the null hypothesis was not supported ($p < 0.05$) while Decision making benefits have a non-significant influence on adoption of IFRS for SMEs therefore null hypothesis was supported ($p > 0.05$). Findings from the hierarchical regression showed that Firm size has a positive significant moderating influence on the relationship between cost saving benefits and adoption of IFRS for SMEs and therefore the null hypothesis was not supported ($p < 0.05$). Furthermore, Firm size has a positive significant moderating influence on the relationship between decision making benefits and adoption of IFRS for SMEs and thus the null hypothesis was not supported ($p < 0.05$). It was concluded that adoption of IFRS for SMEs can be enhanced if emphasis is put on all the benefits of adoption as well as firm size. The study recommends that policy makers should develop a concrete policy and support strategies to enhance adoption benefits and in so doing, the different firm sizes need to be put into consideration. Future studies can consider carrying out the same study while involving SMEs in other areas of Uganda and the scope of the study would also be extended by involving comparative studies with other countries.

Key Words: Benefits, firm size, Adoption, International Financial Reporting Standards for Small and Medium Enterprises and Small and Medium Enterprises

CHAPTER ONE

INTRODUCTION

1.1 Introduction

Small and Medium Enterprises (SMEs) in Uganda are mandated to report following International Financial Reporting Standards for Small and Medium Enterprises (IFRS for SMEs) since January 1st, 2010 (ICPAU, 2009). This was necessitated by the unique characteristics of SMEs and the many challenges faced by such entities in adopting full IFRS in financial reporting, it is thus believed that adopting such reporting framework would minimise the challenges faced by adopting full IFRS. However, the adoption level of these standards is still low and hence, the study aimed at contributing to this area of concern with a Specific emphasis of examining the influence of, Benefits that SMEs perceive from adopting IFRS for SMEs and how these benefits influence adoption of these standards contingent to firm size.

This introductory chapter discussed the background, the statement of the problem, purpose of the study, the specific objectives of the study, research hypothesis, conceptual framework, the significance of the study, justification of the study, scope of the study, and operational definitions of terms and concepts. The background, which was presented under four perspectives, was dealt with first before other issues we covered.

1.2 Background to the study

The background was presented under historical, theoretical, conceptual and contextual perspectives.

1.2.1 Historical background

Over time, the International Accounting Standard Board (IASB) ignored the financial reporting needs of the Small and Medium Enterprises (SMEs) and focused only on the large sized companies being accountable to public. However, majority of the companies in many countries are small in size and not listed, and those companies have a substantial role in their countries' economies therefore, in order to achieve internationally comparable and high quality financial statements among these enterprises, a move towards harmonization in financial reporting was made to respond to the financial reporting needs of firms commonly referred to as SMEs, private enterprises, and non-publicly accountable companies (Gutierrez, Hlaciuc, Mateş, & Măciucă, 2017)

In 2003, the IASB started structuring international accounting standards for SMEs to meet the demand for a high-quality, simple, understandable, and enforceable standard set that would be suitable for SMEs worldwide (Müllerová, Paseková, & Strouhal, 2010). The need for a simplified set of accounting standards suitable for SMEs was broadly appealed by many jurisdictions and subsequently, the IASB issued the International Financial Reporting Standards for Small and Medium Sized Enterprises (IFRS for SMEs) in July 2009 with the objective that they would be used by all SMEs in the world (C. Albu & Albu, 2014). Afterwards the early comprehensive review of the standard was issued in 2013 with an exposure draft on the suggested amendments to the IFRS for SMEs, containing some interpretations and supportive guidance (Perera & Chand, 2015). Later in 2015, a revised version of IFRS for SMEs was published including further amendments.

Oftenly, there have been discussions on several possible adoption scenarios in EU and in non-EU countries for instance, in Europe, contrary to full IFRS, the European Commission (EC)

rejected the option to adopt IFRS for SMEs at supranational level and left it to the Member States to make individual decisions with respect to adoption of IFRS for SMEs and in June 2013, the new EU Accounting Directive (2013/34/EU) was dispensed and the EC claimed that ‘the IFRS for SMEs would not suitably serve the purposes of simplification and saving administrative burden (Regulation (EU) No 800/2013, 2013)

In Africa, rendering to the report of Deloitte Touche Tohmatsu Limited(Global et al., 2016), the level of adoption of IFRS for SMEs is still low where only 18 African countries (34%) on the African continent have shown plans to adopt IFRS for SMEs and these include South Africa, Botswana, Ghana, Liya Lesotho, Malawi, Mauritius, Morocco, Mozambique, Namibia, Nigeria, Sierra Leone, Swaziland, Tanzania, Kenya, Uganda, Zambia and Zimbabwe but only South Africa has fully adopted the system. This low adoption is attributed to a number of challenges that include limited awareness of IFRS for SMEs, increase in the financial reporting costs, fear for change, fear for government interference and failure to appreciate the benefits of reporting using IFRS for SMEs(Clementina, Nnachi, Egwu, & Isu, 2014).

In Uganda, the Institute of Certified Public Accountants of Uganda (ICPAU) adopted the use and application of International Financial Reporting Standards (IFRSs) for SMEs in 2009. Consequently, SMEs in Uganda are mandated to report following IFRSs for SMEs since January 1st, 2010 (ICPAU, 2009) and all enterprises that are not publically accountable and prepare general purpose financial statements are permitted to apply IFRS for SMEs. Indeed, Uganda is reported as one of the 63 jurisdictions that adopted IFRS for SMEs without modifications (IFRS Foundation, 2016)

1.2.2 Theoretical background

This particular study was drawn on two theories useful in guiding the benefits that SMEs perceive from adopting IFRS and how they influence the adoption of the standards contingent to firm size and this included the Economic theory of network and the agency theory. This is because, researchers have agreed that no single theory can be used to explain a specific phenomenon (Shaffer& Kipp, 2002).

1.2.2.1 Economic Network theory

This theory was advanced by (Katz & Shapiro, 1985) who argued that a network-dependent product's benefits depend upon the number of the other users who are in the same network. The theory predicts that in addition to network benefits (synchronization value), a product with network effects can be adopted due to its direct benefits (autarky value) (Katz & Shapiro, 1985). In the case of the IFRS for SMEs, adoption decision by a firm will depend on the direct benefits which are represented by both the net economic and net political value of IFRS for SMEs over local standards and other standards.

1.2.2.2 Agency theory

The determinants of voluntary adoption of IFRS for SMEs and disclosure have been subjected to major analysis. Several theories explain the reasons for companies to reveal voluntary information under the assumption that firms perceive benefits from disclosure contingent to their size including agency theory.

Agency theory is founded on the economic theory, it was developed by Meckling& Jensen (1976) and was further advanced by (Alchian & Demsetz, 1972). The theory defines an agency relationship as a contract under which one or more persons (principals) engage another person

(agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent (Meckling & Jensen, 1976). It is expected that the agent will continuously act in the best interest of the principal but the theory claims that conflicts are expected to arise when there is incomplete and asymmetric information between principal and agent in a company. In order to solve these conflicts there should be more information disclosures which will be influenced by the firm size due to a number of costs involved.

This divulges that as the companies perceive the benefits to be enjoyed as they make a decision to voluntarily adopt IFRS for SMEs and make voluntary disclosures, agency costs involved to make these disclosures should be accounted for and this will depend on the size of the company (Agyei-Mensah, 2014).

1.2.3 Conceptual background

In this study, the main concepts were perceived benefits of adoption of IFRS, adoption of IFRS for SMEs and firm size. Each of these concepts had been conceptualized differently by different authors and they have specific application contexts in the study.

Benefits perceived from adoption of such IFRS for SMEs is a conceptualization that is used to refer to the prospects of improving information quality across borders and to foster cross border investments, this premise rests on the notion that granted that when a single global accounting standard is in place, comparability of financial statements will be achieved, leading to a reduction in information processing costs associated with different national accounting standards, and thereby resulting in a reduction in the overall cost of capital, should this premise be held constant there should be a uniform application of IFRS for SMEs in every country or company that has the intention of reaping these intended benefits (Nobes, 2011).

Further, (Mazhindu , Kenneth, 2013) defined the benefits as those advantages perceived by SMEs as they could accrue to them and in turn would drive the adoption of the IFRS for SMEs, in his Study, the benefits perceived from adoption of IFRS for SMEs were conceptualised as decision making benefits and User benefits. Similarly, Mukokoma et al (2019) conceptualised the benefits as cost saving and decision making benefits. For the purposes of this study, this description was adopted.

IFRS for SMEs adoption, means any effort to reflect portions of the standards in a local jurisdiction ((IASB/FASB, 2009). But the construct of adoption is defined variably and different definitions include one or more things as given by actors at the international, transnational and local levels. For instance, in many parts of Africa, IFRSs adoption occurs when the accountancy profession has made an announcement that they would adopt IFRSs for SMEs as their substantive accounting standards. This means that, as a profession, they begin to update the accounting education curriculum of professional accountants with IFRSs irrespective of whether there are legislative provisions for companies to prepare IFRS in accordance with IFRSs, IFRS for SMEs adoption thus takes place once the accountancy profession makes the pronouncement (Nobes, 2011).For the purposes of this study the adoption was understood as contended by Nobes (2011), to occur when the accountancy profession that is the ICPAU has made an announcement that they would adopt IFRSs for SMEs as their substantive accounting standards.

Firm size, is a variable used by theorists to classify levels of an organization, there is no universally agreed definition of Small & Medium enterprises (SMEs) (Dalitso Kayanula, 2000;Kayanula & Quartey, 2000). Definitions range from those based on number of employees

to those based on business turnover and assets. Even in those various categories definitions vary from country to country depending on the size of the economy and the purpose of the definition.

In this study, the definition as per the number of employees was based on to define firm size and adopt Uganda Investment Authority classification. In this classification, a micro enterprise is defined as an enterprise employing maximum 4 people; annual sales/revenue turnover of maximum Ugandan Shillings 10 million and total assets of maximum Ugandan Shillings 10 million, a small enterprise is defined as an enterprise employing maximum 50 people; annual sales/revenue turnover of maximum Ugandan Shillings 360 million and total assets of maximum Ugandan Shillings 360 million and a medium enterprise is defined as an enterprise employing more than 50 people; annual sales/revenue turnover of more than Ugandan Shillings 360 million and total assets of more than Ugandan Shillings 360 million (Uganda Investment Authority, 2008).

1.2.4 Contextual background

The SMEs in Uganda are largely concentrated in the major urban areas of with the majority in Kampala City. These SMEs are predominantly engaged in hospitality and entertainment, education, wholesale and retail trade, manufacturing, finance and insurance, health, social work, furniture, agriculture, professional services, and Information and Communication Technology (ICT) (Lutwama, 2015). The benefits of these enterprises in Ugandan economy cannot be overemphasized as they play a very significant role in employment and income generation, producing import substituting products, mitigating rural-urban drift and mobilization of local resources ((Lutwama, 2015).

This study focused on SMEs in Kawempe division urban council that are involved in the various sectors of manufacturing, service, retail, construction and real estate, these SMEs were involved in the study in order to discourse the question of adoption of International Financial reporting standards for Small and Medium enterprises with detailed emphasis on the analysis of the role of benefits that SMEs perceive from adopting IFRS and how it influences the adoption of the standards contingent to firm size.

1.3 Statement of the problem

Adoption of IFRSs for SMEs by SMEs in Uganda is said to; improve the presentation of capital, financial and revenue situation of the SMEs, similarly, it leads to easier rating of SMEs by banks in providing financial assistance and access to alternative methods of financing (Muwanika, et al., 2011). Despite the associated benefits of adoption of IFRS for SMEs, results from the recent study on adoption of IFRS for SMEs in Uganda revealed that the adoption level of IFRS for SMEs by SMEs is less than 40% (Mukokoma, et al., 2019). The Uganda government Annual report (2017/2018) also publicized that financial reports prepared by SMEs are cumbersome, incomplete and not up to date, a clear signal that there is low adoption of these standards. In the practioners's annual dialogue, it was pointed out that benefits and size could be critical factors that may influence adoption (ICPAU, 2019). However, not extensive study has been conducted in this regard. This study was set to examine the influence of, "Benefits that SMEs perceive from adopting IFRS for SMEs and how these benefits influence adoption of these standards contingent to firm size in Kawempe division urban council.

1.4 The purpose of the study

The objective of this study was to examine the influence of benefits that SMEs perceive from adopting IFRS for SMEs and how these benefits influence adoption of these standards contingent to firm size in Kawempe division urban council.

1.5 Objectives of the study

- i. To analyse the influence of cost saving benefits on the adoption of IFRS for SMEs in Kawempe division urban council.
- ii. To analyse the influence of decision making benefits on the adoption of IFRS for SMEs in Kawempe division urban council.
- iii. To establish the moderating influence of firm size on the relationship between cost saving benefits and adoption of IFRS for SMEs in Kawempe division urban council.
- iv. To establish the moderating influence of firm size on the relationship between decision benefits and adoption of IFRS for SMEs in Kawempe division urban council.

1.6 Research hypotheses

Following the research objectives the null hypothesis that were tested are shown below,

H1: The influence of cost saving benefits on the adoption of IFRS for SMEs in Kawempe division urban council is not significant.

H2: The influence of decision making benefits on the adoption of IFRS for SMEs in Kawempe division urban council is not significant.

H3: The moderating influence of firm size on the relationship between cost saving benefits and adoption of IFRS for SMEs in Kawempe division urban council is not significant.

H4: The moderating influence of firm size on the relationship between decision making benefits and adoption of IFRS for SMEs in Kawempe division urban council is not significant.

1.7 Research questions

Following the objectives of the study, the following research questions were answered;

- i. What is the influence of cost saving benefits on the adoption of IFRS for SMEs in Kawempe division urban council?
- ii. What is the influence of decision making benefits on the adoption of IFRS for SMEs in Kawempe division urban council?
- iii. What is the moderating influence of firm size on the relationship between cost saving benefits and adoption of IFRS for SMEs in Kawempe division urban council?
- iv. What is the moderating influence of firm size on the relationship between decision making benefits and adoption of IFRS for SMEs in Kawempe division urban council?

1.8 Scope of the study

1.8.1 Content scope

The study focused on the influence of benefits on the adoption of IFRS for SMEs contingent to firm size and the financial reports for the year ending 2017 were used to assess whether or not the firm has adopted IFRS for SMEs. In order to ascertain whether or not an entity has adopted IFRS, one needs to carefully examine the financial statements of the said entity (IASB, 2009). This task however has become very tedious as the volumes of financial statements have grown in the recent past following the widespread switch to IFRS. The most obvious sections of the financial statements to look at is the “notes to the financial statements”, where the company usually mentions the basis of preparation i.e, the accounting standards used in

preparing the financial statements. In the case of IFRS, it usually states that the financial statements have been prepared in accordance with International Financial Reporting Standards.

1.8.2 Geographical scope

The study was conducted in Kampala City with particular focus on Kawempe division urban council. Kawempe division urban council was selected for this study since that is where most SMEs are concentrated comprising of 22 Wards and 120 villages/cells. Kawempe division urban council is in the northwestern corner of the city, bordering Wakiso District to the west, North and east, Nakawa Division to the southeast, Kampala Central to the south, and Lubaga Division to the southwest. The coordinates of the division are 00 23N, 32 33E (Latitude: 0.3792; Longitude: 32.5574).

1.8.3 Time scope

The study was based on literature about IFRS for SMEs in Uganda for a period of eighteen years that is from 2001 to 2019. A period starting from 2001 was selected because it was during that year on April 1st that the new International Accounting Standard Board (IASB) took over the responsibility for setting International Accounting Standards (IAS) from the International Accounting Standards Committee (IASC) and during its first meeting the new Board adopted existing IAS and Standing Interpretations Committee standards (SICs) and the board has continued to develop standards calling the new standards the International Financial Reporting Standards (IFRS). It is from these full IFRS that the IFRS for SMEs was developed as a simplified version in 2003 which is primarily based on the fundamental principles of the full IFRS (Rost, 2009) to suit the needs of Small and Medium Enterprises (SMEs).

1.9 Justification of the study

Prior literature had limited its attention to countries adopting the full IFRS (Hope, Jin, & Kang, 2006; Ramanna & Sletten, 2014). This study complemented existing literature by establishing the influence of benefits on the adoption of IFRS for SMEs contingent to firm size by SMEs in Uganda. In this era of globalization, Uganda is expected to transform its business technology to meet international standards and one of such business creations is adoption of IFRS for its SMEs. It is now 9 years since the ICPAU authorized the use of IFRS for SMEs in the country and with notable benefits, but the adoption level of these standard is still low. Besides this, not extensive studies had been conducted in this regard.

1.10 Significance of the study

The study would significantly add to the already existing theories and the body of knowledge by showing the influence of benefits I.e. costs saving benefits and decision-making benefits on the adoption of IFRS for SMEs contingent to the firm size. This would expand the theoretical and empirical development on literature as different studies have been made though using different variables and proxies. The study would enable SMEs realize the benefits of adoption of IFRS for SMEs and their influence on the adoption of the standards.

The findings of this study would inform the policy makers such as the ICPAU, members of Uganda Small Scale Industries Association, Uganda Investment Authority, accountants, and members of the Private Sector Foundation to develop a concrete policy and support strategies to enhance adoption of IFRS for SMES.

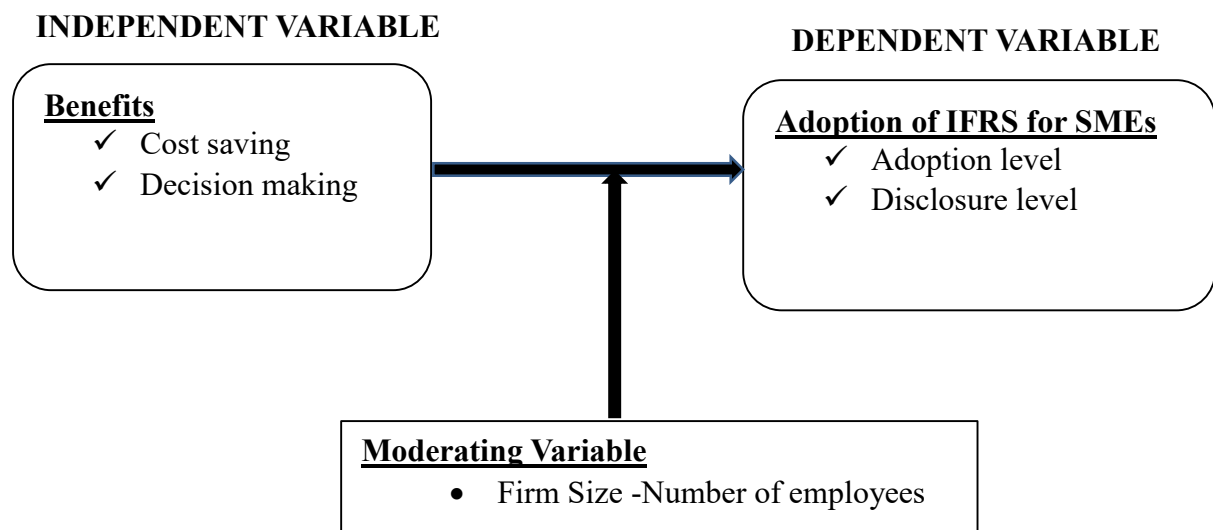
The study would also provide an opportunity for future researchers to examine the link between cost saving benefits, decision making benefits, firm size and adoption of IFRS for SMEs. The

recommendations of this study would create room for future research on the relationship among the above variables and as a result, the study may be used as a diagnostic tool to determine specific areas which may require improvement in connection to Adoption of IFRS for SMEs. The outcome of the study would offer suggestions that could be beneficial to ICPAU and the entire accounting body.

1.11 The conceptual framework

Based on the theoretical background and literature reviewed, a conceptual framework was developed for this study. The framework is given in figure 1 below.

Figure 1: Conceptual frame work



Source: Lopes & Rodrigues (2007), Archambault & Archambault (2009), Mukokoma, et al (2019) as modified by the researcher

The conceptual frame work above shows the relationship between benefits and Adoption of IFRS for SMEs as moderated by firm size. Benefits was conceptualised as the independent variable and measured using cost saving and decision making benefits (Tarca, 2004; Mazhindu, Kenneth, 2013; Mukokoma et al, 2019). Adoption of IFRS for SMEs, was conceptualised as the dependent variable and measured using the adoption level and disclosure level, the adoption level has been often operationalized, as used in previous empirical studies. (Ritsumeikan, 2011; Archambault & Archambault, 2009; Zeghal & Mhedhbi, 2006; Hope et al., 2006). The disclosure index has also been used in previous empirical studies such Lopes & Rodrigues, 2007; Agyei-Mensah, 2014. Firm Size was used as the moderating variable this was based on the agency theory and was measured using the number of employees. This reveals that as the companies perceive the benefits to be enjoyed as they make a decision to voluntarily adopt IFRS for SMEs and make voluntary disclosures, agency costs involved to make these disclosures should be accounted for and this will depend on the size of the company (Agyei-Mensah, 2014).

1.12 Definitions of key terms

International Financial Reporting Standard (IFRS): IFRS refers to all standards for reporting financial activities and results of an organization and are applicable to general purpose financial statement and other financial statement of all profit oriented enterprises. IFRS as a term includes all standards issued by the International Accounting Standard Board (IASB), the International Accounting Standards (IAS) issued by the International Accounting Standard Committee (IASC) and the Standing Interpretation Committee Standards (SICs) of the IASB.

IFRS for SMEs:

IFRS for SMEs is a modified and simplified version of full IFRS aimed at meeting the needs of private company financial reporting users and easing the financial reporting burden on private companies through a cost-benefit approach. IFRS for SMEs in itself is an independent global accounting and financial reporting standard that can be applied in the preparation of general purpose financial statements and other financial reporting by SME.

Adoption of IFRS for SMEs:

IFRS for SMEs adoption, means any effort to reflect portions of the standards in a local jurisdiction

Small and medium Enterprises: There is no universally agreed definition of Small and Medium Enterprises, these may be defined on the basis of employee count, annual turnover and annual capital employed. The Uganda Investment Authority (UIA), 2008 defined a ‘Small Enterprise’ as an enterprise employing up to four people, with an annual sales/revenue turnover or total assets not exceeding Uganda shillings 10 million. On the other hand, Medium enterprises employ between 5 and 49 and have total assets between UGX: 10 million but not exceeding 100 million. The Medium Enterprise therefore, employs between 50 and 100 with total assets more than 100 million but not exceeding 360 million (UIA, 2008). This definition based on the number of employees was adopted for this study.

1.13 Organization of the report

This report comprises five chapters: Chapter one introduced the, historical, conceptual, theoretical and contextual aspects of the study and these included benefits, firm size and adoption of International Financial Reporting Standards for Small and Medium Enterprises in

Uganda. This draws up the basis for presenting the research problem, the research objectives and the value for the study to support the research. This chapter also presents the organization of the report which encompasses five chapters.

Chapter two made provision for a review of theories and empirical literature that explains the association among study variables. The theories covered; the Economic Network theory and the Agency Theory. A summary of the empirical studies and research gaps have also been availed in this chapter.

The third chapter presents the methodology used in the study and included the research design, study population, sample size and sampling technique. The chapter discussed reliability and validity and also considered the diagnostic tests that were used in the study. The chapter also presented methods adopted in data collection, measurement of research variables, data analysis techniques, analytical models, ethical issues and limitation for the study.

Chapter four presents the background information of respondents and enterprises used in the study, descriptive statistics for cost saving benefits and decision making benefits and an analysis on adoption level, disclosure level and disclosure index was presented. A Univariate analysis on cost saving benefits and decision making benefits between adopters and non adopters were also presented. Various diagnostic tests were carried out and a multivariate logistic regression and hierarchical multiple regression analysis presented. This chapter also presented the testing of hypotheses and interpretation of findings. Finally, chapter five revealed the summary and discussion of findings, conclusion of the study, recommendations and areas for further research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section presented the related literature on empirical and theoretical studies on IFRS for SMEs, benefits of adoption of IFRS for SMEs, Firm size and adoption trends of IFRS for SMEs. The review covers scholarly work from both local and international sources of literature, reading materials like reports, articles, and journals among others will be highly considered as source of information about the variables in the study.

2.2 Theoretical review

The theories upon which the role of benefits that SMEs perceive from adopting IFRS and how it influences the adoption of the standard contingent to firm size included the Economic Network theory and Agency theory.

2.2.1 Economic Network Theory

The Economic Network theory was advanced by Katz & Shapiro, (1985) which provides that a network-dependent product's benefits depend upon the number of the other users who are in the same network. The theory lures a clear distinction between direct value of the product and network-related value. The authors pointed out that the direct value is generated through a direct physical effect of the number of purchasers on the quality of the product. Regarding the network-related value, they considered that a product can be adopted or used if its direct value is superior to that of a substitute product. The economic literature sometimes calls the direct value autarky value, while the network-related value is referred to as synchronization value (Liebowitz & Margolis, 2017).

The decision to adopt IFRS for SMEs can be analyzed as a decision to adopt a product with network effects. Network theory proposes that there are commonly two factors to consider in adopting network-dependent products: the intrinsic value of the product and the value of the product's network (Katz & Shapiro, 1985). Economic network theory predicts that in addition to network benefits (synchronization value), a product with network effects can be adopted due to its direct benefits (autarky value) (Katz & Shapiro, 1985; Liebowitz & Margolis, 2017). In the case of the IFRS for SMEs adoption decision by a firm will depend on the direct benefits which are represented by both the net economic and net political value of IFRS over local standards and other standards.

It is noteworthy that a single set of high quality accounting standards would provide considerable support for international investors to evaluate the performance of companies across national boundaries, Chua & Taylor (2008) that is, IFRS standards are likely to lower transaction costs for foreign users of financial statements . From the perspective of economic theory of networks, the benefits that a given enterprise derives from IFRS adoption can be explained by the magnitude of its economic relations with enterprises that have already adopted IFRS. In this sense, IFRS standards are considered a network-dependent product.

From the perspective of economic network theory, it was expected that the extent of IFRS for SMEs adoption would increase due to the number of benefits that a given SME derives from IFRS adoption.

2.2.2 Agency Theory

The agency theory stands as a very crucial theoretical paradigm in Finance and Accounting and was developed by (Meckling, & Jensen, 1976). An agency relationship involves a business

owner engaging an agent to carry out functions on his behalf which concerns delegation of authority in making decisions, this relationship arises when the owner of the firm does not manage or control it by himself. Agency theory is profoundly entrenched in Economic theory and states that investors who own the company delegate the operations of the business to the manager or an agent. It is expected that the agent will not continuously act in the best interest of the principal. Agency theory claims that conflicts are expected to arise when there is incomplete and asymmetric information between principal and agent in a company. Both parties may have different interests and this problem could be minimized by providing more information (Meckling & Jensen, 1976) . One of the factors of voluntary information disclosure as dimension of Adoption of IFRs for SMEs that have been commonly associated to the agency problem is the company size.

According to Souissi & Khelif, (2012), larger firms have stronger motivations to disclose more information. Watson, Shrivs, & Marston, (2002) added that for larger firms have easy access to direct financing based on their amount of disclosures thus larger firms are expected to reveal more voluntary information to reduce these costs, such as amassing and dissemination of information, as they are higher for smaller firms.

Research by Watson et al., (2002) showed that it is much cheaper for larger firms to offer voluntary disclosures than smaller firms. Some of the direct expenses that will be incurred through voluntary disclosure include the cost related with getting the information and later disseminating it and this exercise may also result in competitive disadvantage as an indirect cost .They also supplement that since the danger of litigation for smaller firms is much less, this works as a limiting factor to disclose a lot of their information in their annual reports as

the benefits do not substantiate the cost incurred. From the viewpoint of Agency theory, it was expected that firm size has a moderating effect on Benefits and adoption of IFRS for SMEs

2.3 Empirical literature on study objectives

This section was structured in accordance with the objectives of the study, that is, the influence of cost saving benefits on adoption of IFRS for SMEs, the influence of decision making benefits on adoption of IFRS for SMEs and firm size and adoption of IFRS for SMEs.

2.3.1 The influence of cost saving benefits on adoption of IFRS for SMEs

There are various benefits of having a single set of internationally recognized accounting standards (IFRS Foundation, 2016). One of such benefit is the positive impact such standards have on the capital markets of developing economies Chamisa, cited in Zeghal & Mhedhbi, (2006), found that global accounting standards play a vital role in the growth of financial markets in developing countries.

The introduction of IFRS for SMEs would inevitably require a legislative adaptation, in order to adjust tax and company law to the new accounting standards, Bertoni & De Rosa, (2013) noted that adoption of IFRS for SMEs has legal relevance of taxation where the indicators presented in the financial statements are a source for creating a database to recognize incomes and expenses which help value assets and liabilities, provide a possibility for objective disclosure of financial risks, and compare the results of enterprises' activity in dynamics in order to ensure adequate assessment of the tax and to make the relevant management decisions, this would in turn drive the SMEs to adopt the IFRS for SMEs due its benefit of being relevant for reducing tax burdens.

IFRS for SMEs requires the preparation of a cash flow statement which is particularly useful for capital providers (Pacter, 2014). Given that there are major differences between domestic accounting rules (local GAAP) and IFRS for SMEs, developing countries are likely to have incentives to adopt a set of high quality accounting standards with more standardized financial disclosures to attract external capital from institutions such as the World Bank or the International Monetary Fund (IMF) (Mary E., Wayne R., & Mark H., 2008; Gordon, Loeb, & Zhu, 2012).

A study assessing the challenges of adopting IFRS for SMEs in Uganda that was conducted on 63 respondents that included consultancy firms and hotels revealed that 25% of the consultancy firms had adopted the IFRS for SMEs, and only 15% of the hotels had adopted these standards. Respondents who had adopted cited benefits of adoption such as, improvement in the presentation of their capital, financial and revenue situation, other benefits included easier access to alternative methods of financing for their business and positive effects in their rating by banks (Muwanika, et al 2011).

Another study on the Adoption of IFRS for SMEs in Uganda using a structural equation modelling approach with a sample of 363 SMEs revealed that the adoption level of IFRS for SMEs was still less than 40% and respondents who had adopted cited fundamental cost saving benefits, the such as reduced costs of extra financial reporting requirements (e.g., reporting to Uganda Revenue Authority), reduced costs of obtaining extra financing from banks and other financial institutions, legal relevance for taxation, and reduced costs of financial analysis which the organization performs (Mukokoma, et al, 2019). The results of the study using a structural equation model found that cost significantly affect adoption of IFRS for SMEs.

2.3.2 The influence of decision making benefits on adoption of IFRS for SMEs

According to Barth, (2006), to adopt IFRS for SMEs is an economical perspective. In her study, proponents of IFRS for SMEs argued “Enterprises can expect to lower the cost of information processing and auditing to capital market participants.” Hence, if its global set of financial statements are used for decision-making purpose, the costs are likely to be reduced.

Bertoni & De Rosa, (2013) asserts that one of the main benefits from having a global set of standards for SMEs is the increased international comparability of financial reporting. Companies do not operate in isolation. Therefore, in the present global environment, compliance with foreign reporting requirements will help streamline their financial reporting. This will help minimize reporting costs as a result of common reporting systems and consistency in statutory reporting.

Adoption of IFRS for SMEs leads to improved Quality of financial reporting. Accounting standards and preparer incentives interact to produce accounting information. Financial reporting practice under a given set of standards is sensitive to the incentives of the managers and auditors responsible for the preparation of financial reports (Ball, Robin, & Wu, 2003, cited in Chen, Tang, Jiang, & Lin, 2010). Adetula & Titilayo, (2014) further indicates that the major reason for the adoption of the draft IFRS for SMEs was the urgent need for auditors to express an opinion on financial statements which are prepared in accordance with an accepted framework of the auditing profession, the second major reason for the adoption was to provide a beneficial framework for the preparation of the financial statements.

Findings by Mukokoma et al (2019) , during their study on Adoption of IFRS for SMEs in Uganda using a structural equation model with a sample of 363 SMEs revealed that the

adoption level of IFRS for SMEs was still less than 40% and respondents who had adopted cited fundamental decision making benefits that included ,Increased comparability of financial reports with those of similar organizations locally and internationally, improved quality of financial reporting, increased financial reporting transparency, enhanced understandability of information of business affairs, improved the decision usefulness of financial reporting, and assessment of management decisions using accounting information, however the results revealed that these benefits did not significantly predict adoption of IFRS for SMEs .

2.3.3 Firm size and adoption of IFRS for SMEs

Albu, (2013)investigated whether size is relevant in determining the scope of the IFRS for SMEs in Romania. The findings of the study denoted that using only size as a criterion for setting the scope of the IFRS for SMEs may cause the exemption of a significant amount of companies and therefore may lead to compliance issues and he was of the opinion that to enjoy the benefits of international funding practices, jurisdiction/countries must not limit their SMEs definition to size criteria as this will limit the perceived benefits as well. Data comprised of a sample of 194 questionnaires completed by accountants employed by Romanian SMEs. It was found that the choice between size and other conditions are related to placing greater emphasis on preparers or users, or on costs versus benefits. Also, results advocated that while size is correlated with users-based criteria, the level of covenant between various criteria for setting the scope of the standard is medium. Therefore, in order to capture the cost-benefit tension two criteria might be used in determining the scope of the standard.

Agyei-Mensah, (2014) studied the adoption of (IFRS) in Ghana and the quality of financial statement disclosures. The author examined the quality of financial reports before and after adopting IFRSs in Ghana, and also the influence of firm-specific characteristics which include

firm size, profitability, debt equity ratio, liquidity and audit firm size on the quality of financial information disclosed by firms listed on the Ghana Stock Exchange. The research was steered through comprehensive analysis of financial statements for the pre-official adoption period (2006) and post adoption period (2008) of the listed firms. Through regression analysis, the results of the quality of financial information disclosure mean of 76.80% (pre adoption) and 87.09% (post adoption) for the two years indicated that the quality of financial reports had upgraded significantly after adopting IFRSs. The results of the multiple regression analysis showed that company size, represented by net assets and Auditor type were found to be associated at a statistically significant level with the quality of financial information disclosed. With the development in the quality of the financial reports after adopting IFRS users are assured of useful information for financial decision-making.

Lopes & Rodrigues (2007) studied the determinants of disclosure level in the accounting for financial instruments of Portuguese listed companies. An index of disclosure based on IAS 32 and IAS 39 requirements was computed for each company. The analysis included variables that capture intrinsic features of Portuguese companies and institutional regulatory context, such as capital structure and characteristics of the corporate governance structure, within contingency theory. Results could not find any significant influence of corporate governance structure or of financing structure. It was concluded that the disclosure degree is significantly related to size, type of auditor, listing status and economic sector.

Sakarneh (2015) examined the extent of disclosure financial reporting on internet of companies listed at Amman stock exchange in Jordan, the study was on the effect of three factors, namely firm size, leverage and profitability at the Internet reporting (IFR). A linear regression analysis

was applied for this purpose. The result showed that there is a significant positive relationship between the amount of financial communications through the Internet and company size

Odia, (2016) studied the determinants and financial statement effects of IFRS adoption in Nigeria. The determinants considered included firm's characteristics (firm size, operating cash flow, leverage, turnover, growth in turnover, profitability, liquidity and earnings quality) and corporate governance variables (board size, board independence and audit type). The data were obtained from the annual reports of companies listed in the Nigerian Stock Exchange between 2011 and 2013 and was analyzed using the ordinary least square (OLS) and logistic regression which were used to test for determinants of IFRS adoption while the independent t-test was used to examine the financial statement effects. With regard to the determinants, the empirical result indicated only profitability and earnings quality had a significant but negative connotation with IFRS adoption.

2.4 Summary of knowledge gaps from previous studies

The relationship between the construct of firm size in this study have been tested empirically in other studies, its conceptualization, contextualization and data collection method and analysis have differed from current study, most of the studies conducted on adoption of IFRSs for SMEs have used firm size as a predictor variable (Lopes & Rodrigues ,2007; Agyei-Mensah, 2014; Albu, 2013; Mukokoma et al, 2019) . However, the current study uses firm size as a moderating variable on the relationship between benefits and adoption IFRS for SMEs.

A Methodological gap have been laid bare relating to population of study, sample size as well as data collection and analysis methods. Previous studies have analysed the study variables using a logistic regression mainly to analyse the influence of firm size on the adoption of IFRS

for SMEs, the current has used a hierarchical multiple regression analysis to examine this factor.

2.5 Conclusion

In spite of these great strides by past researchers, a careful examination of the literature on IFRS for SMEs in developing countries, especially Africa, reveals a surprising gap in the literature regarding country-specific analysis of the influence of benefits and firm size on IFRS for SMEs adoption in Uganda from stakeholders' perspective in general, and from chartered accountants perspective in particular

The literature on benefits, firm size and adoption of International Financial Reporting Standards for small and medium enterprises is very scanty particularly in Uganda, nevertheless, lessons were drawn from developed countries to compare whether the situation in Uganda is different or not from the empirical literature from the stated scholars. Should these benefits be held constant, there should be a uniform application of IFRS for SMEs in every company or business entity with the intention of reaping these intended benefits irrespective of their size.

2.6 Chapter Summary

This chapter was devoted to a detailed literature review and the chapter provided a detailed description of various theories that guided the study. The theories that have been considered are the Economic Network theory and the Agency theory. The chapter presented the empirical literature that is based on the study objectives and the hypotheses of the study variables. The hypotheses of the study were based on the conceptual model. The key academic journals examined focused on benefits, firm size and adoption of IFRS for SMEs. Knowledge gaps from literature reviewed were also presented in this chapter.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter explained the methodological choices that were adopted in the study. The chapter specifically underscored the research design that was employed in the study, the study population, the description of the sample size and selection, the sampling techniques that was utilized, and as well as the procedure of data collection and data collection methods. Further, in this chapter attempts that were utilized to address validity and reliability concerns were discussed in addition to the data analysis methods as well as the necessary diagnostic tests to ensure the data analysis methods adopted are appropriate for the data to be collected. Also of interest in this chapter presented was the ethical consideration and limitations of the study.

3.2 Research design

According to Saunders, Lewis, & Thornhill, (2009), a research design should indicate the choice of research strategy, choices of data collection techniques ,analysis procedures, and the time horizon over which a research project would be under taken. In line with this understanding, the study adopted a cross-sectional survey design, Kothari, (2004) aimed at establishing facts about the issue of study.

A survey strategy was used in order to allow the collection of a large amount of data from selected business players of SMEs in Kawempe division urban council in a highly economical way. Using this strategy the choices of data collection techniques used were a mixed methods approach where both quantitative and qualitative data was collected using a questionnaire, and structured interviews in order to allow triangulation by ensuring that the limitations of one type of data are balanced by the strengths of another.

The data collected was analysed quantitatively using descriptive and inferential statistics and qualitatively using content analysis at the same time (parallel). The time horizon over which the project was undertaken was cross sectional aimed at collection of data at a particular point in time.

3.3 Study area and study population

This study focused on SMEs in Kawempe division urban council. Kawempe division urban council is one of the division that make up the five divisions of Kampala city. The division has several SMEs in the sectors of manufacturing, service, retail, commerce, construction and real estate dispersed in its 22 wards and 120 villages/cells.

However, for the purposes of this study, the population of interest was of SMEs that were registered with the revenue department of Kawempe division urban council- Kampala Capital City Authority. Specifically, according to the KCCA Kawempe Revenue Department Report (2018), the target population was 851 SMEs.

3.4 Sample size

3.4.1 Sample size determination for quantitative method

In a scientific engagement it is important to use well established guidelines in our choices. In the case of sample size determination, this study drew on Krejcie and Morgan scientific guideline in establishing the sample size of the study. In the study, a 95 percent confidence interval was sought as well 5 % margin of error. With these specification Krejcie & Morgan, (1970) guideline would advocate a , sample of 267 out of the population of 851 SMEs. In order to provide a more realistic picture, the study intended to include a representative pattern of the sectors as they are in the population according to UBOS, (2011) along the line of Service,

Retail, Manufacturing, Construction and Real estate. These SMEs were selected following the definition of an SME by Uganda Investment Authority (2008) based on the number of employees that are between 5 and 100.

The names and addresses of 267 small and medium sized businesses that meet the above criteria were obtained from the list provided by the town clerk of Kawempe division urban council and questionnaires distributed to them however, 230 questionnaires were collected making an effective response rate of 86.14%. This response rate was considered ideal to carry out the study.

3.4.2 Sample size determination for qualitative method

For qualitative research, the common method used to establish the sample is getting to the point of saturation. In this study, this approach was utilized to obtain the sample size of 10 respondents on which interviews were conducted and these included 2 members of the ICPAU, 3 auditors of SMEs and 5 certified public accountants involved in preparation of financial statements for these SMEs all these respondents were interviewed giving a response rate of 100%. With that high response rate, the findings of the study were representative of the actual population and could therefore be generalized, as observed by Sekaran (2003).

3.5 Sampling technique

3.5.1 Sampling technique for quantitative method

In the study, the study population could be divided into homogenous sample along the factor of sector. In order to provide a more realistic picture, the study intended to include a representative pattern of the sectors as well specified in the data base of Kawempe division urban council. In light of the need to represent the sectors in the sample as they are in the

population according to UBOS,(2011), the quota sampling technique was utilized. This is a technique where effort is made to ensure that a certain proportion of the different sectors is represented.

3.5.2 Sampling technique for qualitative method

A purposive sampling technique was used to select the respondents, this method enables one to use personal judgment to select cases that can be able to answer the research question(s) and to meet the research objectives. This form of sample is often used when working with very small samples that are particularly informative in order to provide justification to make generalizations from the sample (Saunders, Lewis, & Thornhill, (2009).

3.6 Data collection methods and instruments

3.6.1 Data collection using a questionnaire

A structured questionnaire was developed following recommended guidelines by various scholars that include Kothari, (2004), Sekaran & Bougie, (2010). The first section of the instrument addressed issues of demographic data, section two addressed adoption of IFRS for SMEs and Disclosure level, section three addressed decision making benefits and section four addressed cost saving benefits. In each section, the respondents were given clear instructions on how to complete the item and the questionnaires was close-ended this was because they were probably the type with which most respondents were most familiar. The questionnaire was refined once the instrument is piloted

3.6.2 Data collection using an interview guide

An interview guide was used to collect qualitative data. The researcher designed a structured interview guide which was used during the interview of the key respondents. Questions posed

were intended to lead the respondents towards giving data to meet the study objectives and probe the respondents in order to seek clarification about responses provided. All interviews for this study were conducted face-to-face and this took only 30 minutes on every respondent and anonymity was held.

3.7 Procedures of data collection

The researcher sought approval from the graduate school to ensure that the ethical guidelines are followed throughout the data collection process. At the onset of data collection, the researcher also sought permission from the Town clerk of Kawempe division urban council office to help access the SMEs in the division.

Data collection was conducted in two phases: a pilot study and a main study. Data was collected from preparers of annual financial reports using a questionnaire. To qualify to respond to the questionnaire, the respondent had to be a preparer of financial reports and familiar with financial reporting standards. A pilot-study was carried out in Nakawa division of Kampala City, because firms in the division had similar characteristics with those of Kawempe division urban council. Thirty SMEs were randomly selected from the division business database provided by the revenue department of Nakawa division for the licensed SMEs after seeking approval for the Town clerk of the division.

In the pilot study, the questionnaires were administered to 30 preparers of financial statements while interviews were conducted with 5 preparers, based on feedback from these preparers, modifications were made to the questionnaire for the next phase of data collection and responses from the pilot-study were not included in the final sample.

In the main survey phase, questionnaires were delivered to 267 preparers of financial statements for each of the small and medium sized businesses in the survey sample and interviews were conducted with 10 respondents which included 2 members of the ICPAU, 3 auditors of SMEs and 5 certified public accountants involved in preparation of financial statements for these SMEs.

3.8 Validity and reliability of instruments

3.8.1 Quantitative study validity and reliability

Reliability

For reliability, consistency was examined by establishing internal consistency reliability of the measurement scales for the study variables as well as split-half reliability using Cronbach's alpha (Cronbach, 1951; and Sekaran, & Bougie, 2010). All the reliability coefficients were above 0.70, a cutoff recommended by Nunnally (1978). After the data collection, reliability analysis was done and the findings for each of the variables are presented below

Table 1: Reliability of the research variables

Variable	No. of items	Cronbach Alpha
Disclosure level	24	0.985
Cost saving benefits	5	0.822
Decision making benefits	5	0.901

Source: Primary data 2019

Validity

A face validity was used where items included in the questionnaire were derived from previous empirical studies as those that were found to explain the construct variables well. For further analysis after collection of data, convergent and construct validity tests were conducted for the

research variables. To demonstrate convergent validity, magnitude of the structural relationship between the item and the latent construct (factor) should be statistically different from zero (Smith, Gildeh, & Holmes, 2007). Construct validity being the extent to which a particular item relates to other items measuring the same variable were examined using factor analysis. All the factor loadings were greater than the cutoff point of 0.50, as recommended by Nunnally (1978), this shows strong convergent validity and thus all the items were considered for final study as shown below

Table 2: Factor analysis for the study variables

Variables and their measures	Factor loadings
Cost saving benefits $\alpha=0.822$	
Adoption of IFRS results in reduced costs of financial analysis which our organization performs	0.766
Adoption of IFRS remove barriers previously encountered in attracting international capital flows to our organization	0.628
Adoption of IFRS reduces costs of obtaining extra financing from banks and other financial institutions.	0.831
Adoption of IFRS reduces costs of extra financial reporting requirements (e.g., reporting to Uganda Revenue Authority).	0.847
Adoption of IFRS has legal relevance for taxation	0.768
Eigen value	2.977
Total variance explained	59.549
Kaiser-Meyer-Olkin (KMO)	0.763
Bartlett's Test Sphericity	469.025***
Decision making benefits $\alpha=0.901$	
Adoption of IFRS results in improved quality of financial reporting for your organization.	0.806
Adoption of IFRS results in increased comparability of our financial reports with those of similar organizations locally and internationally.	0.825
Adoption of IFRS improves the decision usefulness of financial reporting.	0.857
Adoption of IFRS increases transparency and understand ability of information of our business affairs.	0.917
Adoption of IFRS makes assessment of management decisions using accounting information easy.	0.826
Eigen value	3.588
Total variance explained	71.753
Kaiser-Meyer-Olkin (KMO)	0.813
Bartlett's Test Sphericity	795.568***

N=105, *p<0.00, **p<0.01, *p<0.05, α is Cronbach Alpha coefficient computed for scales with three items and more**

3.8.2 Addressing validity and reliability concerns in the qualitative data

Saunders et al (2009), suggested a number of measures to minimize bias during qualitative studies to include but not limited to; acknowledging biases in sampling, making accountability for personal biases and data triangulation. In this study, the supervisors' comments were utilized to correct and improve the interview guide document.

3.9 Measurement of study variables

3.9.1 Measurement of the independent variable

The independent variable of the study was Benefits was measured using cost saving benefits and decision making benefits. The items that were used to measure these constructs were put on a five point likert scale ranging from “strongly disagree” to “strongly agree” and means were computed to enable the analysis, a similar measurement was adopted by other researchers such as Tarca, 2004;Mazhindu , Kenneth, 2013; Mukokoma et al, 2019. A list of the constructs used in this study along with the set of items/indicators used to measure each construct can be found in Appendix one.

3.9.2 Measurement of the dependent variable

The dependent variable of the study was adoption of IFRS for SMEs it was measured using Adoption level and disclosure level and these constructs were measured as below,

Adoption level

To measure adoption level of International Financial Reporting Standards (IFRS) for SMES, respondents were asked to answer if they fully comply, partially comply or do not comply with the IFRS for SMEs disclosure requirements a value one (1), if the company fully complies, 2 partially complies and if does not comply (0). A dummy variable was formed from these

responses because for a firm to adopt IFRS for SMEs it should fully comply with all the disclosure requirements thus the firms that had partially complied and those that had not complied had in essence not complied, a values of "1" if IFRS for SMEs are fully complied with and "0" was used in order to run a logistic regression. A similar technique was previously used by researchers such as Ritsumeikan, 2011; Archambault & Archambault, 2009; Zeghal & Mhedhbi, 2006; and Hope et al., 2006.

Disclosure level

This was computed using the disclosure Index, previous disclosure studies construct disclosure indices, utilizing disclosure checklists. Some researchers use self-constructed checklists, Meek & Gray (1989), Zarzeski (1996) whereas some use checklists developed by others (Singhvi & Desai, 1971). Disclosure checklists either include only voluntary disclosure items Meek & Gray (1989) or both voluntary and mandatory disclosure items (Singhvi & Desai, 1971; and Inchausti, 1997).

This study used a self-constructed disclosure checklist consisting mainly of mandatory disclosure items. The relevance of an item was assessed by a very careful and thorough review of all notes to the financial statements and accompanying reports. To measure the disclosure level, respondents were asked to state whether they complied with specific applicable standards. The responses were categorized into three possible configurations: (i) meet the disclosure required by the standard; (ii) does not meet the disclosure required by the standard; or (iii) does not apply (N/A), because there is no need for disclosure in certain accounts of certain companies. A disclosure index was then calculated based on the number of standards complied with out of the total applicable standards. A similar technique had been previously

used by researchers such as (Lopes & Rodrigues, 2007; Lopes & Rodrigues, 2007 and Mukokoma et al, 2019).

3.9.3 Measurement of the moderating variable

Firm size was conceptualised as the moderating variable and was measured using Number of employees of the firm. It was expected that size has a moderating influence on the relationship between benefits and adoption of IFRS for SMEs this was based on the agency theory that suggests that firm size has a contingent role while considering the benefits that firms perceive prior to making a decision to adopt the IFRSs for SMEs, a similar variable had been used by previous researchers such as has been used by previous researchers such as (Agyei-Mensah, 2014; Lopes & Rodrigues, 2007).

3.10 Data analysis

3.10.1 Quantitative data analysis

Quantitative data analysis was performed with the help of SPSS software. Analysis of research questions was performed using descriptive and inferential statistics. Descriptive statistics was used to measure the level of adoption and level of disclosure and as well discuss the study findings and understand the sample characteristics. Inferential statistics was used to assess the relationship between the dependent and independent variables.

Multivariate analysis was done using a binomial logistic regression and a hierarchical multiple regression, but for these analyses to be utilized the researcher needed to ensure that the data was appropriate along the assumption of Field (2009) that data that exhibits non – normality characteristics may lead to inaccuracy and distortion of the results. In this study, different diagnostic tests were performed to ensure that data was normally distributed.

A normality test was conducted to ensure that data is symmetrical and this was done by testing for skewness and kurtosis. De Vaus (2002), asserts that skewness values between -1.00 and 1.00 are within the acceptable range and indicate a symmetrical distribution. Further, research using Monte Carlo simulations indicate that significant problems tend to arise when skewness is greater than 2.00 and kurtosis exceeds 7.00 (Curran, West, & Finch, 1996).

The Homoscedasticity test was also carried out and this was based on an assumption that the variance of one variable is stable at all levels or relatively similar. Parametric tests require that data used should have homogeneity of variance (Field, 2009). Whenever the error term has no constant variance, the situation is said to be heteroscedastic. Multicollinearity tests were done to test for collinearity and this arises when some individual independent variables are highly correlated (Field, 2009, Hair et al., 2010). This problem was evaluated by using variance inflation factor (VIF) estimates to detect multi-collinearity that decreases the reliability and accuracy of empirical results. The higher VIF meant that multi-collinearity effects are present. Hair et al (2010) stated that a problem of multi-collinearity is present if the factor is greater than 10.

3.10.2. Model specification

The influence of cost saving and decision making benefits on Adoption of IFRS for SMEs was analysed by performing a binomial logistic regression taking into account the benefits factors of cost saving and decision making. The dependent variable was adoption level and this was analysed as a dummy variable by using the value of one (1) if the company adopts IFRS for SMEs and zero (0) otherwise. The means computed from the cost saving benefits and decision making benefits were used as the predictor variables.

A multivariate analysis, using a binomial logistic regression model was performed. This choice was motivated by two reasons: (1) the dependent variable is dichotomous, making the use of ordinary least square approach inappropriate. (2) The logistic regression model had been adopted by the majority of the studies focusing on the adoption of IFRS, including (Zeghal & Mhedhbi, 2006). Specifically, the researcher tested the logistic regression below to analyse influence of cost saving benefits and decision making benefits on adoption of IFRS for SMEs while controlling for firm size and age as shown below

$$\text{Logit [Pi / (1 - Pi)]} = \beta_0 + \beta_1 \text{ Cost saving benefits} + \beta_2 \text{ Decision making benefits} + \beta_3 \text{ Firm Size} + \beta_4 \text{ Age} + e$$

The moderating influence of firm size on the relationship between benefits and adoption of IFRS for SMEs was analysed using a hierarchical multiple regression in order to assess the effects of a moderating variable. To test moderation, the researcher in particular looked at the interaction effect of firm size on the relationship between Independent variable (s) (cost saving benefits and decision making using dependent variable of disclosure level and it was established whether or not such an effect was significant in predicting adoption of IFRS for SMEs. The researcher followed the steps as suggested by Baron & Kenny, (1986) and tested the models below,

$$P_{it} = \beta_0 + \beta_1 \text{Cost saving Benefits}_{it} + \beta_2 \text{ Firm Size}_{it} + \beta_3 \text{Cost saving Benefits}_{it} * \text{Firm Size}_{it} + \epsilon_{it}$$

$$P_{it} = \beta_0 + \beta_1 \text{Decision making Benefits}_{it} + \beta_2 \text{ Firm Size}_{it} + \beta_3 \text{ Decision making Benefits}_{it} * \text{Firm Size}_{it} + \epsilon_{it}$$

3.10.3 Qualitative data analysis

All the qualitative data collected with the use of interviews schedules was put into meaningful and exhaustive categories after which a summary of the key points that emerged was formed, long statements were compressed into brief statements and similar views were put together in order to make sense of what was of what was generated. Principal themes that emerged from the interview of each question in the interview guide were presented in the discussion of findings (Saunders et al., 2009).

3.11 Ethical considerations

A number of ethical issues were put into consideration including:

- i. Confidentiality of respondents were names nor their contacts were revealed and identification numbers were assigned instead of names to avoid information given being traced to a respondent.
- ii. All data gathered was used only for the purpose of the study and nothing else.
- iii. The research procedures were explained to all the respondents before they took part in the research and their informed consent obtained.
- iv. All the sources of literature were acknowledged throughout the whole study through proper citations and referencing.
- v. Personal bias was avoided during the entire study i.e. during interviews, data analysis and reporting.

3.12 Limitations of the study

Compiling and computing of data for this study was not without challenges that had to be taken into consideration for instance there were errors in the information provided which led to ultra-vires data but this was mitigated through data cleaning

Not all questionnaires were returned neither completely answered nor even retrieved back due to circumstances on the part of the respondents such as travels, sickness, hospitalization and refusal/withdrawal to participate. This was minimized with reserving more respondents by exceeding the minimum sample size

Another limiting factor was found in obtaining information from the respondents as some of them were rigid especially regarding providing information of the financial statements disclosures to see which standards they were adopting in preparation of these statements, as they claimed that such statements were not available for public viewing and were highly confidential. To overcome this limitation, the respondents were explained to exactly what the intention of the study was about and that their information was to be kept with utmost confidentiality.

3.13 Chapter Summary

The chapter presented the methodology that the study used. The study employed a cross – sectional survey design. A population of 851 SMEs was used with a sample size of 267 which was based on Krejice and Morgan (1970) table. Primary data was obtained from 230 SMEs giving a response rate of 86.14 %. Data was collected using a questionnaire and interviews were later conducted for triangulation purposes. Reliability and validity tests were considered for the variables used, measurement of the research variables was made and model specifications were generated. Finally ethical considerations and limitations of the study were presented.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.1 Introduction

This chapter presents background information of the respondents and firm characteristics included in the study, descriptive statistics of the research variables, and inferential findings based on the specific objectives of the study. The first section presents the background information of the respondents and characteristics of the enterprises included in the study, this is followed by the descriptive analysis for IFRS for SMEs adoption factors (cost saving benefits and decision making benefits), adoption level, disclosure level and disclosure index. Results of univariate analysis for the independent tests of decision making benefits and cost saving benefits for adopters and non adopters are presented and thereafter, the regression analysis results are presented and interpreted.

4.2 Background Information of the respondents and characteristics of the enterprises included in the study

Respondents were asked about their gender and position held in the organization, this information was required to ensure that the sample that participated in the study have similar distribution of the respondents by characteristics to that of the population it was drawn from. The firm characteristics are given in terms of, the firm's registration status, the industry of the firm, age and size. Findings regarding this information is shown in table 3.

Table 3: Background Information of the respondents and characteristics of the enterprises included in the study

	Categories	Frequency	Percentage
Gender of respondent in the organization	Female	99	43.0
	Male	131	57.0
Position of respondent in the organization	Proprietor/Partner	20	8.7
	Manager	44	19.1
	Accountant	87	37.8
	Consultant	55	23.9
	Others	24	10.4
Firm's registration status	Not registered	8	3.5
	Sole proprietorship	10	4.3
	Partnership	35	15.2
	Private limited company	177	77.0
Industry of the firm	Service	138	60.0
	Retail	43	18.7
	Manufacturing	25	10.9
	Construction	21	9.1
	Real estate	3	1.3
Age of the firm	Less than 1 year	11	4.8
	1 – 5 years	56	24.3
	5 - 10 years	93	40.4
	above 10 years	70	30.4
Firm Size (Number of employees)	5 - 25	46	20.0
	26 - 49	71	30.9
	50 - 80	79	34.3
	81-100	34	14.8

Source: Primary data 2019

As can be seen in table 3 above, most of the respondents included in the study were majorly males representing 57 percent. Majority of these respondents were accountants and consultants representing 61.7 percent and this was so because they were majorly the people involved in preparation of the organization's financial statements. In terms of firm's registration status, majority of the firms were private limited companies representing 77 percent and this was so because the IFRS for SMEs standards and majorly for private organizations. In terms of the industry, most firms were in the service industry representing 60 percent. Most of the firms in the sample had been in existence for a period of over five (5) years representing 70.8 percent. In terms of firm size, majority of the firms employed between 26- 80 employees representing 65.2 percent.

4.3 Cost saving benefits for IFRS for SMEs adoption

The cost saving benefits studied include the reduced costs of financial analysis, removal of barriers previously encountered in attracting international capital flows, reduced costs of obtaining extra financing from banks and other financial institutions, reduced costs of extra financial reporting requirements, and legal relevance for taxation. The descriptive statistics showing the mean and standard deviation of the level of cost saving benefits is given in table 4 below

Table 4: Level of cost saving benefits

Cost saving benefit statement	Mean	Standard Deviation
Adoption of IFRS results in reduced costs of financial analysis which our organization performs	3.92	.646
Adoption of IFRS remove barriers previously encountered in attracting international capital flows to our organization	3.78	.798
Adoption of IFRS reduces costs of obtaining extra financing from banks and other financial institutions.	4.03	1.077
Adoption of IFRS reduces costs of extra financial reporting requirements (e.g., reporting to Uganda Revenue Authority).	4.15	.920
Adoption of IFRS has legal relevance for taxation	4.29	.785
Overall	4.03	

Note: These items were measured on a five point likert scale where 1=strongly disagree and 5=strongly agree. S.D indicate the degree to which individual scores by respondents are far from the mean

As indicated in table 4 above, the findings reveal that generally, respondents perceive all the decision making benefits studied to be above average on the scale of 1 to 5. It can however be seen that there are notable differences on the various items of cost saving benefits evaluated. For instance, in terms of legal relevance for taxation the score by the respondents was 4.29 with standard deviation of 0.785, in relation to all the other aspects of cost saving benefits this constituted the highest score followed by reduced costs of extra financial reporting requirements (e.g., reporting to Uganda Revenue Authority) (mean = 4.15, standard deviation= 0.920 and reduced costs of obtaining extra financing from banks and other financial institutions (mean= 4.03, standard deviation = 1.077). All the three items were above the grand mean of 4.03 suggesting that SMEs assess these adoption cost saving benefits as high.

The item of reduced costs of financial analysis which the organization performs with mean = 3.92, standard deviation = 0.646 and the item of removing barriers previously encountered in

attracting international capital flows to the organization with a mean = 3.78, standard deviation = 0.798 had least scores in relation to other item and they were also below the grand mean of 4.03 suggesting that respondents did not accord much importance to these cost saving benefits for adoption of IFRS for SMEs.

Follow-up interviews with some accountants and consultants of these SMEs indicated that benefits of access to finance from financial institutions as a cost saving item is central for the decision of whether or not to adopt IFRS for SMEs. However, the benefit of removing barriers previously encountered in attracting international capital flows to the organization was not critical in a decision to adopt IFRS for SMEs.

4.4 Decision making benefits for IFRS for SMEs adoption

The decision making benefits studied include improve quality of financial reporting, increased comparability of financial reports with those of similar organizations locally and internationally, improvement in the decision usefulness of financial reporting, increase in transparency and understandability of information and making assessment of management decision using accounting information easy. The descriptive statistics showing the mean and standard deviation is given in table 5.

Table 5: Level of decision making benefits

Decision making benefit statement	Mean	Standard Deviation
Adoption of IFRS results in improved quality of financial reporting for your organization.	4.20	.655
Adoption of IFRS results in increased comparability of our financial reports with those of similar organizations locally and internationally.	4.13	.609
Adoption of IFRS improves the decision usefulness of financial reporting.	4.15	.764
Adoption of IFRS increases transparency and understand ability of information of our business affairs.	4.14	.758
Adoption of IFRS makes assessment of management decisions using accounting information easy.	4.16	.682
Overall	4.156	

Note: These items were measured on a five point likert scale where 1=strongly disagree and 5=strongly agree. S.D indicate the degree to which individual scores by respondents are far from the mean.

As indicated in table 5 above, the findings reveal that generally, respondents perceive all the decision making benefits studied to be above average on the scale of 1 to 5. It can however be seen that there are remarkable differences on the various items of decision making benefits evaluated. For instance, in terms of improved quality of financial reporting for the organization the score by the respondents was 4.20 with standard deviation of 0.655, in relation to all the other aspects of decision making benefits this constituted the highest score followed by making of assessment of management decisions using accounting information easy (mean = 4.16, standard deviation= 0.62) and improving the decision usefulness of financial reporting (mean = 4.15, standard deviation= 0.764). All the three items were above the grand mean of 4.156 suggesting that SMEs assess these adoption decision making benefits as high.

The item of increased comparability of financial reports with those of similar organizations locally and internationally with a mean = 4.13, standard deviation = 0.609 and the item of increase in transparency and understandability of information of business affairs with a mean = 4.14, standard deviation = 0.609 had least scores in relation to other items and they were also below the grand mean of 4.156 suggesting that respondents did not accord much importance to these decision making benefits for adoption of IFRS for SMEs.

In line with follow up interviews with the accountants of these SMEs revealed that decision making benefits such transparency, increased international comparability of financial reporting were key in helping them to make a decision on whether to adopt or not to adopt the standards.

4.5 IFRS for SMEs adoption status

The adoption status as indicated in table 6 is given in terms of those with full adoption of IFRS for SMEs, partial adoption and non adoption of the standards. The results indicate that 36% of the firms had fully adopted the standards, 54% partially adopted and 10% had not adopted the standards. This clearly indicated that the full adoption level among the studied firms is still low for the entities studied as shown in table 6.

Table 6: Adoption level

Status	Frequency	Percent
Full adoption	82	36
Partial adoption	124	54
Non adoption	24	10
Total	230	100.0

Source: Primary data

Information disclosed in the financial reports was further used to re-classify adoption into two categories; non-adopters and adopters. All the firms that had indicated partial adoption had in essence not adopted the standards. Thus 64% of the firms had not fully adopted IFRS for SME. However, of these, 54% had partially adopted the standards.

4.6 IFRS for SMEs disclosure level

IFRS for SMEs adoption for the firms that were analyzed as having adopted the standard was further examined by assessing the disclosure levels of the firms on five financial reporting issues. The reporting issues are presented on financial reports as per the requirements of International Accounting Standard 1 (IAS1), property, plant and equipment, intangible assets, inventory and financing sources as shown table 7.

Table 7: Disclosure level

Financial reporting issue	Disclosure requirement	Meets	Does not meet	Not Applicable
		Frequency		
International Accounting Standard 1(IAS 1)	Our financial statements contain Statement of Financial Position/balance sheet.	205	3	22
	Our financial statements contain Statement of Profit or loss and other comprehensive income.	206	2	22
	Our financial statements contain a statement of Cash-flows;	202	6	22
	Our financial statements contain Statement of changes in equity.	200	8	22

	Our financial statements contain Accounting policies and notes to the Financial Statements	203	5	22
	Our financial statements disclose of company's main activities	198	8	23
	Our financial statement contain a directors'/management report	190	17	23
	Our financial statement disclose prior year comparative information.	204	4	22
	Our financial statement disclose the accounting standards adopted in their preparation	206	2	22
	Grand compound frequency	201.6	6.2	22.2
Property Plant and Equipment (PPE)	We disclose our asset composition in the notes to our financial statement.	203	5	22
	Our financial statement disclose the Deemed cost of our assets at the first adoption of the IFRS for SMEs.	198	9	23
	Our financial statement disclose useful economic life of our assets	185	23	22
	Our financial statement disclose the policy used to estimate the depreciation of our assets	191	17	22
	Grand compound frequency	194.25	13.5	22.25
Intangible Assets	Our financial statement disclose accounting policy adopted for intangible assets.	121	74	34
	Our financial statement disclose the composition of our intangible assets.	111	81	38
	Our financial statement disclose market/useful economic life or amortisation within 10 years	101	88	41
	Grand compound frequency	111	81	38

Inventory	Our financial statements disclose the composition of our stocks.	164	35	31
	Our financial statement disclose the policy used to estimate the value of our stocks	168	32	30
	Our financial statement disclose the fair value of our stocks	182	20	28
	Grand compound frequency	171.3	29	29.7
Creditors/Financing	We disclose in our financial statements the accounting policy adopted for financial instruments	127	76	27
	We Disclose all our borrowing costs in our financial statements.	120	83	27
	We disclose in our financial statements a list of all our creditors	174	30	26
	We Disclose all our financial products in our financial statements	147	57	26
	We Disclose the deadlines of meeting our obligations in our financial statements	120	82	28
	Grand compound frequency	137.6	65.6	26.8

Note: These items were measured on a scale of 1-3 where 1=Meets, 2 = Does not meet. 3 = Not applicable basing on the disclosure requirements provided.

According to table 7, the disclosure level was based on the number of standards complied with against the total applicable standards .The companies that do not meet the disclosure requirements and those to which particular standards are not applicable were all taken as having not complied with the disclosure requirements. The reporting issues presented on financial reports as per the requirements of International Accounting Standard 1 (IAS1) had a total disclosure level of 87.65% while the items that were not complied with constituted 12.35%. Items of Property Plant and Equipment (PPE) had a disclosure level of 84.46 % while the items that were not complied with constituted 15.54%. Items of Intangible assets had a total

disclosure level of 48.26% while the items that were not complied with constituted 51.74%. Items of Inventory had a total disclosure level of 74.48% while the items that were not complied with constituted 25.52%. Finally, items on Creditors/Financing requirement had a total disclosure level of 59.83% while those that were not complied with constituted 40.17%. In general majority of the disclosure items were below the ideal disclosure level of 100% but above the average disclosure with the exception of items in regards to intangible assets and creditor's requirements, more efforts are needed to put in consideration to ensure that these items are fully disclosed as per the requirements of the standards.

4.7 IFRS for SMEs disclosure index

A disclosure index was calculated based on the number of standards complied with from the total applicable standards as shown in table 7 above and the results obtained were summarized in the table 8 below

Table 8: Disclosure index

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Disclosure Index	230	0	1	0.83	0.159
Valid N (listwise)	230				

Source: Primary data 2019

The results in table 8 above indicated a mean disclosure index of 0.83. This implies that, on average 83% of the SMEs disclose financial information as required by the IFRS for SMEs standard. However, it is important to note that a firm only qualifies to comply with IFRS for SMEs when it complies with all the applicable accounting standards.

4.8 Univariate statistical analysis of cost saving benefits and decision making benefits that influence adoption of IFRS for SMEs

In this step, the researcher assessed if there are significant differences between the group that have adopted IFRS for SMEs (Group 1) and those that have not (Group 2). This was carried out using the T test for independent samples to examine the differences between means of cost saving benefits and decision making benefits for adopters and non-adopters. The results are shown in table 9

Table 9: T-Test for decision making benefits and cost saving benefits

Independent Samples Test								
		Levene's Test for Equality of Variances		t-test for Equality of Means				
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
Decision making benefits	Equal variances assumed	.010	.922	.595	228	.552	.031	.051
	Equal variances not assumed			.586	159.698	.559	.031	.052
Cost saving benefits	Equal variances assumed	.434	.510	-3.265	228	.001	-.172	.053
	Equal variances not assumed			-3.108	144.782	.002	-.172	.055

Source: Primary data 2019

Results in table 9 above indicate that the difference in means for decision making benefits between adopters and non-adopters was found to be non-significant with a p-value of 0.552 while that for cost saving benefits was significantly different with a p-value of 0.001 suggesting

that there was no difference in perception about adoption decision making benefits but there was a significant difference in perception about adoption cost saving benefits arising from adopting IFRS for SMEs.

4.9 Logistic regression analysis for the link between cost saving benefits and decision making benefits on adoption of IFRS for SMEs

In order address objective one and objective two, a multivariate logistic regression was conducted. The logistic analysis is conditioned neither by the normal distribution of error terms nor by the assumption of homoscedasticity. It does not require the linearity between the dependent variable and the independent variables. Moreover, the logistical regression analysis is influenced by outliers. Consequently, before starting the descriptive analysis, an estimate of the values which could skew the logistical regression model was carried out, tests of normality and multicollinearity were conducted as shown in table 10 and 11. And there after table 12 presents the outcome of the logistic regressions, it shows the coefficients of the logistic regression and the contribution of each explanatory variable to estimate the likelihood of IFRS for SMEs adoption.

Table10: Tests of Normality

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Disclosure Index	230	-.571	.160	-.440	.320
Decision making benefits	230	.802	.160	-.028	.320
Cost saving benefits	230	-.163	.160	-.259	.320
Adoption level	230	.603	.160	-1.651	.320
Valid N (listwise)	230				

Source: Primary data 2019

According to table 10 above, normality test was conducted to ensure that data is symmetrical. De Vaus (2002), asserts that skewness values between -1.00 and 1.00 are within the acceptable range and indicate a symmetrical distribution. Further, research using Monte Carlo simulations indicate that significant problems tend to arise when skewness is greater than 2.00 and kurtosis exceeds 7.00 (Curran, West, & Finch, 1996). The descriptive statistics in table 10 above show that the skewness of all the items were below 2 and kurtosis was below 7 showing that all the items were normally distributed.

Table 11: Variance Inflation Factors

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Decision making benefits	.924	1.082
	Cost saving benefits	.924	1.082
a. Dependent Variable: Adoption level			

Source: Primary data 2019

According to table 11 above, Variance Inflation Factor (VIF) was used to ensure that the assumption of reasonable differences of the independent variables was satisfied. A high VIF means that multi-collinearity effects are present. Hair, *et al* (2006) stated that a problem of multi-collinearity is present if the factor is greater than 10. All Variance Inflation Factors (VIF) were less than 10 indicating that items had achieved multicollinearity condition of independent variables.

Table 12: Results of the multivariate logistic regression model for the link between cost savings benefits and decision making benefits on adoption of IFRS for SMEs

Logit [Pi / (1 - Pi)] = β0 + β1 Cost saving benefits + β2 Decision making benefits + β3 Firm Size + β4 Age + e								
							95% C.I.for EXP(B)	
	B	S.E.	Wald	df	Sig.	Exp(B)	Lower	Upper
Control variables								
Age	.669	.228	8.626	1	.003	1.952	1.249	3.051
Size	.479	.190	6.322	1	.012	1.614	1.111	2.344
Independent variables								
Cost saving benefits	1.516	.432	12.330	1	.000	.220	.094	.512
Decision making benefits	.530	.436	1.477	1	.224	1.699	.723	3.995
Constant	.206	2.207	.009	1	.925	1.229		
Number of companies n=230								
Hosmer and Lemeshow Test : Chi square (χ^2) = 11.898 ; P = 0.156								
Nagelkerke's R ² = 0.254								
Dependent variable: Adoption level								

As shown in the table 12 above, the Hosmer and Lemeshow test indicate that the estimated model had adequate fit for the data $\chi^2 (N= 230) = 11.898, p = 0.156$ which was non-statistically significant $p > 0.05$. In addition, based on the Nagelkerke R² it is indicated that the model accounted for 25.4 percent of the total variance in adoption of IFRS for SMEs and 74.6 percent is explained by other factors. The Wald tests showed that the cost saving benefits significantly predicts adoption of IFRS for SMEs ($p < 0.05$) therefore hypothesis 1(H₁) was not supported, on the other hand, the decision making benefits did not significantly predict adoption ($p > 0.05$)

and thus enough evidence was gathered to support hypothesis 2 (H₂) while controlling for age and firm size.

Drawing on the coefficients of the variables included in the model, it is only cost saving benefits that significantly influence adoption of IFRS for SMEs. Specifically, the contribution of cost saving benefits on adoption of IFRS for SMEs is 22 percent the odds ratio (OR) for the variable (Exp (B) =0.22) at 95% level of significance, which means that there is a positive influence of cost saving benefits on adoption of IFRS for SMEs. This implies that for every effort put in improving cost saving benefits, adoption of IFRS for SMEs is likely to increase. Contrary wise, when it comes to decision making benefits the findings of the study revealed that it does not predict adoption of IFRS for SMEs with an odds ratio (OR) for the variable (Exp (B)= 1.699) at 95% level of significance.

4.10 Hierarchical multiple regression analysis

In order to examine the influence of firm size on the relationship between cost saving benefits, decision making benefits and adoption of IFRS for SMEs, a hierarchical multiple regression analysis was performed to assess the moderating influence was assessed using the method proposed by Baron and Kenny (1986), in order to test moderating effect, first there is need to predict the outcome of dependent variable adoption measured using disclosure level computed as an index from the predictor variables (cost saving benefits and Firm Size, Decision making benefits and firm size). Generally the model should be significant. Secondly the independent variables and the moderator are centered and an interaction term created by multiplying the independent variable and the moderator (cost saving benefits*firm size and decision making benefits * firm size). The interaction term is then entered in the regression equation to determine whether the moderator variable alters the strength of the causal relationship. The R²

change should be significant as well as the interaction term ($p < .05$). If both are significant, then moderation is occurring.

4.10.1 The moderating influence of firm size on the relationship between cost saving benefits and adoption of IFRS for SMEs

In step 1, the results of hierarchical multiple regression predicting adoption of IFRS for SMEs (measured using disclosure level) from cost saving benefits and firm size are reported in table 13 and 13.1 and the model below was tested.

$$P_{it} = \beta_0 + \beta_1 \text{Cost saving Benefits}_{it} + \beta_2 \text{Firm Size}_{it} + \beta_3 \text{Cost saving Benefits}_{it} * \text{Firm Size}_{it} + \epsilon_{it}$$

Table 13: Model goodness of fit with disclosure level as dependent variable and cost saving benefits, firm size and interaction term as predictors

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.266 ^a	.071	.062	.154	.071	8.619	2	227	.000
2	.309 ^b	.095	.083	.152	.025	6.183	1	226	.014
a. Predictors: (Constant), Firm size, Cost saving benefits									
b. Predictors: (Constant), Firm size, Cost saving benefits, cost saving benefits *firm size									

Dependent Variable: Disclosure Level

The multiple regression model (model 1) produced Adjusted $R^2 = .062$, $F(2, 227) = 8.619$, $p < .05$. The model (model 1) reveals a statistically significant relationship between disclosure level (Adoption of IFRS for SMEs), Cost saving benefits (independent variable) and Firm Size

(moderator). The variability accounted for by firm size and cost saving benefits on adoption of IFRS for SMEs measured using disclosure level is 7.1% leaving 92.9% to be explained by other factors.

In step 2 (model 2), the interaction between Cost saving benefits and Firm Size (Cost saving benefits*Firm Size) was entered into the regression equation. The change in variance accounted for (ΔR^2) was equal to .025, which was a statistically significant increase in variance accounted for over the step one model. Model 2 shows that the relationship between Cost saving benefits, disclosure level (adoption of IFRS for SMEs), Firm Size and the interaction term (Cost saving benefits*Firm Size) jointly was statistically significant, $R^2 = .083$, $F(1, 226) = 6.183$, $p < .05$. The Model 2 accounted for 9.5% of the variance in disclosure level (Adoption of IFRS for SMEs) ($R^2 = .095$) leaving 90.5% to be accounted for by other factors.

Table 13.1: Model regression coefficients with disclosure level as dependent variable and cost saving benefits, firm size and interaction term as predictors

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.908	.111		8.157	.000
	Cost saving benefits	-.043	.026	-.104	-1.631	.104
	Firm Size	.041	.010	.248	3.879	.000
2	(Constant)	1.155	.148		7.783	.000
	Cost saving benefits	-.075	.029	-.183	-2.587	.010
	Firm size	-.072	.046	-.438	-1.547	.123
	Interaction (cost saving benefits*firm size)	.006	.002	.712	2.487	.014

a. Dependent Variable: Disclosure Level

As shown in table 13.1 , before the inclusion of the interaction term (model 1), the regression coefficient (β) value of Cost saving benefits was -0.043 with a t-test of -1.631 and significance level (p-value) of 0.104. The regression coefficient (β) value of Firm Size was 0.041 with a t-test of 3.879 and significance level (p-value) < 0.05. After the inclusion of the interaction term, the regression coefficient of Cost saving benefits changed to -0.75 and it was statistically significant (p < .05). The beta coefficient of Firm Size was -.072 and it was not statistically significant (p > .05). The interaction term (Cost saving benefits*Firm Size) was statistically significant ($\beta=0.006$, p<.05). This indicates that Firm Size has a moderating influence on the relationship between cost saving benefits and adoption of IFRS for SMEs and therefore hypothesis three (H3) was Not supported.

4.10.2 The moderating influence of firm size on the relationship between decision making benefits and adoption of IFRS for SMEs.

In step 1, the results of hierarchical multiple regression predicting adoption of IFRS for SMEs (measured using disclosure level) from decision making benefits and firm size are reported in table 14 and 14.1 and the model below was tested.

$$P_{it} = \beta_0 + \beta_1 \text{Decision making Benefits}_{it} + \beta_2 \text{Firm Size}_{it} + \beta_3 \text{Decision making Benefits}_{it} * \text{Firm Size}_{it} + \epsilon_{it}$$

Table 14: Model goodness of fit with disclosure level as dependent variable and decision making benefits, firm size and interaction term as predictors

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.262 ^a	.069	.060	.154	.069	8.367	2	227	.000
2	.300 ^b	.090	.078	.153	.021	5.290	1	226	.022
a. Predictors: (Constant), Firm size, Decision making benefits									
b. Predictors: (Constant), Firm size, Decision making benefits, (Decision making benefits * firm size)									
b. Predictors: (Constant), Firm size, Decision making benefits, Decision making benefits *firm size									

Dependent Variable: Disclosure Level

The multiple regression model (model 1) produced Adjusted $R^2 = .060$, $F(2, 227) = 8.367$, $p < .05$. The model (model 1) reveals a statistically significant relationship between disclosure level (Adoption of IFRS for SMEs), Decision making benefits (independent variable) and Firm Size (moderator). The variability accounted for by firm size and decision making benefits on adoption of IFRS for SMEs measured using disclosure level is 6.9% leaving 93.1% to be explained by other factors.

In step 2 (model 2), the interaction between decision making benefits and firm Size (Decision making benefits*Firm Size) was entered into the regression equation. The change in variance accounted for (ΔR^2) was equal to .021, which was a statistically significant increase in variance accounted for over the step one model as shown in table 14. Model 2 shows that the relationship between decision making benefits, disclosure level (adoption of IFRS for SMEs), firm size and the interaction term (decision making benefits*Size) jointly was statistically significant, $R^2 =$

.090, $F(1, 226) = 5.290$, $p < .05$. The model 2 accounted for 9% of the variance in disclosure level (Adoption of IFRS for SMEs) ($R^2 = .090$) leaving 91% to be accounted for by other factors.

Table 14.1: Model regression coefficients with disclosure level as dependent variable and decision making benefits, firm size and interaction term as predictors

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.561	.119		4.728	.000
	Decision making benefits	.040	.027	.095	1.478	.141
	Firm Size	.040	.010	.243	3.796	.000
2	(Constant)	-.030	.282		-.105	.917
	Decision making benefits	.180	.066	.421	2.709	.007
	Firm size	.291	.110	1.775	2.653	.009
	Interaction (Decision making benefits*firm size)	-.059	.026	-1.577	-2.300	.022

a. Dependent Variable: Disclosure Level

As shown in table 14.1 above, before the inclusion of the interaction term (model 1), the regression coefficient (β) value of Decision making benefits was 0.040 with a t-test of 1.478 and significance level (p-value) of 0.141. The regression coefficient (β) value of Firm Size was 0.040 with a t-test of 3.796 and significance level (p-value) < 0.05 . After the inclusion of the interaction term, the regression coefficient of Decision making benefits changed to 0.180 and it was not statistically significant ($p > .05$). The beta coefficient of Firm Size was 0.291 and it was not statistically significant ($p > .05$). The interaction term (Decision making benefits*Firm Size) was statistically significant ($\beta = -0.059$, $p < .05$). This indicates that firm size

has a moderating influence on the relationship between decision making benefits and adoption of IFRS for SMEs and therefore hypothesis four (H4) was not supported.

In follow up interviews with the owners of these SMEs, it was found out that the largest companies disclose more information than the smallest ones because they are ready to support the costs of this decision

4.11 Chapter Summary

Background information about the respondents included in the study and the firm characteristics were presented. Descriptive statistics were used on the study variables of cost saving and decision making benefits. Constructs of disclosure level, adoption level and disclosure index for adoption of IFRS for SMEs were taken into consideration. Diagnostic tests were made to confirm that data was parametric. Tests of normality and multicollinearity were performed to ensure that data is normally distributed and attained a condition of independent variables as revealed in table 10 and 11 respectively.

A Multivariate logistic regression analysis was performed in order to test null hypotheses (H₁ and H₂). The results from objective one were significant and therefore the null hypothesis (H₁) was not supported while the results from objective two were insignificant and therefore the null hypothesis (H₂) was supported. A hierarchical multiple regression analysis was performed in order to test null hypotheses (H₃ and H₄). The results from objective three and four were both significant and therefore the null hypotheses were not supported.

CHAPTER FIVE

SUMMARY, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of key findings, discussion of findings of the study in relation to the objectives with a view of reaching a comprehensive conclusion. The summary of key findings, discussion of the findings regarding the influence of cost saving benefits and decision making benefits on adoption of IFRS for SMEs and the discussion of the findings regarding the moderating influence of firm size on the relationship between cost saving benefits, decision making benefits and adoption of IFRS for SMEs are presented in the first two sections. This is followed by the conclusions and recommendations presented in the last two sections.

5.2 Summary of key findings

The main purpose of the study was to examine the influence of benefits that SMEs perceive from adoption of IFRS for SMEs and how they influence adoption of these standards contingent to firm size in Kawempe division urban council. The study specifically aimed at testing the influence of cost saving benefits and decision making benefits on adoption of IFRS for SMEs as well as the moderating influence of firm size on the relationship between cost saving benefits, decision making benefits and adoption of IFRSs for SMEs. The data for the study was collected from 230 SMEs in Kawempe division urban council.

Study findings revealed that majority of the SMEs in Kawempe division urban council agreed that cost saving benefits and decision making benefits were key drivers of adoption of IFRS for SMEs, the descriptive statistics of the means for these benefits were all above the average of 3 on a scale of 1 to 5 implying that respondents agreed that these items were highly important in explaining these adoption benefits.

In order to address the study objectives one and two, the null hypotheses were tested using a multivariate logistic regression analysis. On the first objective, it was hypothesized that the influence of cost saving benefits on adoption of IFRS for SMEs was not significant, results revealed a significant influence of cost saving benefits on adoption of IFRS for SMEs (Pvalue= 0.000, (Exp (B) =0.22) at 95% level of significance thus the null hypothesis was not supported. On the second objective, it was hypothesized that the influence of decision making benefits on adoption of IFRS for SMEs was not significant, results revealed a non-significant influence of decision making benefits on adoption of IFRS for SMEs (Pvalue= 0.224, (Exp (B) =1.699) at 95% level of significance thus the null hypothesis was supported.

In order to address the study objectives three and four, the null hypotheses were tested using a hierarchical multiple regression analysis. On the third objective, it was hypothesized that the moderating influence of firm size on the relationship between cost saving benefits and adoption of IFRS for SMEs was not significant, results revealed that firm size had a moderating influence on the relationship between cost saving benefits and adoption of IFRS for SMEs and this influence was statistically significant ($\beta= 0.014$, $p=0.006$, $R^2 = .083$, $F (1, 226) = 6.183$, $p < .05$) at 95% level of significance thus the null hypothesis was not supported. On the fourth objective, it was hypothesized that the moderating influence of firm size on the relationship between decision making benefits and adoption of IFRS for SMEs was not significant, results revealed that firm size had a moderating influence on the relationship between decision making benefits and adoption of IFRS for SMEs and this influence was statistically significant ($\beta= -0.059$, $p=0.022$, $R^2 = .090$, $F (1, 226) = 5.290$, $p < .05$.) at 95% level of significance thus the null hypothesis was not supported.

5.3 The discussion of the findings with regard to the influence of cost saving benefits on adoption of IFRS for SMEs

The first specific objective of the study was to analyze the influence of cost saving benefits on adoption of IFRS for SMEs in Kawempe division urban council, a multivariate logistic regression analysis was applied to determine the influence of cost saving benefits as the predictor variable and adoption of IFRS for SMEs measured in terms of adoption level as the outcome variable. It was hypothesized that the influence of cost saving benefits on adoption of IFRS for SMEs was not significant.

The logistic regression results revealed a positive statistically significant influence of cost saving benefits on adoption of IFRS for SMEs. The cost saving benefits were significant at p value less than 0.05, meaning that cost saving benefits significantly explain variations in adoption of IFRS for SMEs and based on these findings the null hypothesis (H1) was not supported. This implies that firms that perceive the benefits from adoption IFRS for SMEs in terms of cost saving are likely to adopt the standards.

Follow-up interviews with some accountants and consultants of these SMEs indicated that benefits of access to finance from financial institutions as a cost saving item is central for the decision of whether or not to adopt IFRS for SMEs as this was a critical pre-requisite for these SMEs to obtain finance from financial institutions as a requirement that they needed to have audited books of accounts prepared as per the standard. This was in agreement with Pacter, (2014) who found out that IFRS for SMEs requires preparation of cash flow statements that are needed for capital providers like financial institution. However, the benefit of attracting foreign direct investment is not critical in a decision to adopt IFRS for SMEs and this

contradicts the conclusion drawn by Kiliçaa, Atamanc, & Uyar (2014) that attracting foreign direct investment is a key attraction to firms to adopt IFRS for SMEs.

The study findings were in agreement with the economic network theory, for it was expected that the extent of IFRS for SMEs adoption would increase due to the number of benefits that a given SME derives from IFRS adoption. In the same line, findings by Mukokoma et al (2019), during their study on Adoption of IFRS for SMEs in Uganda using a structural equation model with a sample of 363 SMEs revealed that costs significantly predict adoption of IFRS for SMEs.

5.4 The discussion of the findings with regard to the influence of decision making benefits on adoption of IFRS for SMEs

The second specific objective of the study was to analyze the influence of decision making benefits on adoption of IFRS for SMEs in Kawempe division urban council, a multivariate logistic regression analysis was applied to determine the influence of decision making benefits as the predictor variable and adoption of IFRS for SMEs measured in terms of adoption level as the outcome variable. It was hypothesized that the influence of decision making benefits on adoption of IFRS for SMEs was not significant

The logistic regression results confirmed the findings from the regression analysis as they depicted a non-statistically significant influence of decision making benefits and adoption of IFRS for SMEs. The decision making benefits were non-significant at p value greater than 0.05, meaning that decision making benefits did not significantly explain variations in adoption of IFRS for SMEs. Therefore, this implies that firms do not base their decision to adopt IFRS for SMEs on the decision making benefits. Follow up interviews with the accountants of these SMEs revealed that decision making benefits such transparency, increased international

comparability of financial reporting were key in helping them to make a decision on whether to adopt or not. This was attributed to the nature of the firm size revealing that this would attract more the small entities to also adopt these standards, this was in line with findings of Bertoni & De Rosa, (2013) who asserted that one of the main benefits from having a global set of standards for SMEs is the increased international comparability of financial reporting.

These study findings were consistent with the conclusions of previous studies by Mukokoma et al (2019) on Adoption of IFRS for SMEs in Uganda using a structural equation model with a sample of 363 SMEs that revealed that decision making benefits did not significantly predict adoption of IFRS for SMEs.

In contrary, the findings did not support the economic theory of networks that predicts that the extent of IFRS for SMEs adoption would increase due to the number of benefits that a given SME derives from IFRS for SMEs adoption.

5.5 The discussion of the findings with regard to the moderating influence of firm size on the relationship between cost saving benefits and adoption of IFRS for SMEs

The third specific objective was concerned with moderation of firm size on the relationship between cost saving benefits and adoption of IFRS for SMEs that was measured using disclosure level computed as an index. The null hypothesis stated that the moderating influence of firm size on the relationship between cost saving benefits and adoption of IFRS for SMEs is not significant. A hierarchical multiple regression analysis was conducted to determine the moderating influence of firm size on the relationship between cost saving benefits and adoption of IFRS for SMEs.

Results indicated that firm size has a moderating influence on the relationship between cost saving benefits and adoption of IFRS for SMEs which was measured in terms of the disclosure level and this influence was statistically significant where the p value was less than 0.05 in both model 1 and model 2 meaning that cost saving benefits explain more variations in disclosure level of IFRS for SMEs requirements when they are moderated by the firm size.

The results are in contour with the agency theory that highlights the fact that the bigger a firm is the higher the monitoring and agency costs will be due to the asymmetrical information. According to Souissi & Khlif, (2012), larger firms have stronger motivation to disclose more information. Watson, Shrivess, & Marston, (2002) added that for larger firms have easy access to direct financing based on their amount of disclosures thus larger firms are expected to reveal more voluntary information to reduce these costs, such as amassing and dissemination of information, as they are higher for smaller firms

Kaszniak & Lev, (1995) and Lundholm & Lang, (1993) claimed that a positive and significant association exists between disclosure and size; this is based on the possibility of economies of scale (Field et al., 2005). Research by Watson et al., (2002) proved that it is much cheaper for larger firms to offer voluntary disclosures as opposed to smaller firms these results are in covenant with the current study.

Agyei-Mensah, (2014) studied the adoption of (IFRS) in Ghana and the quality of financial statement disclosures, the findings confirmed that the implementation of IFRSs generally reinforce accounting disclosure quality but firm size was found to influence adoption of IFRSs. These particular findings were also found to be consistent with the current study.

5.6 The discussion of the findings with regard to the moderating influence of firm size on the relationship between decision making benefits and adoption of IFRS for SMEs

The fourth specific objective was concerned with moderation of firm size on the relationship between decision making benefits and adoption of IFRS for SMEs that was measured using disclosure level computed as an index. The null hypothesis stated that the moderating influence of firm size on the relationship between decision making benefits and adoption of IFRS for SMEs was not significant. A hierarchical multiple regression analysis was conducted to determine the moderating influence of firm size on the relationship between decision making benefits and adoption of IFRS for SMEs.

Results indicated that firm size has a moderating influence on the relationship between decision making benefits and adoption of IFRS for SMEs which was measured in terms of the disclosure level and this influence was statistically significant where the p value was less than 0.05 both in model 1 and model 2 meaning that decision making benefits explain in adoption of IFRS for SMEs (disclosure level) when they are moderated by the firm size. The results confirmed the findings that decision making benefits do not have a direct effect on adoption of IFRS for SMEs using a logistic regression. However, when it is moderated by firm size then a significant influence occurs.

In follow up interviews with the owners of these SMEs, it was found out that the largest companies disclose more information than the smallest ones because they are ready to support the costs of this decision. Moreover, according to the agency theory by Meckling & Jensen, (1976), managers of large companies are more incited to proclaim the quality of their business to investors through voluntary disclosures.

These study findings are also in agreement with results from prior studies that frequently confirm a positive association between company size and disclosure level. Among these studies, include Albu, (2013) in the context of Romania, Lopes & Rodrigues (2007) in the Portuguese context, Agyei-Mensah (2014) in the context of Ghana and Sakarneh (2015) in the Jordan context. However, the results were in disagreement with the findings of Odiya, (2016) in the context of Nigeria who did not find company size to have an influence on the disclosure level.

5.7 Conclusions

This study sought to examine adoption of International Financial reporting standards for Small and Medium Sized Enterprises. Specific emphasis was on examining the influence of benefits that SMEs perceive from adopting IFRS for SMEs and how it influences the adoption of the standards contingent to firm size. The study adopted a cross sectional survey design to address those issues, primary data was utilized in obtaining evidence of the study from the selected SMEs in Kawempe division urban council.

The study utilized a multivariate logistic regression analysis and a hierarchical multiple regression analysis conducted in SPSS 23.0. The overall pattern of the findings of the study revealed the following key insights; Adoption level of IFRS for SMEs was found to be less than 40%, variation in adoption of IFRS for SMEs in Kawempe division urban council was significantly explained by cost saving benefits and other control variables, decision making benefits were not having a direct influence on adoption of IFRS for SMEs. Firm size was found to have a moderating influence on the relationship between cost saving benefits, decision making benefits and adoption of IFRS for SMEs.

Based on findings of the study, there are prospects that adoption of IFRS for SMEs will be improved, hence an opportunity to persuade more investors, local individuals as well as institutions to invest in SMEs considering that they represent more than 95 percent of companies worldwide and make a great contribution to job creation, technological innovation and economic output

5.8 Recommendations

Adopting the IFRS for SMEs can serve the public interest by enhancing the credibility of accounting information for SMEs to stakeholders. The results indicate that the number of SMEs that have fully adopted IFRS for SMEs is still low among the studied firms. Also a reasonable number that claim to have adopted the accounting standard are below the ideal disclosure level. Policy makers should therefore develop a concrete policy and support strategies to enhance adoption.

Cost saving benefits were found to have significant influence on the adoption of IFRS for SMEs thus, the study recommends that policy makers should enhance these benefits in order to increase adoption level of these standards. This can be done through providing training and educational drive towards knowledge and understanding of international reporting frameworks like IFRS for SMEs and its associated benefits provided by auditors during audit meetings with clients where they present their opinion on company operations and the need to adopt these standards. Finally, lessons on IFRS for SMEs would ensure that there would be qualified accountants who will understand the financial and accounting treatment of transactions hence increasing on the adoption levels and disclosure levels of IFRS for SMEs.

Firm size was also found to have a moderation influence on the relationship between cost saving benefits, decision making benefits and adoption of IFRS for SMEs, the study there for recommends that as efforts are done to improve adoption levels of IFRS for SMEs by enhancing the benefits of adoption, firm size need to be given attention, as revealed in the findings different firm sizes accord different importance to particular benefits that drive their decision as to whether to adopt the standards or not to adopt

5.9 Areas for further research

The study focused on analyzing the role of benefits that SMEs perceive from adopting IFRS for SMEs and how it influences the adoption of the standards contingent to firm size only. Nonetheless, according to Institute of Certified Public Accountants of Uganda IFRS for SMEs is recommendable to be adopted by all companies and organizations irrespective of their firm size as long as they do not have public accountability. Therefore, the study recommends further studies on other factors that may also influence adoption of IFRS for SMEs.

This study was restricted to the SMEs in Kawempe division urban council thus, the extent to which these findings can be generalized to all the SMEs in Uganda is not clear. Therefore, there is a need to conduct further research using more firms, in other areas of Uganda.

Future research might extend the scope of this study by involving comparative studies with other countries. Then, a thorough research could be undertaken by integrating institutional variables, in addition to financial ones. It could be also interesting to use other measurements for the studied factors.

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APPENDIX I: SAMPLE SIZE DETERMINATION

Category of the sector, proportion of the sector, population and sample size

Sector	Proportion (UBOS, 2011)	Population	Expected number in the sample
Service	49%	417	131
Commerce	33%	281	88
Manufacturing	10%	85	27
Others	8%	68	21
Total	100	851	267

Source: Based on (UBOS, 2011); recommended Sample Population (Krejcie & Morgan, 1970), Kawempe division urban council licensed SMEs register (2018)

APPENDIX II: QUESTIONNAIRE

Dear respondent;

I am Namujjuzi Sylvia pursuing a Degree of Master of Business Administration at Kyambogo University. I am undertaking a study on Benefits, Firm size and Adoption of International Financial Reporting Standards for Small and Medium Enterprises in Kawempe division urban council. You have been selected as a resourceful person to provide data on this study. The information you provide will be treated in the strictest confidence and the findings from your questionnaire and will be used for academic purposes only.

Thank you for accepting to provide the data needed to analyse this topical issue.

For any queries or further information, feel free to contact:

Ms. Namujjuzi Sylvia **Tel +256(0)779123310: Email: namsylvia77@gmail.com**

Please tick the option of your choice

SECTION ONE: DEMOGRAPHICS:

1. Gender 1 () Female 2 () Male

2. Position What is your Position in this organization?

1 () Proprietor/Partner

2 () Manager

3 () Accountant

4 () Consultant

3. Age How old is this firm?

1 () Less than 1 year

2 () 1 – 5 years

3 () Above 5 - 10 years

4 () Above 10 years

3. Status What is the firm's registration status?

1 () Not registered

2 () Sole proprietorship

3 () Partnership

4 () Private limited company

4. Industry In which industry is this organization?

- 1 () Service
- 2 () Retail
- 3 () Manufacturing
- 4 () Construction
- 5 () Real estate

5. Size How many employees work for the organisation?

- 1 () 5 - 25
- 2 () 26 - 49
- 3 () 50 - 80
- 4 () 81-100

SECTION TWO: ADOPTION LEVEL OF IFRS FOR SMEs & DISCLOSURE LEVEL:

6. Adoption Level of IFRS for SMEs

How does your firm comply with International Financial Reporting Standards (IFRS) for SMEs in the preparation of its financial statements?

- 1 () Fully
- 2 () Partially
- 3 () Does not comply

If you have ticked option 3 (Does not comply) go to SECTION THREE.

7. Disclosure level

Categorise the items below into three possible areas depending on whether the firm’s financial statements meet the requirements of IFRS for SMEs as follows:

- 1: Does not meet the disclosure required by IFRS for SMEs
- 2: Meets the disclosure required by IFRS for SMEs
- 3: Does not apply (N/A)

			Meets	Does not meet	N/A
IAS 1: FS	Dlev1a	Our financial statements contain Statement of Financial Position/balance sheet.	1	2	3
	Dlev1b	Our financial statements contain Statement of Profit or loss and other comprehensive income.	1	2	3
	Dlev1c	Our financial statements contain a statement of Cash-flows	1	2	3

	Dlev1d	Our financial statements contain Statement of changes in equity.	1	2	3
	Dlev1e	Our financial statements contain Accounting policies and notes to the Financial Statements	1	2	3
	Dlev2	Our financial statements disclose of company's main activities	1	2	3
	Dlev3	Our financial statement contain a directors'/management report	1	2	3
	Dlev4	Our financial statement disclose prior year comparative information.	1	2	3
	Dlev5	Our financial statement disclose the accounting standards adopted in their preparation	1	2	3
PPE	Dlev6	We disclose our asset composition in the notes to our financial statement.	1	2	3
	Dlev7	Our financial statement disclose the deemed cost of our assets at the first adoption of the IFRS for SMEs.	1	2	3
	Dlev8	Our financial statement disclose useful economic life of our assets	1	2	3
	Dlev9	Our financial statement disclose the policy used to estimate the depreciation of our assets	1	2	3
Intangible assets	Dlev10	Our financial statement disclose accounting policy adopted for intangible assets.	1	2	3
	Dlev11	Our financial statement disclose the composition of our intangible assets.	1	2	3
	Dlev12	Our financial statement disclose market/useful economic life or amortisation within 10 years	1	2	3
Inventory	Dlev13	Our financial statements disclose the composition of our stocks.	1	2	3
	Dlev14	Our financial statement disclose the policy used to estimate the value of our stocks	1	2	3
	Dlev15	Our financial statement disclose the fair value of our stocks	1	2	3
Creditors/ Financing	Dlev16	We disclose in our financial statements the accounting policy adopted for financial instruments	1	2	3
	Dlev17	We Disclose all our borrowing costs in our financial statements.	1	2	3
	Dlev18	We disclose in our financial statements a list of all our creditors	1	2	3
	Dlev19	We Disclose all our financial products in our financial statements	1	2	3
	Dlev20	We Disclose the deadlines of meeting our obligations in our financial statements	1	2	3

SECTION THREE: COSTS SAVING BENEFITS ASSOCIATED WITH ADOPTION OF IFRS FOR SMEs

8. Expected cost saving benefits

Please indicate how much you agree or disagree with each sentence, by ticking the option which best represents your personal feelings towards cost saving benefits that could accrue from adopting IFRS for SMEs.

Code	Cost saving benefits	Strongly Disagree	.Disagree	Neutral	Agree	Strongly Agree
Cos-Ben1	Adoption of IFRS results in reduced costs of financial analysis which our organization performs	1	2	3	4	5
Cos-Ben 2	Adoption of IFRS removes barriers previously encountered in attracting international capital flows to our organization	1	2	3	4	5
Cos-Ben 3	Adoption of IFRS reduces costs of obtaining extra financing from banks and other financial institutions.	1	2	3	4	5
Cos-Ben 4	Adoption of IFRS reduces costs of extra financial reporting requirements (e.g., reporting to Uganda Revenue Authority).	1	2	3	4	5
Cos-Ben 5	Adoption of IFRS for SMEs has legal relevance for taxation	1	2	3	4	5

SECTION FOUR: DECISION MAKING BENEFITS ASSOCIATED WITH ADOPTION OF IFRS FOR SMES

9. Expected Decision making Benefits

Please indicate how much you agree or disagree with each sentence, by ticking the option which best represents your personal feelings towards the decision making benefits that could accrue from adopting IFRS for SMEs.

Code	Decision making benefit	Strongly Disagree	.Disagree	Neutral	Agree	Strongly Agree
Dec-Ben1	Adoption of IFRS results in improved quality of financial reporting for your organization.	1	2	3	4	5
Dec-Ben2	Adoption of IFRS results in increased comparability of our financial reports with those of similar organizations locally and internationally.	1	2	3	4	5
Dec-Ben3	Adoption of IFRS improves the decision usefulness of financial reporting.	1	2	3	4	5
Dec-Ben4	Adoption of IFRS increases transparency and understandability of information of our business affairs.	1	2	3	4	5
Dec-Ben5	Adoption of IFRS makes assessment of management decisions using accounting information easy.	1	2	3	4	5

Thank you for your contribution.

APPENDIX III: INTERVIEW GUIDE

BENEFITS, FIRM SIZE AND ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS FOR SMALL AND MEDIUM ENTERPRISES IN UGANDA.

Introduction

The purpose of the interview is to gather personnel views on the role of benefits that SMEs perceive from adopting IFRS for SMEs and how it influences the adoption of the standards contingent to firm size.

1. How do you rank the level of adoption of IFRS for SMEs among firms in Uganda?
2. What are some of the reasons for the voluntary adoption of IFRS for SMEs
3. What are some of the benefits that SMEs perceive from adoption of IFRS for SMEs and how do these benefits influence firms to adopt the standards?
4. What are some of the difficulties/challenges faced by firms in adopting IFRS for SMEs?
5. Why do you think firms in Uganda may not consider cost saving and decision making benefits for adopting IFRS for SMEs?
6. How does the size of the firm influence adoption of IFRS for SMEs?

Thank you for your participation!

APPENDIX IV: SAMPLE DETERMINATION TABLE

<i>N</i>	<i>S</i>	<i>N</i>	<i>S</i>	<i>N</i>	<i>S</i>
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	100000	384

Note.—*N* is population size. *S* is sample size.

Source: Krejcie & Morgan, 1970

APPENDIX V: LETTER OF INTRODUCTION

**APPENDIX VI: KAWEMPE DIVISION URBAN COUNCIL LETTER OF
PERMISSION**