ABSTRACT

This chapter reports on the impact of the adoption of IFRS in Ghana. It first traced the history of accounting standards in Ghana and the reason for the adoption of IFRS in 2007. One of the key issues that IFRS talk about is the disclosure of financial and non-financial information in corporate financial reports. Hence this chapter provides evidence on the extent of disclosures, the quality of the disclosures and the determinants of the disclosures. The disclosure of financial ratios, forward-looking information and internal control information in corporate annual reports were extensively studied and findings reported in this chapter. The results of the quality of financial information disclosure mean of 76.80% (pre adoption) and 87.09% (post adoption) for the two years indicate that the quality of financial reports has improved significantly after adopting IFRSs. The findings thus confirms that the implementation of IFRSs generally reinforce accounting disclosure quality. However, the low levels of other disclosures (accounting ratio disclosure quality 6.64%, level of disclosure 60%; forward looking information 35%; internal control information 42%) by listed firms in Ghana do not support signaling theory which suggests that firms with good performance will wish to signal their quality to investors, hence are more likely to disclose their performance by disclosing more voluntary information. It is therefore important for the SEC and The Ghana Stock Exchange to do more by enforcing adherence to the corporate code of corporate governance.

INTRODUCTION

The adoption of the International Financial Reporting Standards (IFRS) has revolutionised the content of corporate financial reports in Ghana. Financial information disclosure is defined as the release of information concerning the economic performance, position or prospects particularly as measured in monetary terms (Gibbins et al., 1990). This chapter traces the development of IFRS adoption, economic
Impact of Adopting IFRS in Ghana


Among the factors noted to be influencing the adoption of IAS in developing countries, Zeghal, D. and Mhedhbi, K. (2006), singled out availability of capital market, as very cogent.

According to Chamisa (2000) the key determinants of the relevance of IAS in developing countries are:

- The accounting needs of the country,
- The size of the private or public sector,
- The existence of capital market, and
- The similar environment argument.

Prior to the adoption of IFRS in Ghana, the Generally Accepted Accounting Principles used was the Ghana National Accounting Standards. The Ghana National Accounting Standards was partly based on UK accounting standards; Statements of Standard Accounting Practices (SSAPs) and pre-IFRS, International Accounting Standards.

In 2004, the World Bank conducted a review of accounting and auditing practices in Ghana which was presented in its Report on Observance of Standards and Codes. This was to “evaluate the weaknesses and strengths of the accounting and auditing requirements, and to review the reporting requirements against actual practices” (ROSC, 2004). One of the major weaknesses identified in the report was that, the Ghana National Accounting Standards was outdated and differ significantly with International Accounting Standards. The World Bank therefore recommended that Ghana should adopt the IFRS. Hence The Institute of Chartered Accountants’ proclamation that all financial reports from 2007 onwards should comply with the IFRS.

In justifying the adoption of IFRS in developing countries, Ball (2006) stated that many developing countries where the quality of local governance institutions is low, the decision to adopt IFRS will be beneficial.

According to Chamisa (2000), “When developing countries adopt the IASC standards as national standards, the primary objective is not to achieve international accounting harmonization, but to meet their need for appropriate accounting and reporting standards”.

The International Accounting Standards Board’s (IASB) Framework states that;

The objective of financial statements is to provide information about the financial position, performance and changes in financial position of an entity that is useful to a wide range of users in making economic decisions.

Publicly traded companies (that is, companies listed on the stock market) are required to make more financial statement disclosure (compared to privately held companies) for the benefit of outside investors. Since the accounting scandals of Enron and WorldCom, the regulatory bodies have focused on companies disclosing information about the relationship with their public audit firm to determine proper independence.

The International Accounting Standards Committee (IASC) was established in mid-1973 with the mandate of developing new international standards, which would be accepted and implemented globally. The IASC lasted 27 years until March 2001, where IASC foundation, a not for Profit Corporation
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