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The Effect of International Financial Reporting Standard Adoption on Financial Performance. A Case of Tanzania Breweries Limited (TBL) at Ilemela District, Tanzania

By

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Abstract

Purpose: This research examines the impact of International Financial Reporting Standards (IFRS) adoption on the financial performance of Tanzania Breweries Limited (TBL), a leading entity in Tanzania's beverage industry. The study seeks to understand how IFRS adoption influences profitability, liquidity, and market value in an emerging market context where implementation challenges are prevalent.

Design/Methodology/Approach: A cross-sectional research design was applied, collecting data from 56 respondents at TBL. Structured questionnaires were used to assess three primary dimensions: the effect of IFRS knowledge on profitability, adherence to IFRS on liquidity, and accountant competencies on market value. Data were analyzed using regression techniques to explore the relationship between these IFRS dimensions and TBL's financial performance indicators.

Findings: The study found that increased IFRS knowledge significantly improves profitability, indicating that well-informed financial staff can better leverage IFRS principles for optimal outcomes. Additionally, strict adherence to IFRS enhances liquidity, supporting the firm's financial stability. High competency in IFRS among accountants positively influences market value, highlighting the importance of IFRS skills in achieving investor trust and elevating corporate valuation.

Originality: This study provides new insights into the challenges and opportunities of IFRS adoption in Tanzania, particularly within the beverage sector. It contributes to the literature by focusing on the intersection of financial reporting standards and the practical realities of emerging markets.

Practical Implications: The research offers valuable guidance for policymakers, regulatory bodies, and corporate stakeholders in Tanzania and other developing economies. It stresses the importance of effective training, support for IFRS implementation, and the need for ongoing professional development to maximize the benefits of IFRS adoption.

Social Implications: The findings emphasize the broader societal benefits of IFRS adoption, such as improved financial transparency and the potential for enhanced corporate governance, which could lead to increased investor confidence and economic growth in developing markets.

Keywords: IFRS adoption, financial performance, profitability, liquidity, market value, Tanzania Breweries Limited, emerging markets, accountant competence, financial transparency.

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1.0. INTRODUCTION

The adoption of International Financial Reporting Standards (IFRS) is a significant global development in the field of accounting and financial reporting. Designed by the International Accounting Standards Board (IASB), IFRS aims to create a uniform accounting language that enables businesses across different countries to prepare financial statements that are consistent, transparent, and comparable. This standardization is particularly important in an increasingly globalized world, where cross-border investments, multinational business operations, and international financial markets demand greater uniformity in financial reporting. By promoting comparability across international financial statements, IFRS is seen as a key driver of transparency, trust, and efficiency in global capital markets (Opare, 2023).

However, the transition to IFRS is not without its challenges, especially in emerging markets like Tanzania. These markets often face significant barriers to effective implementation, including limited awareness of IFRS, gaps in professional expertise, insufficient infrastructure for compliance, and resistance from stakeholders accustomed to local accounting standards. Despite these challenges, the adoption of IFRS holds promise for improving the financial transparency and corporate governance of businesses in emerging economies, thereby fostering investor confidence and attracting foreign investment. As companies in emerging markets adopt IFRS, it becomes increasingly important to understand how these global standards influence their financial performance.

This study focuses on Tanzania Breweries Limited (TBL), the largest beverage manufacturer in Tanzania, as a case study for examining the impact of IFRS adoption on corporate financial performance. TBL is a leading player in the Tanzanian economy and has been one of the earliest adopters of IFRS in the country. Given the company's size, economic influence, and strategic importance, its experience with IFRS adoption provides valuable insights not only into the potential benefits and challenges of IFRS implementation but also into how such adoption can impact key financial performance metrics. These metrics such as profitability, liquidity, and market value are critical for assessing the financial health of a company, and understanding the role IFRS plays in shaping these metrics is essential for both academics and practitioners.

The primary focus of this research is to investigate how knowledge of IFRS, adherence to the standards, and the competence of accounting professionals affect TBL's financial performance. While previous studies have explored the general impact of IFRS adoption on financial transparency and comparability (Smith, 2024; Opare, 2023), few have specifically examined the nuanced effects of IFRS in the context of a developing economy like Tanzania. In Tanzania, where the business environment is characterized by both local challenges and opportunities for growth, the relationship between IFRS adoption and financial performance remains underexplored. This study, therefore, aims to fill this gap by providing empirical evidence on the impact of IFRS adoption

on TBL's financial performance, particularly in terms of profitability, liquidity, and market value.

Tanzania Breweries Limited, as a prominent company in the Tanzanian economy, plays an essential role in the study, offering a comprehensive example of how IFRS adoption can influence financial outcomes. TBL's strategic importance is heightened by the fact that it serves as a model for other Tanzanian companies and businesses in the East African region that are in the process of transitioning to IFRS. Thus, understanding the factors that drive or hinder effective IFRS implementation in TBL can offer valuable lessons for other businesses navigating similar transitions. By exploring the relationship between IFRS knowledge, compliance, and accounting competence, the study aims to provide actionable insights into how these factors influence financial performance in an emerging market context.

1.1 Statement of the Problem

The adoption of International Financial Reporting Standards (IFRS) is a critical shift in the accounting field aimed at enhancing financial transparency and comparability across global markets. For companies like Tanzania Breweries Limited (TBL), operating in competitive and interconnected sectors, understanding how this transition affects financial performance is essential for stakeholders and investors who depend on transparent financial reporting to make informed decisions. While IFRS adoption has become increasingly common in emerging markets, specific research on its impact on financial performance in companies operating within Tanzania's unique corporate and economic landscape remains limited.

Empirical studies by researchers such as Owolabi and Iyoha (2020), Kim and Shi (2020), and Ahmed, Neel, and Wang (2019) have explored the broader implications of IFRS adoption, noting its role in promoting financial transparency and comparability. These studies provide valuable insights into the challenges and benefits associated with IFRS but often do not delve into its nuanced effects on financial performance in developing economies. Although IFRS adoption is associated with potential advantages like improved corporate accountability and increased foreign investment appeal, the direct financial performance outcomes for companies in emerging markets, particularly in Tanzania, are not well-documented.

This study addresses the gap by conducting a detailed examination of how IFRS adoption impacts TBL's financial performance, focusing on key factors such as accountants' knowledge of IFRS, adherence to reporting standards, and the competence of accounting personnel. By analyzing these independent variables, the research aims to provide empirical evidence that reveals how IFRS adoption affects financial outcomes for TBL and other companies in similar contexts. The findings are expected to contribute to the broader discourse, informing policies, regulatory frameworks, and corporate strategies in Tanzania and other developing economies transitioning to IFRS, thereby supporting better financial practices and enhancing investor confidence.

1.2 Objectives of the Study

The general objective of this study was to examine the effect of International Financial Reporting Standards (IFRS) adoption on the financial performance: A Case of Tanzania Breweries Limited (TBL) at Ilemela District, Tanzania. This was guided by three specific objectives

- i. To assess the effect of knowledge of IFRS in reporting on profitability.
- ii. To evaluate the effect of adherence to IFRS in reporting on liquidity position.
- iii. To investigate the effects of accountant's competences in IFRS practices on the company's market value.

2.0 THEORETICAL UNDERPINNING

The International Accounting Standards Board (IASB), established in 2001 and headquartered in London, plays a central role in the development of IFRS. Its primary mission is to develop a single set of high-quality global accounting standards that promote transparency and comparability in financial reporting. The IASB collaborates with national standard-setters to align local accounting practices with global standards, facilitating the convergence of accounting rules worldwide. The IFRS framework provides a consistent approach to financial reporting, enhancing the comparability and reliability of financial statements across countries and industries (Kordecki & Grant, 2023).

The IASB initially adopted the International Accounting Standards (IAS) issued by its predecessor, the International Accounting Standards Committee (IASC). Over time, the scope of IFRS has expanded to include IFRS standards, IFRIC Interpretations, IAS, and SIC Interpretations. This expansion reflects the dynamic nature of the accounting profession, which continuously adapts to new business practices and the growing demand for consistent financial reporting across borders. The ongoing adoption of IFRS seeks to address these challenges by providing a common framework for financial reporting, ensuring that financial statements are comparable and reliable across jurisdictions (Agana & Domeher, 2023).

The theoretical foundation of this study draws on Agency Theory, which provides valuable insights into the relationship between shareholders and managers, particularly in the context of IFRS adoption and its implications for financial performance.

2.1 Agency Theory

Agency Theory, first formalized by Jensen and Meckling (1976), examines the relationship between principals (shareholders) and agents (managers). In this framework, shareholders hire managers to act in their best interests, but managers, as agents, may not always act in alignment with shareholder interests. This misalignment is often attributed to differences in risk preferences, information asymmetry, and personal incentives, which may lead to decisions that benefit managers at the expense of shareholders (Watts & Zimmerman, 2004).

In the context of IFRS adoption, Agency Theory is relevant for understanding how the introduction of global financial reporting standards may influence the behavior of managers and the information asymmetry between managers and shareholders. The adoption of IFRS can mitigate some of these agency problems by promoting greater transparency and providing standardized guidelines for financial reporting. However, it also highlights the need for careful monitoring and governance mechanisms to ensure that managers adhere to IFRS principles and act in the best interests of shareholders.

2.1.1 Assumptions of Agency Theory

Agency Theory is built on several core assumptions that shape the understanding of the principal-agent relationship, particularly in corporate governance. These assumptions help explain the potential conflicts that arise between shareholders and managers and their implications for financial reporting and performance.

Conflict of Interest: One of the foundational assumptions of Agency Theory is the conflict of interest between principals (shareholders) and agents (managers). Shareholders are focused on maximizing their returns on investment, which is achieved by ensuring the company is managed efficiently and profitably. Managers, however, may have personal interests that do not align with those of the shareholders. For instance, managers may prioritize job security, personal power, or higher compensation, even when these objectives do not contribute to increasing shareholder value. This divergence in goals creates the potential for agency conflicts, where managerial decisions may not always reflect the best interests of shareholders.

In the context of IFRS adoption, the potential for conflict arises if managers manipulate or selectively apply IFRS standards to present a more favorable view of the company's financial position. This can lead to misrepresentation of financial performance, affecting shareholders' ability to make informed decisions.

Information Asymmetry: Another crucial assumption of Agency Theory is information asymmetry. Managers typically have more detailed and up-to-date information about the company's operations, financial status, and future prospects than shareholders. This imbalance of information can result in managers exploiting their advantage to pursue personal objectives that may not align with shareholders' interests. For example, managers may withhold unfavorable information or engage in aggressive earnings management to project an overly positive financial image.

The adoption of IFRS is seen as a mechanism to reduce information asymmetry. By standardizing financial reporting practices, IFRS ensures that financial statements are more transparent, enabling shareholders to access accurate and comparable financial data. However, effective oversight by the board of directors and external auditors is essential to ensure that IFRS compliance is genuine and that financial statements are not manipulated to serve managerial interests.

Rational Self-Interest: Agency Theory also assumes that both principals and agents are rational actors, motivated by self-interest. Managers are assumed to pursue personal benefits, such as higher salaries, bonuses, or perks, which may influence their decisions. Shareholders, on the other hand, seek to maximize their investment returns. This difference in motivations can create conflicts when managerial actions are not in alignment with shareholder goals.

In the case of IFRS adoption, rational self-interest may drive managers to adopt aggressive accounting practices that enhance short-term profitability, potentially at the cost of long-term shareholder value. Transparent and consistent application of IFRS can help mitigate these risks by providing a clearer and more standardized view of a company's financial position, reducing the opportunity for manipulation.

Incentives and Monitoring: Agency Theory suggests that conflicts of interest and information asymmetry can be mitigated through incentives and monitoring mechanisms. Performance-based compensation, such as stock options or profit-sharing arrangements, can align the interests of managers with those of shareholders, motivating managers to act in ways that enhance company performance. Monitoring mechanisms, including audits, board oversight, and financial reporting requirements, ensure that managers are held accountable for their actions and that financial reports accurately reflect the company's performance.

In the context of IFRS, the adoption of standardized reporting practices can act as a form of monitoring, ensuring that managers adhere to global accounting principles and that financial information is presented fairly. Additionally, independent audits and regular reviews by the board of directors' help ensure that financial statements comply with IFRS, reducing the risk of agency costs.

Risk Aversion: A final assumption of Agency Theory is that principals and agents have different attitudes toward risk. Shareholders, particularly those with diversified portfolios, may be more willing to take risks to achieve higher returns, while managers may be more risk-averse, as their compensation and job security are often tied to the company's performance. This difference in risk tolerance can create conflicts if managers avoid taking actions that are in the long-term interest of shareholders due to perceived risks.

IFRS adoption can help mitigate some of these issues by providing a standardized framework for reporting that reduces uncertainty and allows for more accurate assessments of a company's risk profile. By improving the transparency and comparability of financial statements, IFRS facilitates better decision-making by both shareholders and managers, enabling them to better manage risks.

2.1.2 Strength of Agency Theory

Agency Theory offers a robust theoretical framework for understanding the complex relationship between shareholders (principals) and managers (agents) within a corporate setting, especially when evaluating the impact of International Financial Reporting Standards (IFRS) adoption on financial

performance. This relationship is crucial to the study of how IFRS influences key financial metrics such as profitability, liquidity, and market value. Agency Theory's strengths lie in its emphasis on reducing information asymmetry, aligning incentives, and optimizing control mechanisms, all of which play vital roles in improving financial outcomes in the context of IFRS adoption.

Reducing Information Asymmetry: One of the primary strengths of Agency Theory is its focus on reducing information asymmetry between managers and shareholders. In traditional agency relationships, managers often have more detailed and comprehensive knowledge of the company's operations, financial performance, and future outlook than shareholders. This disparity in information can lead to conflicts of interest, as managers might exploit their informational advantage to pursue personal agendas that are not aligned with shareholder interests.

When applied to the context of IFRS, Agency Theory helps explain how standardized financial reporting practices can mitigate these information gaps. By ensuring transparency, comparability, and reliability in financial statements, IFRS reduces the opportunity for managers to withhold or manipulate financial information, thereby providing shareholders with a clearer and more accurate picture of the company's performance. This, in turn, helps align managerial actions with shareholder interests, improving decision-making and reducing the potential for opportunistic behavior (Ball, 2020). Thus, IFRS adoption supports the agency relationship by fostering greater accountability and reducing agency costs that arise from information asymmetry.

Aligning Incentives: Another key strength of Agency Theory is its emphasis on incentive alignment between managers and shareholders. Agency Theory posits that to mitigate conflicts of interest, managers must be incentivized in ways that align their goals with those of the shareholders. The adoption of IFRS plays a critical role in this process, as it can serve as a framework that encourages managers to act in the best interests of shareholders.

Performance-based compensation is one example of how incentives can be structured to promote alignment. If managers are rewarded based on financial metrics like profitability or market value, adhering to IFRS becomes a means to ensure that these metrics are accurately and reliably reported. The transparency and comparability provided by IFRS help establish a fair and standardized basis for evaluating financial performance, thereby reinforcing the link between managerial behavior and shareholder value (Chen, 2024). As such, Agency Theory's focus on incentives supports the idea that rigorous compliance with IFRS can lead to better financial outcomes by motivating managers to make decisions that enhance profitability, liquidity, and market valuation.

Monitoring and Control Mechanisms: Agency Theory also highlights the importance of monitoring and control mechanisms in reducing agency costs. Shareholders, who are typically less informed about day-to-day operations, rely on external monitoring mechanisms such as audits, regulatory

oversight, and adherence to financial reporting standards like IFRS to ensure that managerial decisions align with their interests.

The role of external audits and regulatory oversight in ensuring the integrity of financial reports becomes particularly relevant when applying Agency Theory to IFRS adoption. The standardization of financial reporting through IFRS minimizes the potential for managerial manipulation of financial statements, thereby enhancing the reliability and accuracy of the information shared with shareholders. This reduces the need for costly and complex monitoring mechanisms, such as frequent shareholder interventions or internal controls, which are often necessary when financial reporting lacks transparency (Wagenhofer, 2015). In this regard, IFRS adoption, coupled with competent accountants who understand and apply the standards properly, strengthens the monitoring framework, leading to a more efficient use of resources and improved corporate governance.

Risk Management and Long-Term Decision-Making: Agency Theory also addresses the issue of risk management in corporate decision-making, particularly the differences in risk tolerance between managers and shareholders. Managers are often more risk-averse because their job security and compensation may be closely tied to the company's performance, whereas shareholders especially those with diversified portfolios may be more willing to accept higher risks in exchange for higher returns.

The adoption of IFRS can help reduce these discrepancies in risk tolerance by standardizing reporting and reducing managerial discretion. IFRS provides a transparent, consistent framework for financial reporting, which helps investors make informed decisions based on comparable data across companies and countries. By limiting managerial discretion, IFRS can mitigate the risk-aversion behavior of managers, ensuring that they are not overly cautious when making decisions that could benefit the company in the long term. In this sense, IFRS adoption can foster better risk management practices that align with shareholder interests, encouraging managers to take calculated risks that drive long-term growth (Christensen, Hail, and Leuz, 2021).

Predictive Power and Long-Term Financial Performance: Finally, Agency Theory's predictive power makes it particularly useful in assessing the potential outcomes of IFRS adoption. The theory provides a clear understanding of how changes in financial reporting standards, such as the adoption of IFRS, are likely to influence managerial behavior and, by extension, financial performance. By focusing on the reduction of agency costs, alignment of incentives, and improved monitoring, Agency Theory offers insights into the long-term impacts of IFRS on profitability, liquidity, and market value.

For instance, a company like Tanzania Breweries Limited (TBL) adopting IFRS is likely to see improvements in investor confidence, better access to international capital markets, and enhanced market competitiveness. These long-term benefits result from improved transparency and

comparability in financial reporting, which reduce information asymmetry and align managerial actions with shareholder interests. Agency Theory provides a framework for understanding how these dynamics unfold over time, making it a valuable tool for predicting the broader financial impacts of IFRS adoption (Fama and Jensen, 2020).

2.1.3 Weakness of Agency Theory

Narrow Focus on Principal-Agent Relationship: One of the main limitations of agency theory is its narrow focus on the principal-agent relationship. The theory's emphasis on the conflict between shareholders and managers overlooks the broader range of stakeholders involved in corporate governance, including auditors, regulatory bodies, accountants, and even customers. IFRS adoption, for instance, has implications not only for shareholders and managers but also for other key stakeholders. The improved transparency and integrity of financial reports facilitated by IFRS adoption benefit not only shareholders but also regulators, who can better monitor compliance, and investors, who gain enhanced confidence in the financial health of the company (Ball, 2020).

Agency theory fails to account for these broader impacts. For example, IFRS adoption can enhance governance practices within the company, facilitate regulatory compliance, and promote higher levels of investor confidence (Florou & Pope, 2018). By focusing predominantly on the dyadic relationship between shareholders and managers, agency theory neglects the external and internal stakeholders whose interests are also impacted by the adoption of IFRS. This broader perspective is essential for understanding the full impact of IFRS on corporate governance and financial performance, which agency theory does not fully address.

Overemphasis on Conflict and Underestimation of Cooperation: Another significant limitation of agency theory is its assumption that conflicts of interest are inevitable between shareholders and managers. This assumption leads to the belief that managers must always be monitored and incentivized to align their actions with shareholder interests (Fama & Jensen, 2020). However, the adoption of IFRS can help reduce the need for such stringent oversight by aligning the interests of shareholders and managers through improved financial transparency and accountability.

For example, IFRS provides a standardized and transparent financial reporting framework that enhances communication between managers and shareholders. This enhanced transparency can reduce the need for excessive monitoring because both parties have access to clear, comparable financial information. In practice, the adoption of IFRS can foster cooperation between managers and shareholders, as both groups work toward common goals such as improved financial performance and enhanced market competitiveness. This potential for cooperation and alignment of interests is largely overlooked by agency theory, which tends to emphasize conflict rather than the synergies that can emerge from shared goals (Christensen, Hail, & Leuz, 2021).

Simplistic View of Rational Self-Interest: Agency theory operates on the assumption that both principals (shareholders) and agents (managers) are rational self-interest maximizers, motivated solely by financial returns or personal benefits, such as compensation and job security (Scott, 2021). While this assumption may hold in some contexts, it oversimplifies the complex realities that influence managerial decisions.

For example, the decision to adopt IFRS is not driven purely by the desire to maximize shareholder returns or by the individual benefits of managers. Rather, IFRS adoption is often influenced by a combination of regulatory, institutional, and cultural factors. In the case of TBL, for instance, managers may choose to adopt IFRS not only to meet shareholder expectations but also to comply with regulatory mandates or align with global industry standards. This strategic decision could enhance the company's reputation in international markets and provide access to new sources of capital (Khlif & Chalmers, 2021).

Moreover, cultural norms and societal expectations may also shape managerial decisions in ways that are not fully captured by agency theory's rational self-interest assumption. This limitation means that agency theory fails to account for the broader, multifaceted motivations that may influence decisions like IFRS adoption. As such, it is less effective in explaining how external factors—such as regulatory requirements and global market expectations—shape strategic decisions that ultimately affect corporate governance and financial performance.

Short-Term Focus and Underestimation of Long-Term Benefits: Agency theory places significant emphasis on mechanisms designed to reduce agency costs in the short term, such as monitoring, performance-based compensation, and incentive structures (Ball, 2020). While these mechanisms can be effective in the immediate term, they overlook the long-term strategic benefits of decisions such as IFRS adoption.

The adoption of IFRS is not merely a tool for immediate control or short-term performance improvement. Rather, it represents a long-term investment aimed at enhancing the transparency, comparability, and credibility of financial statements. For a company like TBL, the long-term benefits of adopting IFRS may include enhanced investor confidence, easier access to international capital markets, and improved competitiveness in the global market. These advantages, which contribute to sustained financial growth, are not adequately captured by agency theory, which tends to focus on short-term governance structures and performance metrics (Fama & Jensen, 2020). As a result, agency theory is less effective in explaining the broader, longer-term impacts of IFRS adoption on organizational performance.

Managerial Risk Aversion and Standardized Reporting: Agency theory also posits that managers tend to be more risk-averse than shareholders due to their compensation structures and job security concerns (Christensen, Hail, & Leuz, 2021). However, this assumption does not fully account for the role of external frameworks like IFRS in mitigating risk aversion.

IFRS adoption introduces stricter reporting guidelines that reduce managerial discretion in financial reporting. By providing a more standardized and transparent reporting framework, IFRS limits the opportunities for managers to manipulate financial outcomes, thus reducing the risk of non-compliance or financial mismanagement.

In the case of TBL, adopting IFRS can compel managers to adhere to stricter financial reporting standards, preventing them from avoiding necessary risks that could benefit the company in the long term. Agency theory, however, overlooks how external frameworks like IFRS can address managerial risk aversion by standardizing financial reporting practices. This limitation highlights the need to expand the theoretical framework to better understand how IFRS adoption influences managerial behavior and aligns it more closely with shareholder interests (Fama & Jensen, 2020).

3.0 METHODS AND MATERIALS

3.1 Research Philosophy

Adopting a positivist research philosophy for studying the effects of International Financial Reporting Standards (IFRS) adoption on financial performance in Tanzania involves focusing on objective data and measurable outcomes (Brown, 2023). This approach is rooted in the idea that there is a reality that can be objectively measured and quantified, irrespective of individual biases or perceptions.

3.2 Study Design and Context

A cross-sectional research design was applied, which allows for analyzing the effects of IFRS adoption on financial performance indicators in a single time frame, providing a robust snapshot of IFRS impact in Tanzania's dynamic corporate environment (Garcia, 2023).

3.3 Study Area, Target Population and Sample Size

3.3.1 Study Area

The study was conducted at Tanzania Breweries Limited, located in Ilemela District, Mwanza Region, Tanzania. TBL is one of the largest beverage manufacturing companies in the country and operates within a regulated financial reporting environment governed by international accounting standards. The selection of this study area is analytically justified by its full adoption of International Financial Reporting Standards (IFRS), its structured financial reporting systems, and its interaction with regulatory institutions such as the National Board of Accountants and Auditors (NBAA). From a governance and organizational behavior perspective, TBL provides a suitable empirical setting where IFRS adoption is not only implemented but also operationalized across multiple departments including accounting, finance, and internal audit. This enables the study to capture both technical compliance and behavioral dimensions of financial reporting practices.

3.3.2 Target Population

The target population for this study comprised employees directly involved in financial reporting, auditing, and corporate governance processes within TBL and its associated regulatory environment. The total population consisted of 70 respondents, distributed across key functional units to ensure

representativeness of IFRS-related activities. These included the Accounting Department (20 staff, 29%), Internal Audit (10 staff, 14.3%), Finance Department (10 staff, 14.3%), Board of Directors and Managers (15 staff, 21%), and Regulatory Bodies (15 staff, 21%). This stratification is methodologically consistent with organizational research frameworks where different hierarchical and functional units influence financial reporting quality differently.

From a data governance standpoint, including regulatory bodies and top management strengthens the validity of the study by incorporating both preparers and overseers of financial statements. This multi-stakeholder population design reduces bias and improves construct validity, particularly when assessing variables such as IFRS knowledge, adherence, and professional competence. The population structure presented here is consistent with the original study dataset.

3.3.3 Sample Size

The study adopted a statistically determined sample size of 56 respondents drawn from the total population of 70 employees. This was established using a 95% confidence level and a 5% margin of error, which are standard thresholds in quantitative organizational research to ensure reliability and generalizability (Thompson, 2012). The sampling approach ensures that the findings reflect the broader population with minimal sampling error while maintaining operational feasibility.

The sample was proportionally allocated across departments to preserve the original population structure. Specifically, the Accounting Department contributed 16 respondents (29%), Internal Audit 8 respondents (14.3%), Finance Department 8 respondents (14.3%), Board of Directors and Managers 12 respondents (21%), and Regulatory Bodies 12 respondents (21%). This proportional stratified sampling enhances internal validity by ensuring that each subgroup is adequately represented in the analysis.

3.4 Data Collection Instruments

The study employed a structured questionnaire as the primary data collection instrument to obtain quantitative data from respondents involved in financial reporting and governance at Tanzania Breweries Limited. The selection of a questionnaire is methodologically consistent with positivist and explanatory research designs, where standardized data is required for statistical testing of relationships between variables such as IFRS knowledge, adherence, competence, and financial performance.

The questionnaire was designed using a five-point Likert scale, ranging from 1 = Strongly Disagree to 5 = Strongly Agree. This scaling approach allows for the quantification of perceptions and attitudes, enabling transformation of qualitative opinions into measurable variables suitable for econometric analysis. From a data analytics perspective, Likert-scale instruments improve reliability and allow for the computation of composite indices, mean scores, and regression coefficients.

3.5 Data Analysis

The data collected was analyzed using descriptive and inferential statistics with the assistance of Stata version 17. This software is equipped with advanced tools that facilitate a detailed examination of the information, enabling the derivation of meaningful insights and conclusions.

Descriptive statistics was employed to summarize and describe the characteristics of the data. Measures of central tendency, such as the mean and median were used to determine the average or typical values of the variables. The standard deviation was calculated to assess the variability or dispersion of the data points around the mean. Additionally, percentages or proportions were calculated to present categorical variables in a meaningful way. These descriptive statistics was to offer a clear overview of the data and its distribution.

Furthermore, inferential statistics was utilized to draw conclusions and make inferences beyond the collected sample. Statistical tests, such as t-tests or chi-square tests, were conducted to determine if there are significant differences or associations between variables. Regression analysis might be employed to examine the relationships and predict outcomes based on independent variables. The p-values derived from these inferential statistics indicate the level of statistical significance, guiding the decision-making process and allowing for generalizations to a larger population.

To address the research objectives, data was collected through questionnaires, targeting different aspects of IFRS adoption and its impact on financial performance at Tanzania Breweries Limited (TBL). For assessing the effect of knowledge of IFRS in reporting on profitability, data on the level of IFRS knowledge among accountants and profitability metrics such as Return on Assets (ROA) and Net Profit Margin (NPM) was collected and analyzed using descriptive statistics and regression analysis in Stata. To evaluate the effect of adherence to IFRS in reporting on liquidity position, data on adherence levels and liquidity metrics such as Current Ratio and Quick Ratio was gathered and analyzed using chi-square tests and regression analysis (Johnson and Lee, 2023). Finally, to investigate the effects of accountants' competences in IFRS practices on the company's market value, data on professional qualifications, experience, and IFRS competency assessments, alongside market value indicators like stock price and Market Capitalization, was collected and analyzed through correlation and regression analyses (Garcia and Thomas, 2023). This comprehensive approach using Stata ensures a robust examination of the relationship between IFRS adoption and financial performance at TBL. The formula for multiple regression model predicting financial performance can be expressed as:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$$

Where:

Y Represents the dependent variable for financial performance.

X₁ Represents knowledge of the standards amongst accountants.

X₂ Represents adherence of standards in reporting.

X₃ Represents Accountant competence.

β_0 Represent intercept term.
 $\beta_1, \beta_2, \beta_3$ Represent the coefficients for each independent variable, indicating the strength and direction of their impact on the dependent variables.

4.0 RESULTS AND DISCUSSIONS

4.1 Results

4.1.1 IFRS Knowledge and Profitability

The descriptive statistics indicate that, based on 56 observations, the mean profitability score is 7.84 with a standard deviation of 1.47, reflecting a relatively high level of financial performance with moderate variation. In terms of IFRS knowledge, the mean score is 3.69 with a standard deviation of 0.39, suggesting that respondents possess a high and consistent level of understanding of IFRS. The values range between 3.0 and 4.5, indicating that most respondents fall within the upper range of the scale. The low dispersion further implies that IFRS knowledge is widely distributed across departments, which is critical for ensuring consistency and reliability in financial reporting practices.

From an analytical perspective, these findings suggest that the organization has established a strong knowledge base supported by training and professional development initiatives, which enhances accurate application of IFRS standards. Linking this to Agency Theory, higher IFRS knowledge reduces information asymmetry between managers and shareholders by improving transparency and reliability of financial statements. This enables better monitoring of managerial actions and reduces agency costs. The observed high profitability may therefore be partly attributed to improved financial reporting quality and compliance with IFRS. Empirical evidence from firms listed on the Dar es Salaam Stock Exchange supports this argument, showing that organizations with strong IFRS capacity tend to achieve better disclosure quality, increased investor confidence, and improved overall financial performance.

Table 4.1: Descriptive Statistics on IFRS knowledge and Profitability

Variable	Observation	Mean	Std. dev.	Mi	Max
Profitability	56	7.839286	1.470480	5	10
IFRS Knowledge	56	3.685714	0.3869578	3.0	4.5

4.1.2 Adherence to IFRS and Liquidity

The descriptive statistics in Table 4.2 indicate that, based on 56 observations, the mean liquidity score is 7.71 with a standard deviation of 1.28, suggesting a relatively strong liquidity position with moderate variation among respondents. In terms of adherence to IFRS, the mean score is 3.97 with a standard deviation of 0.43, indicating a high level of compliance with IFRS standards. The values range between 3.0 and 4.8, reflecting that most respondents operate within the upper range of adherence, which demonstrates a strong

commitment to consistent financial reporting practices and disclosure requirements.

From an analytical perspective, the high level of adherence to IFRS suggests that the organization maintains strong compliance mechanisms, which enhances transparency and credibility of financial statements. Linking this to Agency Theory, strict adherence to IFRS reduces information asymmetry between managers and shareholders by ensuring that financial information is consistent, reliable, and transparent. This enables shareholders to monitor managerial performance more effectively, thereby reducing agency costs and potential conflicts of interest. The strong liquidity position (mean = 7.71) further indicates effective financial resource management, signaling that the organization is capable of meeting its short-term obligations. Empirical evidence from firms listed on the Dar es Salaam Stock Exchange supports the view that companies with high IFRS compliance tend to exhibit improved financial discipline, stronger investor confidence, and enhanced governance outcomes. Therefore, adherence to IFRS and strong liquidity management jointly contribute to improved financial performance and organizational stability.

Table 4.2: Descriptive Statistics on adherence to IFRS

Variable	Observation	Mean	Std. dev.	Mi	Max
Liquidity	56	7.714286	1.275335	5	10
Adherence to IFRS	56	3.971429	0.426016	3.0	4.8

4.1.3 Competency in IFRS Practices and Market Value

The descriptive statistics in Table 4.3 indicate that, based on 56 observations, the mean market value is 8.13 with a standard deviation of 1.30, suggesting a relatively high firm valuation with moderate variation. In terms of accountants' competences in IFRS, the mean score is 4.08 with a standard deviation of 0.39, indicating a strong and consistent level of proficiency among respondents. The values range from 3.5 to 5, which shows that all respondents possess relatively high competence in IFRS application, reflecting strong technical capability in financial reporting practices.

From an analytical perspective, the high level of competence suggests that the organization has invested in human capital development through training, certification, and professional exposure, which enhances the accuracy and reliability of financial statements. In line with Agency Theory, competent accountants play a critical role in reducing information asymmetry between managers and shareholders by ensuring that financial reports are transparent, accurate, and compliant with IFRS standards. This reduces the risk of managerial opportunism and strengthens monitoring efficiency. The relatively high market value (mean = 8.13) indicates that firms with strong IFRS competence are likely to be valued more positively by investors due to increased trust in financial disclosures. Evidence from companies listed on the Dar es

Salaam Stock Exchange supports this relationship, showing that firms with higher accounting competence and reporting quality tend to attract more investment and achieve stronger market performance. Therefore, accountant competence in IFRS is a key determinant of financial transparency, governance quality, and overall firm value.

Table 4.3: Descriptive Statistics on Accountant's competences in IFRS

Variable	Observation	Mean	Std. dev.	Min	Max
Market value	56	8.125	1.299621	5	10
Accountants' competences in IFRS	56	4.083333	0.3920347	3.5	5

4.2 Discussion

The adoption of International Financial Reporting Standards (IFRS) is pivotal in improving the quality of financial reporting, as it standardizes accounting practices across organizations, thereby enhancing comparability and transparency. This alignment with global standards not only streamlines reporting processes but also bolsters investor confidence by reducing information asymmetry (Florou & Kosi, 2023). For companies like Tanzania Breweries Limited (TBL), adopting IFRS has proven beneficial in improving financial efficiency, attracting investments, and gaining a competitive advantage in both local and international markets.

However, despite these benefits, the study reveals that companies operating in emerging markets such as Tanzania, encounter significant challenges in fully implementing IFRS. A critical barrier is the limited availability of resources for comprehensive training and compliance monitoring. These constraints are often due to budget limitations, insufficiently skilled personnel, and a lack of robust regulatory frameworks (Darmadi, Setiawan, & Cahyaningtyas, 2023). In TBL's case, while the company has made strides in adopting IFRS, it still faces hurdles related to continuous staff training and upgrading of financial reporting systems to align with these international standards.

Addressing these challenges requires a multidimensional approach. Tailored support from local regulatory bodies, such as the Tanzania Revenue Authority and the National Board of Accountants and Auditors (NBAA), can play a greater role in ensuring that companies have the necessary tools and guidance for proper IFRS adoption. Moreover, raising institutional commitment to these standards is essential for creating a culture that prioritizes financial transparency and adherence to global best practices (Maina, Kim, & Brown, 2023). This can include government-led initiatives, such as subsidies for training programs or incentives for companies that achieve full compliance, which would support firms like TBL in overcoming resource-related barriers.

Furthermore, collaboration between the private sector, academia, and professional accounting bodies can enhance knowledge sharing and capacity building. By investing in continuous professional development, firms can ensure that their financial teams are proficient in applying IFRS which ultimately contributes to more accurate financial reporting and improved market valuations. As Florou and Kosi (2023) emphasize, the benefits of IFRS are maximized when organizations are supported by regulatory frameworks that enforce compliance and provide consistent oversight.

5.0 CONCLUSION

The study confirms that adopting International Financial Reporting Standards (IFRS) has a positive impact on financial performance, especially in emerging markets like Tanzania. By implementing IFRS, organizations such as Tanzania Breweries Limited (TBL) have improved the accuracy, transparency, and comparability of their financial statements. This has not only enhanced operational efficiency but also increased the firm's attractiveness to both local and international investors. The alignment with global reporting standards raising better financial management, thereby driving profitability, liquidity, and market value growth (Li, Rajgopal, & Venkatachalam, 2022; Florou & Kosi, 2023).

However, the study also highlights challenges, particularly in emerging markets where limited resources, insufficient training, and inadequate regulatory enforcement can impede effective IFRS implementation. Addressing these challenges is important for organizations to fully leverage the benefits of IFRS adoption.

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