

IFRS® STANDARDS—APPLICATION AROUND THE WORLD



JURISDICTIONAL PROFILE: **Ethiopia**

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This Profile provides information about the application of IFRS® Accounting Standards (Standards) in Ethiopia. The Standards are developed and issued in the public interest by the International Accounting Standards Board (IASB). The IASB is the standard-setting body of the IFRS Foundation (Foundation), an independent, private sector, not-for-profit organisation.

The Foundation has prepared this Profile based on information from various sources. The starting point was the answers provided by standard-setting and other bodies in response to surveys the Foundation conducted on the application of the Standards around the world. The Foundation drafted the profile and invited the respondents to the survey. The Foundation also invited others (including regulators and international audit firms) to review the drafts. Their comments are reflected in this Profile.

The purpose of the Foundation's Jurisdictional Profiles is to illustrate only the extent of implementation of the Standards across the globe. The Profiles do not reflect the intellectual property licensing status of the Standards within any given jurisdiction. The Standards are protected by copyright and are subject to licensing arrangements agreed upon within their jurisdiction. For further information, please contact permissions@ifrs.org.

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RELEVANT JURISDICTIONAL AUTHORITY

Organisation	Accounting and Auditing Board of Ethiopia (AABE)
Role of the organisation	AABE is an endorsement body (endorses the Accounting Standards issued by the IASB).
Website	http://www.aabe.gov.et/
Email contact	infoaabe20@gmail.com

COMMITMENT TO GLOBAL FINANCIAL REPORTING STANDARDS

Has the jurisdiction made a public commitment in support of moving towards a single set of high quality global accounting standards?	Yes.
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Has the jurisdiction made a public commitment towards IFRS Accounting Standards as that single set of high quality global accounting standards?	Yes.
What is the jurisdiction's status of adoption?	Ethiopia has adopted IFRS Accounting Standards.
Additional comments provided on the adoption status?	Ethiopia has adopted IFRS Accounting Standards for publicly accountable entities/banks, insurance companies, government-owned enterprises and other reporting entities classified as publicly accountable based on the threshold set by the AABE and the <i>IFRS for SMEs</i> Accounting Standard. IFRS Accounting Standards and the <i>IFRS for SMEs</i> Accounting Standard were first adopted in 2019 and 2020 respectively. However, for companies that were unable to apply the Standards in 2019 and 2020, the AABE revised the adoption date to 7 July 2023 for IFRS Accounting Standards and 7 July 2024 for the <i>IFRS for SMEs</i> Accounting Standard.
If the jurisdiction has NOT made a public statement supporting the move towards a single set of accounting standards and/or towards IFRS Accounting Standards as that set of standards, explain the jurisdiction's general position towards the adoption of IFRS Accounting Standards in the jurisdiction.	Not applicable.
EXTENT OF IFRS APPLICATION	
<i>For DOMESTIC companies whose debt or equity securities trade in a public market in the jurisdiction:</i>	
Are all or some domestic companies whose securities trade in a public market either required or permitted to use IFRS Accounting Standards in their consolidated financial statements?	Yes. Ethiopia currently has no securities market. Plans have, however, been initiated to form a securities exchange. The formalities for the <i>oversight</i> body—the Ethiopian Capital Markets Authority—are being completed prior to the formation of a securities exchange.
If YES, are IFRS Accounting Standards REQUIRED or PERMITTED?	They will be required.
Does that apply to ALL domestic companies whose securities trade in a public market, or only SOME? If some, which ones?	ALL publicly traded domestic companies will be REQUIRED to use IFRS Accounting Standards. Use of IFRS Accounting Standards in Ethiopia is required by Proclamation 847/2014 for publicly accountable entities such as banks, insurers government-owned entities, other financial institutions and other reporting entities classified as public based on criteria set by the IASB. Companies classified as SMEs are required to apply the <i>IFRS for SMEs</i> Accounting Standard. Micro enterprises are not within the scope of the proclamation.
Are IFRS Accounting Standards also required or permitted for more than the consolidated financial statements of companies whose securities trade in a public market?	Yes.
For instance, are IFRS Accounting Standards required or permitted in separate company financial statements of companies whose securities trade in a public market?	Permitted.

For instance, are IFRS Accounting Standards required or permitted for companies whose securities do not trade in a public market?

Required for some companies based on the quantitative threshold set by the AABE and permitted for those companies that do not satisfy the threshold. Share companies are required to adopt full IFRS Accounting Standards if they are within the definition of a public-interest entity. Public limited companies are required to apply IFRS Accounting Standards based on the threshold: (i) either full IFRS Accounting Standards; or (ii) the *IFRS for SMEs* Accounting Standard.

If the jurisdiction currently does NOT require or permit the use of IFRS Accounting Standards for domestic companies whose securities trade in a public market, are there any plans to permit or require IFRS Accounting Standards for such companies in the future?

Not applicable.

For FOREIGN companies whose debt or equity securities trade in a public market in the jurisdiction:

Are all or some foreign companies whose securities trade in a public market either REQUIRED or PERMITTED to use IFRS Accounting Standards in their consolidated financial statements?

Yes. Ethiopia has no securities market, however, the oversight body, the Ethiopian Capital Markets Authority, will soon be operational. Once operational the next step will involve formation of a securities exchange. Foreign companies in our jurisdiction will be REQUIRED to report in accordance with IFRS Accounting Standards because they are defined as public-interest entities.

If YES, are IFRS Accounting Standards REQUIRED or PERMITTED in such cases?

REQUIRED.

Does that apply to ALL foreign companies whose securities trade in a public market, or only SOME? If some, which ones?

Those foreign companies that have established business in the country are required to apply full IFRS Accounting Standards or are given a waiver if the parent company's reporting framework is largely similar to IFRS Accounting Standards.

IFRS ENDORSEMENT

Which IFRS Accounting Standards are required or permitted for domestic companies?

IFRS Accounting Standards as issued by the IASB.

The auditor's report and/or the basis of presentation footnote states that financial statements have been prepared in conformity with:

IFRS Accounting Standards as issued by the IASB.

Does the auditor's report and/or the basis of preparation footnote allow for 'dual reporting' (conformity with both IFRS Accounting Standards and the jurisdiction's GAAP)?

No.

Are IFRS Accounting Standards incorporated into law or regulations?

Yes.

If yes, how does that process work?

Refer to Proclamation 847/2014.

If no, how do IFRS Accounting Standards become a requirement in the jurisdiction?

Not applicable.

Does the jurisdiction have a formal process for the 'endorsement' or 'adoption' of new or

No.

amended IFRS Accounting Standards (including Interpretations) in place?

If yes, what is the process?

Not applicable.

If no, how do new or amended IFRS Accounting Standards become a requirement in the jurisdiction?

New and amended IFRS Accounting Standards become a requirement through Proclamation 847/2014.

The reporting entities are informed of the new or amended IFRS Accounting Standards through various communication mediums including workshops.

Has the jurisdiction eliminated any accounting policy options permitted by IFRS Accounting Standards and/or made any modifications to any IFRS Accounting Standards?

No.

If yes, what are the changes?

Not applicable.

Other comments regarding the use of IFRS Accounting Standards in the jurisdiction?

None.

TRANSLATION OF IFRS ACCOUNTING STANDARDS

Are IFRS Accounting Standards translated into the local language?

No, they are not translated.

If they are translated, what is the translation process? In particular, does this process ensure an ongoing translation of the latest updates to IFRS Accounting Standards?

Not applicable.

APPLICATION OF THE IFRS FOR SMEs ACCOUNTING STANDARD

Has the jurisdiction adopted the *IFRS for SMEs* Accounting Standard for at least some SMEs?

Yes, the *IFRS for SMEs* Accounting Standard has been adopted based on the threshold that has been set.

If no, is the adoption of the *IFRS for SMEs* Accounting Standard under consideration?

Not applicable.

Did the jurisdiction make any modifications to the *IFRS for SMEs* Accounting Standard?

No.

If the jurisdiction has made any modifications, what are those modifications?

Not applicable.

Which SMEs use the *IFRS for SMEs* Accounting Standard in the jurisdiction, and are they required or permitted to do so?

All SMEs classified as SMEs based on criteria set by the AABE are REQUIRED to apply it.

For those SMEs that are not required to use the *IFRS for SMEs* Accounting Standard, what other accounting framework do they use?

Not applicable.

Other comments regarding use of the *IFRS for SMEs* Accounting Standard?

Companies are required to use the full IFRS Accounting Standards or the *IFRS for SMEs* Accounting Standard according to Proclamation 847/2014. SMES are classified based on criteria set by the AABE, but SMEs in the Ethiopian context are small and have found the *IFRS for SMEs* Accounting Standard difficult to use. As a result, the AABE updates the criteria for SMEs from time to time, which can create some inconvenience for reporting entities.