PUBLIC SECTOR ACCOUNTING STANDARDS PRACTICES AND QUALITY OF FINANCIAL REPORTING OF PUBLIC UNIVERSITIES IN KENYA

ANDREW MWAURA MBUGUA

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DECLARATION

I uphold that this research has not been presented to any other institution of higher learning.

Signed: ____ _________________Date: __11 December 2023________

ANDREW MWAURA MBUGUA

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This research project has been submitted for presentation with my approval as the University Supervisor

Signed: _ __ Date: December 11, 2023_________

DR. HERICK ONDIGO

SUPERVISOR

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LIST OF ABBREVIATION

CHE	Commission for Higher Education
CUE	Commission of University Education
IAS	International Accounting Standards
IFA	International Federation of Accountants
IFRS	International Financial Reporting Standard
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
PFM	Public Finance Management
SPSS	Statistical Package for Social Sciences

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Several international and local forums have raised concerns about the accuracy of public sector financial reporting owing to the inadequate data utilized to generate these reports. According to Abdul-Baki and Haniffa's research from 2020, insufficient financial data might influence judgments about public policy and lead to the production of false reports. The ultimate goal of financial reporting is to help stakeholders make educated decisions by providing them with accurate and actionable information about an organization's financial health. The International Accounting Standards Board (IASB) defines financial reporting as the dissemination of information about an entity's financial performance to a diverse group of users to help the users make more informed economic choices (IASB, 2009). Research by Meyer & Höllerer (2014) shows that making public financial data more accessible improves trust in government spending and aids in the effective allocation of public funds. Per the Governmental Accounting Standards Board (GASB), the dissemination of public institution's financial information of high quality is important in assisting the public in making informed decisions and also in satisfying the public's right to be informed of how public resources have been utilized.

There are a few different hypotheses that attempt to explain the connection and influence the implementation of the International Public Sector Accounting Standards (IPSAS) has on financial reporting. They try to bring attention to the goals of the company as well as the manner in which companies must perform their responsibilities. This research examines the influential ideas and players that shape the financial reporting of organizations, focusing on the IPSAS. This study, which investigates how Kenya's public universities' use of IPSAS affects the credibility of their financial reports, relies on the ideas of four different theorists: the institutional framework proposed by DiMaggio and Powell (1983), the legitimacy framework developed by Dowling and Pfeffer (1975), the Positive accounting framework developed by Ross Watts and Jerold Zimmerman (1978, 1986), and the stakeholder framework proposed by Ansoff (1965).

During the last ten years, Kenya's public universities have had extremely high rates of growth, but this expansion has not been followed by a proportional increase in the amount of financing received by these institutions (Achieng & Mvumbi, 2019). This rise of universities in the face of financial shortfalls and personnel surpluses is primarily a consequence of the unquenchable desire for higher degrees of education (Savuli, 2018). A study by the Public Investments Committee (PIC) demonstrates that public universities are having trouble meeting the financial responsibilities they have taken on, as stated in the Auditor General Report that was released on November 3rd, 2018. The Public Interest Commission (PIC) found that most public universities had a negative working capital during the 2013–2014 fiscal year in their accounting. Since universities are considered public entities and derive their funding from sources such as government grants, bursaries, donations, tuition fees, and the contributions of students (Republic of Kenya, 2006), having efficient procurement systems would enhance the appropriate utilization of public funds. Public accountability exists for the main reason of preventing waste and fraud with the money provided by the public as well as protecting citizens from harm (Baily, Farmer, Jessop and Jones, 2010).

1.1.1 Public Sector Accounting Standards Practices

The International Public Sector Accounting Standards (IPSAS), which were created by the IPSAS Board, are a collection of standards of accounting adopted by public sector entities across the planet (Doussy & Doussy, 2015). The IASB establishes these criteria, and they are published as the International Financial Reporting Standards (IFRS). Out of which, the IPSAS Board compiled the IPSAS regulations, which consist of 42 separate accrual standards, to establish international accounting practices for the public sector. These norms specify how financial reports need to be produced. Transparency was one of the primary goals in developing the IPSAS. The aim is to improve globally agreed standards to enable better assessments of the spending and asset decisions made by governments.

Intergovernmental organizations have adopted IPSAS as their standard accounting framework. The International Federation of Accountants published their findings in 2014. The IPSAS are dependent on the IFRS, which were formerly known as IAS. The IASB issues IFRSs. When applicable, the IPSASB revises IFRS to operate on a more flexible "open division" framework. Unless there is a serious open area concern that necessitates a deviation from those standards, the IPSASB makes an endeavor, when possible, to keep the accounting technique and the IFRS content unmodified. The IPSAS Board developed four IPSAS which are exclusive to the public sector. IPSAS 22 and 24 are on financial information disclosure of the overall government sector and budget inclusion in financial statements respectively. Accrual-based accounting, financial statement preparation, financial information disclosure, and projection of budgetary data are all parts of the plan.

The push toward adopting accrual accounting in government is motivated by the need to increase productivity of the public institutions. Public sector institutions should be governed by responsibility and professionalism while managing public funds (Deac, 2021). This is done to increase their financial responsibility and transparency, and as a result, to enhance the assessment of public sector performance. Accrual-based accounting must be implemented at Kenya's public universities since the modified-cash accounting system is inadequate for facilitating effective planning, regulation, and assessment of the institutions' operations (Sytnik, 2014).

Cash or accrual accounting may be used to provide reliable financial accounts. However, most Kenya's publicly supported universities do not create their financial statements in a standard, comparable format. According to Farcane, Căpuşneanu, and Briciu (2012), one of the most significant factors that contributes to the improper administration of finances is a backlog in the audit of educational institutions. This pushes the process of preparing financial accounts at Kenya's public colleges to the forefront of attention. It is not quite obvious whether or not the current accounting methods are achieving the intended objectives of relaying correct financial information to those charged with oversight within the organisation and enable them make sound economic decisions.

The disclosure concept, also known as the openness principle, requires that all information that could have an impact on the reader's comprehension be included in financial statements. Problems with inefficient financial performance at public institutions have been a significant obstacle in the way of accomplishing the government's education ambitions (Akinleye & Alaran-Ajewole, 2018). IPSAS 24 is relevant to public sector entities which are obligated to disclose their approved budget(s) to the public (Manei & Omagwa, 2019).

Overspending or underspending may lead to theft and misuse of university money, making inefficient budgeting one of the main causes that impedes effective administration at public institutions like universities. Poor budgeting can be traced back to several different causes. According to KIPPRA (2020) report, over fifty percent of Kenya’s public universities do not prepare budgets and ensure that these are interrogated and approved before implementation. In addition, they do not have working budgets and therefore spending is not pegged on approved budgetary allocations. Further, funds received for specific accounts are not accounted for in those accounts. As a result, the realization of this ideal is in jeopardy due to the dismal methods of financial management prevalent at public colleges.

1.1.2 Quality Financial Reporting

There is not a solitary, universally agreed upon, or particularly detailed meaning of the word "excellent financial reporting." In reality, the concepts of what constitutes effective financial reporting may vary greatly between people, across projects, and between organizations (Heiling, 2019). In spite of the fact that there are a great number of distinct definitions of excellent financial reporting, they all ultimately serve the same purpose: they provide individuals with the ability to establish value judgments on accounting information. A significant component in the discipline's value is the high standard to which financial accounting is considered to be performed (IFAC, 2015). The core assumption underpinning the concept of quality financial reporting is the belief that certain accounting information is more effective than other accounting information in conveying the information it purports to reflect. Therefore, it is because of this reason that participants in the financial reporting supply chain care a great deal about the financial reports' quality. For an organization that is being reported on, for instance, higher-quality financial reporting may translate into a reduced cost of financing. A higher quality of financial reporting may often result into a more lucrative deployment of resources for an investor (Talpas, 2016).

The quality of the work performed in the field of financial accounting is a primary factor that establishes its worth. The foundation of reliable financial reporting is the belief that certain forms of accounting information better reflect the concepts being represented than do other forms of accounting information (Bellanca & Vandernoot, 2014). Participants in the financial reporting supply chain have a significant stake, as a result, in the preparation of accurate financial reports. However, the phrase "excellent financial reporting" does not have a single meaning that is universally acknowledged by the financial community. A wide range of individuals, institutions, and industries have different conceptions of what it entails. However, in the ultimate analysis, any definition of account quality serves to do one thing: make it easier to develop value judgements based on accounting facts. Both the FASB and the International ASB put a premium on the creation of high-quality financial reports, but the issue of how to operationalize and quantify this quality remains a substantial barrier to progress in this area of study (Mungai & Muturi, 2019).

One of the many properties that the financial reporting could have is the capacity to be easily understood. This is a key feature of usable financial information, and it should be presented in a manner that is easy for people to comprehend. It is considered that the users have some level of understanding about business, economic operations, and accounting, and that they are ready to analyze the material in a conscientious manner. Another important attribute is relevance, which plays a role in the financial choices made by consumers. When knowledge plays either a predictive or a confirming function, it is considered relevant, and both roles are plainly tied to one another.

It is necessary for financial information to possess the quality of dependability for it to be regarded as valuable. It is reliable if it accurately portrays past events and current transactions and is free of major inaccuracies and biases. The financial statements must include all of this data while keeping far under any threshold that may be considered significant in terms of the cost of supplying it.

One aspect of comparability is whether or not two or more things are comparable, while the other is whether or not two or more times periods are comparable. To accomplish the latter, the notion of consistency must be used so that readers of financial statements may reliably spot patterns in an organization's financial condition and performance by drawing comparisons across time periods. The same structure and categorization of items should be used for each reporting period unless an analysis of the financial statements or a significant shift in the company's operation suggests that a different presentation would be more appropriate.

1.1.3 Public Sector Reporting Practices and Financial Reporting Quality

Per the International Federation of Accountants (IFA), IPSAS are reliable accounting standards appropriate for government reporting (2015). These rules are useful in enhancing the financial reporting quality levels because they require economic operations to be presented and disclosed in a manner that prioritizes the general public’s interests. The global financial crisis had far-reaching effects, and therefore, many governments' reporting of assets and liabilities came under scrutiny, leading to the creation of IPSAS. As a result, IPSAS was established to contribute to the enhancement of processes and to forestall the occurrence of future crises. The failure of many governments' financial reporting systems to foresee the problem in time, which eroded accountability in the public sector, was a wake-up call during the 2008 financial crisis, claim Khan and Mayes (2019). As a result, IPSAS was deemed to be the best option because to its comprehensive reporting structure, which regulates the requirements for recognition, measurement, presentation, and revelation in the accompanying financial statements (Yolanda, Wahyudi & Hakiki, 2020).

Consistent application of the IPSAS by public enterprises around the globe is necessary for them to be recognized by capital markets everywhere, which is why the IPSAS have been developed (IASB 2009). IPSAS are well regarded, even though there is no general agreement on what features make for good accounting standards. They are extensively used because they are the product of a synthesis of the finest accounting practices from throughout the globe and because, in comparison to most national accounting standards, they are more focused on the capital market (Ding et al. 2007). A popular piece of literature that lends credence to this view is an analysis conducted by Barth and colleagues (2008), who found that IPSAS adoption was associated with a high standard of accounting quality.

According to studies done by Barth et al., companies who voluntarily adopted IPSAS showed less control of profit potential, faster loss recognition, and a higher degree of importance placed on the significance of accounting income (2008). In addition to fostering more transparency, the set of principles around which IPSAS is built (Carmona and Trombetta 2008) encourages enterprises to produce accounting information that more faithfully reflects the economic content rather than the form (Maines et al. 2003). The fact that all these data support the assumption that organizations adopting the IPSAS are of high quality is further supported by the fact that matched sample firms that employ national accounting standards are of inferior quality. Additionally, other than contributing to production of high-quality financial reports, the IFRS make national and international financial statements more comparable to one another (Pownall and Schipper 1999).
According to research by Krambia-Kapardis and Clark (2010) on public sector financial reporting practices in Cyprus, the structure and display of financial information should be standardized and uniform across all government levels. It was also noted that the public does not have access to public sector financial reports information relating to most of the operations in government. This was one of the issues that was uncovered because of the research. In addition, the data suggested that the material was delivered after a considerable amount of time had passed, and as a result, the information was out of date in a number of cases, rendering it worthless to the receivers.

The Budget Office of South Korea introduced significant modifications to the country's monetary administration (PFM) in 2003. These changes included a performance-based planning framework, an integrated budgetary administration structure, and a medium term spending structure. This made the process of spending money easier, but it also raised a possible concern. There is a significant risk of having multi-year expenditure ceilings eroded in the absence of robust components for establishing them and sticking to them. In an effort to make the financial limitations more sustainable over time, the experts came up with a technique to promote open investment throughout the budgeting process. The administration may therefore say that any attempt to renegotiate the quota is futile, safe in the knowledge that an acceptable limit on consumption has been established. Residents' input has been sought to enhance the financial plan's execution and increase financial openness between state and municipal governments (International Budget Partnership, 2012).

1.1.4 Public Universities in Kenya

State or federal governments support public universities financially with a view to enabling the universities provide a conducive higher learning environment for its students. They get most of their funding from the state, as opposed to privately sponsored institutions. They are founded and given charters to guide their operations and achieve the benchmarks outlined in the High School Act. According to the CUE Report from 2014, Kenya has expanded its university system over the last two decades to keep up with the country's rising demand for higher education. Core funding for public sector organizations mainly come from the government.

The governance organ which oversees higher learning institutions in Kenya is the Commission for University Education (CUE). It replaced the Commission for Higher Education (CHE) which was formed by Law 42 of 2016 (the Universities Act) (CHE). In Kenya, there are 31 public universities, 6 public university colleges, 18 private universities, 14 institutions operating under Letters of Interim Authority (LIA), and 5 private university constituent colleges, as reported in the Kenya Education Sector Report 2016-2019 MTEF, Budget Report, (2016).

These institutions are responsible for the management of enormous sums of money that are contributed to the institutions by a variety of interested stakeholders. The government is one of these stakeholders, since it provides the majority of the funding for universities' operating expenses. Other stakeholders include members of the public as well as those in charge of operations that generate cash. Because of this, the notion of financial management is a primary focus inside these organizations. Under the heading "Part IV," individual university legislation each have a part devoted to financial concerns (Universities Act, 2016). According to the Universities Act, 2016, the university council must approve the annual estimates before the beginning of the fiscal year to which they apply, and then they must be submitted to the Cabinet Secretary for approval. This is a requirement that must be met before the annual estimates can be considered final. The Universities Act of 2016 has provided institutions with greater autonomy, allowing them to better manage their own internal affairs. These universities now have more room for maneuvering as a result.

1.2 Research Problem

According to the IASB, the quality of the information supplied and the degree to which reported outcomes match stated objectives are the two most critical aspects in evaluating the reliability of a company's financial statements. When financial reports have these qualitative features, it increases the likelihood that they will be of a high quality and used for decision-making purposes (Siriyama et al., 2017). Accurate, comparable, verifiable, current, and understandable financial reporting are required for this status. Therefore, the focus is placed on providing financial reports that are both transparent and do not provide consumers with any false information (Gajevszky, 2015). The usefulness of accounting information is contingent on the existing demands at a specific moment and how it can be utilized to address the particular issues and to do this; it must be reported within the constraints of intrinsic attributes (Koros, 2016). It is crucial that financial reporting should, in essence, give high-quality financial reports regarding economic entities.

Preparing financial reports for public sector businesses requires strict adherence to deadlines and the highest standards of accuracy and reliability. It is critical for public universities to have sound accounting procedures since accurate financial reporting underpins all aspect of university life and determines the institution's overall effectiveness (Paisey, 2014). Public universities may better monitor their operations, including budgeting, income, financial reporting and taxes, with the assistance of sound accounting standards (Nupakorn & Phapruke, 2014). Therefore, accounting processes are an extremely important instrument for producing high-quality financial reports (Horvat, 2017).

According to the results of an IMF research titled "Kenya: Fiscal Transparency Evaluation," it has been estimated that around 28 percent of direct expenditures made by the national and local governments in Kenya are not disclosed at all. Also, there seemed to be inconsistency during the consolidation of information, which makes it hard to reconcile the many public statements and figures. The inaccuracies in the reporting procedures used by the Kenyan public sector have had a detrimental effect on both the reliability and the value of the reports produced by that sector (IMF, 2020).

The PSASB (2021) presented a study showing serious issues with the accuracy of financial reporting at public institutions. In the existing reporting structure for public universities, important financial information that is necessary for decision making is not disclosed, which presents a challenge for the primary stakeholders and consumers of the information. This is a problem because the framework is intended to provide such disclosures. In addition to these issues, there is a lack of trust, information of poor quality and irrelevant information in the financial statements of public institutions (Office of Auditor General, 2020). Jemutai, Tuitoek, and Kimani (2018) state that public universities in Kenya have been overstating depreciation and failing to fully recognize assets that have been sold, which has led to a dip in the financial statements' quality. The findings suggest that more timely and accurate reporting of expenditures and complete accounting for all assets might improve the quality of the financial statements.

Apparently, different empirical research undertaken by different academics provide contrasting results on the success or failure of different jurisdictions using IPSAS. The data from Morocco provided by Omar et al. (2014), on the evaluation of Adopting IPSAS, suggests that the decision to implement IPSAS was fruitful since it enhanced the credibility of financial statements. Voluntarily adopting the IPSAS was associated with less profits management, as shown by researchers Barth et al. (2008). They also discovered that these businesses had a larger value relevance of accounting revenue as well as improved loss detection. Despite the expectations that the IPSAS would incite within the accounting industry, very little indication of an increase in the financial reports quality was identified in an investigation of the impact of these standards' application on Kenya's publicly listed enterprises undertaken by Outa (2011).

Numerous research have examined IPSAS, its history, and its effectiveness in voluntary and obligatory adoption. There have been more analyses of their advantages and disadvantages, but overall, there is still very little proof connecting IPSAS to financial reporting quality. Previous empirical studies in the region have been limited, for example, by their comparison of just the pre- and post-adoption eras of IPSAS. For the Kenyan context, these studies are no longer relevant because it has been over a decade because Kenya embraced IPSAS, and many IPSAS modifications have emerged in that time with no study to date focusing on them. This study is, therefore, the first in regard to these situations.

The research's objective was to assess whether there is any relationship between the use of IPSAS and the financial reporting quality at Kenya's public universities. Very little indication of an increase in the financial reports' quality was identified in an investigation of the impact of these standards' application on Kenya's publicly listed enterprises undertaken by Outa (2011). This is because prior studies have shown conflicting findings. The study's overarching goal is to better understand how the processes involved in creating financial statements, disclosing financial information, and presenting budget information within financial statements affect the reliability of financial reporting. This investigation targeted at providing an answer to the following research question: Is there any substantial connection between the implementation of IPSAS and financial reporting quality at Kenya's public universities?

1.3 Objectives of the study

The general objective of the study was to determine the effect of public sector accounting standards practices on quality of financial reporting of public universities in Kenya.

1.3.1 Specific Objectives

The specific objectives included:

- **i.** To examine the effect of accrual basis accounting system practices on the financial reporting quality in Kenya's public universities.
- **ii.** To examine the effect of preparation of financial statements practices on the financial reporting quality in Kenya's public universities.
- **iii.** To determine the effect of disclosure of financial information practices on the financial reporting quality in Kenya's public universities.
- **iv.** To examine the effect of presentation of budget information on the financial reporting quality in Kenya's public universities.

1.4 Value of the Study

The outcomes of the research would have repercussions for both the academic circles and government policy. In terms of policy, the IPSASB would use the recommendations from the study to improve the policies and standards that are already in place. Public universities in Kenya, as well as other parastatals, would be able to provide more accurate financial reports since the government and other policymakers would have access to more information to aid them in the establishment of regulations and standards relating to accounting processes. This would ensure that public university and other institution funding is being used for its intended purposes. Helping to reduce instances of financial fraud and waste at public universities and other government organizations would have a significant impact on parastatal efficiency and the ease with which the public might get goods and services in a timely manner. Donors, NGOs, parents, and other financiers would be supplied with information to ensure that their investments in Kenya's public institutions are being properly accounted for.

This research is important for both theory and practice since it would contribute to our understanding of what constitutes high-quality financial reporting. This impacts both governmental and private entities. Whether a company is public or private, the overall efficiency of financial reporting would benefit from the implementation of novel concepts aimed at enhancing the financial reporting quality. The Senate and Vice Chancellors would have access to useful, up-to-date information that may be used to meet the standards set by the PSASB and the Public Financial Management (PFM) Act of 2012, from the outcomes of this finding.

In the academic world, upcoming researchers would have the chance to learn more about the state of internal controls in public institutions, including their weaknesses, strengths, and possible solutions. This document may be useful for accounting and finance students who are curious to explore further the effect of government-mandated accounting practices on the accuracy of financial reports. They may use this to supplement the existing literature on public sector accounting. Further investigation may be targeted towards filling up the gaps revealed by this study's limitations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section examines both the theoretical foundations and the empirical studies undertaken in the financial reporting quality space and worldwide public sector accounting standards. This chapter examines a variety of ideas that support the idea of accounting standards designed for the public sector, and how such beliefs affect Kenya's public sector financial reporting quality.

2.2 Theoretical Framework

The impact of IPSAS implementation on financial reporting quality at Kenya's public universities has been studied from the perspectives of four theoretical frameworks: the institutional, legitimacy, positive accounting, and stakeholder frameworks.

2.2.1 Institutional Theory

Institutional theory, created by DiMaggio and Powell (1983), holds that businesses and other organizations function inside a framework consisting of values, norms, and beliefs which define eligibility of economic activities. In institutional theory, some of the fundamental presumptions include the following: the use of tried-and-true organizational forms and managerial techniques that have been validated by similar businesses, in spite of their inefficiency, companies often give in to the demands of their institutional settings and embrace structures and practices that are widely regarded as the normatively correct way to run a business or organization that are in line with accepted standards, traditions, and social influences. All these presumptions are true regardless of whether or not the actual usefulness of the structures and management practices exist.

According to institutional theory, when an institution shifts its management practices or culture to something new (from cash to accrual based IPSAS), usually it is not because the new method is more effective or more useful than the old one, but because of pressure from within the institution itself (Meyer & Höllerer, 2014). It has been determined that there are three pathways responsible for institutional isomorphic transformation: forceful isomorphism happens when third parties, such as international organizations, force states to adopt a standard method of administration; mimetic isomorphism, the common reaction to ambiguity that consists of mimicking the practices of more established and/or popular groups; and Normative isomorphism is concerned with the professionalization of culture and the adoption of new styles that are deemed better to the ones already in use (Amenta & Ramsey, 2010).

The most significant problems with institutional theory are the assumptions it makes about the passivity of organizations and the fact that it does not consider strategic behavior or the use of influence when it develops its ideas about institutionalization. These are the two main points of criticism. In addition, the examination of internal dynamics for organizational transformation is where institutional theory shows its lack of strength since it overlooks the role that power and self-interests play in the process (Suddaby, 2015; Willmott, 2015).

This study used the institutional theory to analyze how public universities in Kenya are gradually implementing accrual accounting. Institutional theory is one possible theoretical framework for capturing and making sense of the transition to a new dynamic accounting system. It is believed that institutional theory is able to explain organizational development as well as changes in accounting since it reflects the social and institutional characteristics of the organization as well as its environment.

2.2.2 Stakeholder's Theory

Ansoff (1965) used the term "stakeholder theory" to describe an approach to identifying a company's priorities. This theory holds that a company's principal function is to find a happy medium between the various interests of its numerous constituents. For purposes of public sector or government financial reporting, "stakeholders" comprise of taxpayers, employees, contractors, fee payers, voters, donors, creditors and lenders. With respect to the compilation of accounting information that fulfills the expectations of stakeholders, the theory of stakeholders has a propensity to explain the structure and activities of well-established organizations (Omoro, 2014). The notion of stakeholders has been utilized in the private sector's social setting the vast majority of the time. Its viability in the framework of government, however, is unchanged. The term "stakeholder" is used by businesses and government agencies alike to refer to the many individuals and entities that make up the external sociopolitical components that influence the organization's activities.

The notion of stakeholders has been criticized by those who adhere to the idea of shareholders. Friedman (1962) proposed that managers need to look out for the interests of the firm's owners by honoring their contractual obligations, observing legal requirements, and living up to the standards of common decency. According to Marcoux (2000), duties to parties other than shareholders act as a side restraint which negatively impact the attainment of the shareholders' interests.

Public sector institutions have a responsibility to gain the trust of those who have an interest in them by demonstrating their commitment to transparency, accountability, and the highest standards of financial reporting. Any public institution, which is dependent on the financial support of taxpayers for its continued operation, must ensure that it is accountable for its actions to ensure its continued viability (Carien, 2010). In addition to this, these organizations are responsible for adhering to the legal requirements outlined in the PFM Act of 2012 in all aspects of their operations. Because of the nature of public institutions, stakeholders are often removed from day-to-day operations and are forced to depend on financial transparency to assess the efficiency of choices made by these organizations regarding the distribution of resources.

2.2.3 Legitimacy Theory

Legitimacy theory seeks to rationalize accounting decisions in relation to costs expected to be incurred at a future date that can be avoided. The idea was first proposed by Dowling and Pfeffer (1975), who argued that businesses should report on how society perceives their activities. The idea is taken from a larger political economy viewpoint, and it has been incorporated into the accounting literature as an additional academic theory. It aims to elucidate the motivations behind certain voluntary information disclosures by the management (Hawashe, 2014). Suchman (1995) suggests that legitimacy might be understood as "the conviction that an organization's operations are desirable, acceptable, or appropriate in light of commonly held norms, values, beliefs, and definitions." Organizations' efforts to justify their social and environmental reporting practices via the legitimacy theory have been widely adopted since this is what is required of them to uphold the social compact which allow the organizations to thrive and achieve reach their goals (Branco & Rodrigues, 2006; Deegan & Blomquist, 2006; Islam & Deegan, 2008).

According to this idea, businesses and other economic institutions provide information as a means of establishing their legitimacy and reassuring the public that they are operating within acceptable social parameters. In addition, the legitimacy-based arguments state that companies provide more data in their annual reports to appease the public and justify their conduct. Firm managers, in accordance with the predictions of legitimacy theory, will willingly provide more information about their activities if they believe that these acts are anticipated by the public in the external environment where their operations are based (Guthrie et al., 2004).

The improvement of the legitimacy theory has been disputed by a great number of academics (Mobus, 2005; Owen, 2008). Occasionally, people might dismiss legitimacy theory as nothing more than a satisfactory justification for the actions of managers. This was done without making any serious efforts to learn whether and how disclosure will benefit stakeholder groups other than capital providers in terms of openness and accountability (Owen, 2008). Furthermore, legitimacy theory was not considered a tool that could be utilized to make reliable predictions (Mobus, 2005). Therefore, in order to legitimatize their legality, the organizations need to freely reveal facts on social and environmental issues. The sharing of facts must be supported by specific measures that are carried out in line with the norms and values of society and the environment.

This theory explained the manner in which the widespread usage of financial data transparency efforts has influenced the credibility of financial reports published by Kenya's public universities. As was previously said, companies will make an effort to provide more information on financial instruments if they feel the need to legitimate their activities, acquire the acceptance of their stakeholders and the broader community, and maybe even to avoid more laws. From a public sector point of view in Kenya, legitimacy of public universities may be sought from the perspective of county and central governments, secondary schools, donor organizations, and other groups of interest.

2.2.3 Positive Accounting Theory

Ross Watts and Jerold Zimmerman are credited with the formulation of this hypothesis (in 1978 and 1986). Positive Accounting Theory is an attempt to produce accurate forecasts of upcoming real-world occurrences and then map those forecasts onto accounting transactions. Positive theories aim to explain and forecast, as opposed to normative theories, which tend to make recommendations on what actions should be taken. Jensen (1976) argues that the PAT effectively explains the nature of accounting, the motivations of accountants, and the impact of these phenomena on the allocation of time and money.

Management takes into consideration the impact that proposed standards would have on cash flow when making decisions about whether or not to adopt them, as noted by Zimmerman and Watts

(1978) in their effort to build a positive theory of the adoption of accounting standards. In their work, they put out this hypothesis as a step toward a more optimistic view of accounting standard determination. The reasons for managers' preferences for one system of accounting over another may be attributed to a variety of factors. Managers at businesses with bonus plans are more likely to falsify financial statements by bringing forward profits from a later period to a current one, according to the incentive plan hypothesis. This is because most incentive payouts occur after the close of the fiscal year. To make principal and interest payments on their debts more manageable, corporations would boost their profit reporting, as proposed by the debt-equity hypothesis. This leads us to our last hypothesis, the political cost one, which states that companies with political commitments are more likely to report lower profits in the present and higher profits in the future because managers have an incentive to shift the profits to the future.

One of the most significant problems with the Positive Accounting Theory is that it does not provide any kind of accounting prescription, and as a result, it does not offer any kind of method for improving accounting practice. As a result, professional accountants become estranged from one another. According to one school of thinking, it's not enough to just explain and predict accounting practice. People are given no direction on the actions they should do since there is a widespread lack of prescription. The remaining objections to Positive Accounting Theory are based on the theory's central tenet, which states that every activity is motivated by the want to increase one's wealth. They hold the belief that PAT encourages an immoral and cynical perspective on the world. The term "positive theory" originates from an outmoded school of scientific philosophy and, in any event, is a misnomer due to the fact that the theories developed via empirical scientific research do not clearly respond to the question "what is" (Schroeder, Clark & Cathey, 2019).

This theory was useful in this research because it will help explain why public universities in Kenya prepare financial statements and what principles form the foundation of their accounting procedures. Therefore, accounting theory will be used to explain existing practices and procedures to gain a more thorough comprehension and to provide a consistent set of logical principles that serve as the overarching framework against which to measure the efficacy of new and improved accounting methods in enhancing the reliability of financial reports.

2.3 Determinants of Quality Financial Reporting

An overview of the study’s independent variables is provided below.

2.3.1 Accrual Accounting System

The accounting method known as accrual accounting acknowledges transactions as soon as they take place, even whether there is no actual input or outflow of cash at the time. The system records revenue at the time it is really generated, while costs are recorded at the time of delivery or consumption of the product or service (Bruno & Lapsley, 2018). Many businesses that fall under government oversight have abandoned cash accounting in favor of an accrual-based system to keep up with the public sector's push toward accrual-based accounting. The goal is to enhance financial accountability, and eventually improve the financial reporting quality (Bushman, Lerman & Zhang, 2016).

Financial statements that are generated on an accrual basis give information on budget management as well as the correct and suitable use of public money. This information ensures that users have the opportunity to make the most effective economic choices possible. The financial statements provide various benefits, including enhanced asset and liability management, a trustworthy source for decision-making, and improved cost estimation for programs and associated services. Other benefits include greater transparency and accuracy (Harun, Van Peursem & Eggleton, 2016). A system of accounting that is based on accruals gives management access to adequate and trustworthy information, which in turn makes it easier for them to effectively manage assets and obligations (Irvine, 2015).

Accrual-based accounting is more common in government-owned businesses since it supports transparency and accountability. In comparison to cash accounting, accrual accounting is more advantageous since it details the resources and complete cost of operations that go into serving customers. Accrual accounting is superior to cash accounting because it increases responsibility and enhances resource management whereas cash accounting may be manipulated to accomplish management goals. Accrual reporting was also intended to promote accountability by disclosing more information to general readers of financial reports; specifically, greater information on assets, liabilities, complete costs, expenditures, revenues, and cash flows. (Rkein, 2018).

2.3.2 Preparation of Financial Statements

Financial statements that are accurate and transparent in line with GAAP are the backbone of any accountability and governance structure in the public sector. These standards are well known and widely accepted (Van Auken & Carraher, 2018). Financial statements submitted by public sector organizations each year as part of their annual reports is an essential aspect of the external accountability system. Decisions concerning a company's finances may only be made after thorough investigation of its assets, liabilities, equity, and cash flows. This is why they are so important in proving how well the public sector as a whole and its constituent parts carry out their duties in terms of fiscal management (Sytnik, 2014).

These financials were prepared either in cash or accrual basis. Though in poor nations, many of these financial statements are not produced consistently or in a similar manner. The IPSAS were created by the IPSAS Board to facilitate the collection of uniform and comparable financial information across countries (Pramiudi & Christiana, 2018).

According to Ardila, Zurriah, and Suryani (2019), the IPSAS have made it possible to produce financial statements that have more credibility which inform and provide a good platform for analysis of financial data. This will undoubtedly increase investor trust and encourage cross-border financial transactions, both of which are essential for economic expansion.

2.3.3 Disclosure of Financial Information

The term "disclosure" refers to the act of making all information on a firm, such as its management, finances, and other aspects of its operations, available to the public in the most thorough and full manner possible (Yusuf, 2015). In financial statements, according to the disclosure principle, also known as the openness principle, requires that any information that could have an impact on the reader's comprehension be included. The use of this concept is very open to interpretation, which has the potential to result in an excessive amount of information being given. Accordingly, materiality is used to ensure that only events that may have significance on the organization's economic condition or operations are disclosed (Farcane, Căpuşneanu, & Briciu, 2012).

Things that cannot be correctly estimated may be disclosed, such as disagreements with the government over taxes or lawsuits involving external parties (Akhmedjanov, 2019). The premise of financial information disclosure is that the financial reports should be based on existing accounting policies and related policy changes (examples include new approaches of depreciating assets or determining their value), events that are not monetary in nature, and connections with business partners that often do high amounts of transactions, value of collateral pledged, amount of actual loss due to undervaluation, and quantity of assets lost, a breakdown of the situations under which goodwill must be written off and the assets they underpin (Lugovsky & Kuter, 2019).

Although the financial statements of a corporation include all the pertinent financial facts about the organization, such data often requires more explanation (Haeruddin, Ibrahim & Jamali, 2021). The disclosure section of a company's financial statement will disclose to the company's stakeholders any pertinent information that is not recorded in the statement itself. Disclosures may be mandated by generally accepted accounting principles, or they may be made voluntarily by management in accordance with their judgments. It is required that all pertinent information be given. When referring to the dependability of a financial statement, the term "relevant" refers to all relevant contexts. This could contain information concerning accounting procedures, dependencies, or changes in quantities or projections (Avlokulov, 2021).

2.3.4 Presentation of Budget Information

Public sector entities subject to IPSAS 24 must disclose to the public the legally permissible parts of their annual budgets (Heiling, 2019). By comparing the numbers that are revealed in the financial statements with the budget that has been made public, users are able to determine if the resources that were received and spent were in accordance with the budget that was authorized, therefore completing the accountability cycle (Dec, 2021). The financial statements may, for thoroughness' sake, contain an explanation of the discrepancies between actual figures and the budget amounts, whether the budget amounts in issue are the initial or final budget amounts (Libby & Lindsay, 2015). Since the organization is held publicly accountable for any significant deviations from the approved budget, it is in the best interest of all users to have an explanation for any disparities.

Budget papers may give significant information about individual activities, programs or institutions (Sytnik, 2014). For the purpose of presenting them to the legislature or some other authoritative body and gaining their approval, these particulars are often compiled into general categories and categorized according to common budget heads, budget classifications, or budget headings (Ardila, Zurriah & Suryani, 2019). According to Farcane, Căpuşneanu, and Briciu (2015), the degree of inspection by legislative or other authority bodies indicated in the budget documents can only be achieved by the disclosure of information according to such wide classifications and budget heads or headings. Because of the requirements of this Standard, it may be necessary, in some circumstances, to aggregate the specific financial information that is contained in approved budgets before it may be presented in financial statements in conformity with those standards. Aggregation of this kind may be required to prevent information overload and to accurately represent the appropriate degrees of supervision exercised by legislative or other authority bodies (Lugovsky & Kuter, 2019).

2.4 Empirical Literature Review

Financial reporting in UN institutions was studied globally by Ababneh, Porretta, and Hija (2019). It would be costly in terms of time and resources to convert and execute, which worries the leadership of UN entities, their governance bodies, and their constituent nations. In this research, the advantages of IPSAS were quantified using a Likert scale poll to gauge the opinions of the public. The research found that implementing IPSAS enhanced financial reporting at UN entities; aligned the financial reporting practices with internationally accepted accounting standards. Further, this enabled harmonization of their financial reporting practices and made the statements easily comparable and accessible to relevant parties. And because of IPSAS, the UN's agencies are able to build a stronger internal control system.

Laswad et al. (2015*)* studied the effect of implementing IPSAS on the financial statements of New Zealand public sector firms. The study analyzed the disclosure of the reconciliation between IPSAS and pre-IPSAS NZ GAAP that was included in the first IPSAS annual reports produced by enterprises in New Zealand's public sector. The study analyzed the differences between the pre-IPSAS and post-IPSAS NZ GAAP financial statement parts. The findings reveal huge growth in assets and liabilities and substantial declines in equity across the board and in some public sector sub-sectors. These changes resulted from accounting tweaks including recalculating deferred tax and recognizing employee benefits and derivative financial instruments under IAS 19 and 39 respectively. In addition, government agencies had to make several reclassifications that had no bearing on the sum of the agency's financial statements.

'Impact of IPSAS on the quality of financial reporting in state-owned administration in Pakistan, Bashir and Amir (2020)' drew their findings from a sample of publicly available financial reports. The survey used as the basis for the study was sent to publicly held companies. To establish a connection between the variables, a regression analysis was conducted. These results provide credence to the idea that explanatory variables have an impact on reporting quality in Pakistan, shedding light on the connections between, for example, comparability, financial statement transparency, and openness in reports from that nation. According to the research, Pakistan's government has to do more to ensure its budget reports are accurate.

Okere, Eluyela, Bassey and Ajetunmobi (2018) studied how IPSAS implementation affected the transparency, reliability and the accurateness of financial reports in Nigerian state government (2018). The results demonstrated that the State Government of Nigeria's financial reports are more credible, reliable, and uphold the highest standards of integrity after adopting IPSAS. Further, it was recommended to incorporate regulations aligned with IPSAS to boost internal control and result-oriented financial management. The Federal Government's objective of delivering services efficiently may be greatly aided by the implementation of IPSAS. The research found that if Nigeria's public sectors adopted IPSAS, it would have a good effect on financial reporting's dependability, credibility, and integrity and would lead to a more unified financial reporting structure throughout Nigeria's three levels of government.

Egolum and Ndum (2021) investigated the impact of IPSAS on the transparency of public finances in Anambra state. This investigation made use of primary data gathered using a survey research methodology. Respondents were given copies of a questionnaire that had been formatted in a systematic way to address each of the three study topics. All the 127 workers of the ministry of finance in Awka, Anambra State, constituted the study's population. The whole population was analyzed since the sample size was so tiny. It was noted that the IPSAS' implementation resulted in greater transparency, increased accountability, and reduced instances of corruption among state officials.

Nkundabanyanga, Tauringana, Balunywa, and Emitu investigated the accuracy of financial reports from Uganda's Ministry of Water and Environment (2013). Financial reporting, together with its parent concepts of accounting standards and the regulatory environment, was analyzed. The study collected data from 120 people, including employees and Ministry of Water and Environment's stakeholders, through self-administered questionnaires. Accounting principles, the regulatory setting, and the credibility of financial statements were subjected to a correlation study. The findings show that the regulatory environment in Uganda and accounting standards influence the credibility of financial reports.

Okungu (2015) found that IPSAS increased the transparency, comparison, and trustworthiness of Kenya's public sector financial reports. The study's major focus was on how IPSAS was being implemented by the national government and the 47 counties in Kenya. Accountants working for

Kenyan state agencies and county governments were surveyed using a qualitative research technique. The research found that if Kenya adopted international standards for public sector accounting, it would boost accountability, financial statement comparability, user happiness, and economic decision-making confidence.

Kenya's government financial reporting and the results of implementing IPSAS were the subjects of Nderitu and Jeremiah's 2018 study. Descriptive research methods were utilized, and information was gathered from both primary and secondary resources. By presenting the financial statements in a standard format, the IPSASB observed that accountability and transparency could be improved, existing financial reporting could be simplified, and the decision utility of financial information could be increased for stakeholders.

Opanyi (2016) looked at how IPSAS helped to enhance the reliability of financial reports and support business decisions. The study employed a descriptive survey approach, and its participants were officials in Kenya's 19 government departments. The information was gathered through secondary resources and examined using descriptive and statistical methods, such as the t-test for statistical significance. According to the research, adopting IPSAS improves the comparability, relevance, timeliness, and true representation qualities, but decreases the quality of the understandability. Furthermore, no statistically significant changes were found between the items measuring openness and accountability, suggesting that the purpose for government initiatives to enhance transparency and accountability may not have been entirely realized. The results also suggest that public sector financial reporting in Kenya would improve when IPSAS is adopted.

2.5 Conceptual Framework

A conceptual framework is presented in the form of Figure 2.1, which depicts the interrelationships between the dependent and independent variables. Accounting norms for the public sector internationally served as the independent variables. Verifiability, faithful representation, relevance, comparability and understandability are the parameters were used to measure the financial reports quality at Kenya's public universities.

Figure 2. 1: Conceptual Framework

Independent Variables **Dependent Variable**

Accrual Basis Accounting System Adoption

- Management of expenditure
- Asset management
- Receivable management
- Liabilities management

Source: Researcher, 2023

2.6 Summary of Literature Review

Both the stakeholder's theory and the positive accounting theory may help to explain the recent uptick in public demand for financial accountability and openness in the form of reliable, up-to-date financial reporting. The work of Ross Watts and Jerold Zimmerman, published in 1978, is referenced. Public sector organizations may look to the IPSAS, which were created in response to the PFM Act of 2012, for guidance on the recognition, measurement, and reporting framework that should be used. The corporatist bodies, the Ministry of Finance, and state companies were the primary focus of the empirical literature review's examination of numerous issues (parastatals).

Because of this, there is a lack of understanding about the impact that the implementation of IPSASs by public institutions in Kenya would have. Despite the many regulations included in the PFM Act, the Kenyan government's level of financial reporting has remained well below the average when measured against international norms (IMF, 2013).

Conceptual, methodological, and contextual deficiencies were all shown in the previous parts of the empirical investigations. Variations in public sector accounting standard methods highlighted gaps in understanding. The lack of consensus on the methodological deficiencies in empirical studies. Differences in study environment led to the identification of contextual gaps during the assessment of the empirical studies. The vast bulk of relevant empirical research has been done in industrialized countries, while local studies have mostly ignored Kenya's public universities. Before an empirical agreement can be reached on the matter, additional research into the connections between public sector accounting standards processes and reliable financial reporting is needed, as shown by these disparities. The study's goal was to contribute to advancements in the relevant sector.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section outlines the design of the research, the target population, data set, sample and the data collection and analysis techniques.

3.2 Research Design

The study used explanatory research design, which analyzes the relationships between causes and consequences. Additionally, it enabled the methodical collecting of information in a standardized format from a specific community or a representative sample of a given population (Mugenda and Mugenda, 2008). The design was suitable for identifying in a quantitative manner whether or not a degree of link exists between the variables being studied. Given that this design was capable of identifying the association between the four independent variables in this research, provides some evidence that it was suitable and lends support to its implementation.

3.3 Target Population

All the things (people, things, and events) that fit the study's sample requirements are collectively called the population. As may be seen in Appendix II, this study's sample population consisted of 31 public universities in Kenya (CUE, 2020). A population census was done across all 31 public universities since, as Mugenda and Mugenda (2003) pointed out, this is necessary if the research findings are to be generalized to the larger community. The selection of public universities was informed by two facts; public universities accounts are audited by the Auditor General and they prepare their financial statements as per the prescribed reporting structure/standards. The respondents were either Finance Officers or University Accountants.

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3.4 Data Collection

The research required primary data which was collected via self-administered questionnaires. A written questionnaire is a data gathering technique that includes written questions which are presented to respondents with a view to obtaining written responses to the questions. Questionnaires were applicable since respondents have the option of completing them on their own or with help. The questionnaire was divided into three sections: the initial part consisted of gathering demographic information; the second section of the questionnaire had questions pertaining to the independent variables; and the third section had questions on the reliant variable. The responses in section 2 and 3 of the questionnaire were based on 5-point Likert scale; strongly agree (5), agree (4), fairly agree (3), disagree (2) and strongly disagree (1).

3.4.1 Validity of Research Instrument

The degree to which an instrument is able to measure what it was created for, or what it was meant to measure, in the realm of measurement, is referred to as the validity of the instrument (Burton and Mazerolle, 2011; Bolliger and Inam, 2012). This examination focused on determining both the construct validity and the content validity of the tool in question to determine the extent of the research instrument's dependability. This was done using the factor analysis which reduced the number of variables for purposes of validating the concept (Aila & Ombok, 2015). The content validity of the data acquired via the questionnaire served as a measurement for determining the degree to which the data represented the aims of the research. Utilizing the supervisors and other specialists, expert evaluation of the material was carried out.

3.4.2 Reliability of Research Instrument

Reliability is the degree to which the same results or data are obtained from a research instrument across many independently conducted, peer-reviewed clinical studies (Mugenda and Mugenda, 2003). The Cronbach Alpha technique was used in the study to investigate dependability. Cronbach's alpha was determined from the data with the assistance of SPSS. Per Ahmad, Yussiff and Mustapha (2015) "Cronbach's alpha of $\alpha \geq 0.9$ is excellent, $0.7 \leq \alpha < 0.9$ is good, $0.6 \leq \alpha < 0.7$ is acceptable, $0.5 \leq \alpha < 0.6$ is poor, and $\alpha < 0.5$ is unacceptable". When measuring the variables that were utilized in this study, the instruments should have a high degree of consistency if they are to provide accurate results, which may be indicated by a high value of alpha, particularly one that is more than 0.7.

3.5 Data Analysis

This purpose of data analysis is to examine, analyze, change, and model data so that inferences may be drawn, key pieces of information can be highlighted, and decision support can be offered. The information was updated when a thorough review of the collected raw data is performed to check for mistakes and omissions, and any necessary adjustments were implemented. After that, the data were coded by designating a numerical value to each response. This allowed the replies to be sorted into a predetermined set of categories or classes. The statistical analysis of the quantitative data was done using the SPSS program version 29. The descriptive statistics assisted in illustrating data trends. The investigation used measures of central tendency (mean), measures of variability (standard deviation) and maximum and lowest values. The study's null hypotheses were evaluated by inferential statistical approaches including correlation and regression analysis, amongst others. The test's significance levels were set at 5%. The regression equation was the overall model used to study the dependent and independent variables' linkages to one another's causes. The objective was to establish causality between the factors under examination.

$Y = \beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+ \beta_4X_4 + e$

Where;

У = Quality of Financial Reporting as measured by verifiability, faithful representation, relevance, comparability and understandability.

β_1……β_4= Regression Coefficients

X_1= Accrual Basis Accounting System as measured by management of expenditure, asset management, receivable management and liabilities management

X_2= Preparation of Financial Statements as measured by format of financial statement, going concern assumptions, consistency of presentation and consistency of classification

X_3= Disclosure of Financial Information as measured by disclosure timeliness, presentation disclosures notes presentation, disclosure levels and comparability

X_4= Presentation of Budget Information as measured by budget compared to actual information presentation, level of aggregation, budget reconciliation, materiality and disclosure notes

ε = the error of term.

3.6 Tests of Significance

To determine the significance of the overall model and the variables, parametric tests were used. The F-test was used determine the relevance of the model which was achieved using ANOVA and each variable's relevance was determined by a t-test.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND DISCUSSION

4.1. Introduction

This section sets fourth the results of the findings analysis, which align to the study's objective, "effect of public sector accounting standard practices on quality of financial reporting in public universities in Kenya". Results and conclusions from empirical studies were given in this chapter utilizing statistical analyses such as descriptive analysis, Pearson correlation, and regression analysis. Information was collected through questionnaires, which was then tabulated and discussed using SPSS's independent variable coding and analysis procedures. This section also includes the percentage of people that responded, the results of the reliability test, demographic information, inferential and descriptive statistics.

4.2 Return Rate

Thirty-one forms were sent out to the field for data collection, and twenty-seven respondents completed the questionnaires and sent back, therefore a return rate of 87.1%, which is satisfactory for generalizing the result of the study to a larger sample. It was suggested by Richard (2015) that a return rate of at least 60% would be ideal and feasible. At 87.1%, the response rate achieved in this research is over the 60% threshold considered satisfactory for such an endeavor. Effective data gathering methods allowed for a high response rate.

4.3 Validity and Reliability of Research Instruments

For proper collection of data, the questionnaire was assessed for validity as well as reliability. The reliability analysis was performed to determine how consistently the research tools would have produced the same findings (Mohajan, 2017). The data's veracity was investigated to determine its provenance, data gathering procedures, existence of bias, and precision. The dependability analysis successfully determined the degree to which findings have been stable over time. Cronbach's Alpha method was used to assess the study's dependability. Using the suggested cutoff of 0.7, we determine that a tool is reliable if and only if its Cronbach's Alpha value is at or above that number. Tabulated below are the results of our reliability tests.

Table 4 1: Reliability of Research Instruments

Variable	No of Items	Items deleted	Cronbach Alpha	Reliable
Accrual Basis Accounting System	6	0	0.843	Yes
Financial Statements Preparation	6	0	0.756	Yes
Financial Information Disclosure	6	0	0.728	Yes
Budget Information Presentation	6	0	0.768	Yes
Quality Financial Reporting	6	0	0.812	Yes
Total	**30**	**Average**	**0.781**	**Yes**

Source: Field Data (2023)

Per table 4.1, the Cronbach alpha ranged from 0.728 for disclosure of financial information to 0.843 for accrual basis accounting system. With a value far over 0.7, the questionnaire questions were very consistent with one another, indicating excellent internal consistency for the instrument as a whole. As a result, it was decided not to make any changes to the tool.

4.4 Demographic Data Analysis

The intent of this investigation was to learn more about the participants' histories. Gender, age, employment status, and educational attainment were all recorded. The data is laid out in table 4.2.

Table 4. 2: Characteristics of the Participants

	Frequency	
	Gender	**Percent**
Male	19	70.4
Female	8	29.6
Total	**27**	**100**
	Highest level of education	
Bachelor's degree	5	18.5
Master's degree	21	77.8
Others	1	3.7
Total	**27**	**100.0**
	Age in years	
25-34	1	3.7
35-44	13	48.1
45-54	10	37
above 55	3	11.1
Total	**27**	**100.0**
	Work experience in years	
1-5	2	7.4
6-10	11	40.7
11-15	10	37
Over 15	4	14.8
Total	**27**	**100.0**

Source: Field Data (2023)

From table 4.2, the male participants were 70.4% (19) while the female participants were 29.6% (8). Therefore, males were slightly majority and gender rule was not met in this study. This is a constitutional requirement in all Kenyan public offices. Based on the results, none of the respondents had diploma however, 18.5% (5) had bachelor's degree, and 77.8% (21) masters while 3.7% (1) had other relevant qualifications. Academic and professional qualifications especially in Certified Public Accountants are paramount in the implementation of IPSAS and consequently the attainment of the desired quality levels of financial reporting in public universities. The majority of those surveyed had completed postsecondary education, as shown by their ability to comprehend the questions and provide accurate responses (Kisaka, 2021).

From the findings, 3.7% (1) of the respondents was between ages 25-34, 48.1% (13) of the respondents were between 35-44 years, 37.0% (10) were between 45-54 years while 11.1% (3) of the respondents were above 55 years. Diverse individuals participated, which is indicative of the extensive replies and various outcomes. Oyewobi and Salawu (2019) indicated that age, which comes with experience influence adoption of IPSAS in Nigerian context. Similar sentiments were also revealed by Muraina and Dandago (2020).

Lastly, 7.4% (2) of the participants had worked in the public universities for 1-5 years, 40.7% (11) 6-10 years, 10.0% (37) 11-15 years and 14.8% (4) had over 15 years work experience in public universities. Majority of the participants had worked for at least one year. This postulated that they are aware of the financial reporting quality levels in their universities in the last five financial years and therefore are able to give informed responses in regard to IPSAS implementation. Hamisi (2012) found out that experience significantly influence implementation of IPSAS in Kenya. Moseti and Muturi (2018) noted that work experience is one of the factors affecting adoption of IPSAS in the Kenya's sub-national units created by devolution . In their study, they demonstrated experience increases the capacity of respondents to implement IPSAS in South Nyanza counties.

4.5 Analysis of Descriptive Data

This study provides descriptive data based on compiled answers to prepared questions designed to elicit information regarding the influence of public sector accounting standards on the caliber of reporting on finances at Kenya's public universities. Using a Likert scale ranging from 5 (strongly agree) to 1 (strongly disagree), the participants indicated their degree of agreement or disagreement.

N=27; strongly agree-5, agree-4, fairly agree- 3, disagree-2 and strongly disagree-1

f-frequency, (N)-percentage

4.5.1 Accrual Basis Accounting System Adoption

The descriptive statistics to determine whether accrual basis accounting system adoption has any effect on financial reporting quality in Kenya's public universities are in table 4.3 below.

Table 4. 3: Descriptive Statistics: Accrual Basis Accounting System Adoption

Accrual Basis Accounting System	5	4	3	2	1	Mean	S. D

1. Public sector accounting standards practices has adequately enable cash flow implementation in accrual basis accounting system which were omitted in cash basis accounting system	14.8 (4)	63 (17)	7.4 (2)	14.8 (4)	0 (0)	3.78	0.89
2. Public sector accounting standards practices recognizes other assets such as biological assets which were excluded in cash basis accounting system	33.3 (9)	51.9 (14)	3.7 (1)	11.1 (3)	0 (0)	4.07	0.92
3. Public sector accounting standards practices has adequately enable liabilities implementation such as long and short term liabilities	11.1 (3)	51.9 (14)	18.5 (5)	18.5 (5)	0 (0)	3.56	0.93
4. Public sector accounting standards practices recognizes other financing such as gratuity which were excluded in cash basis accounting system	11.1 (3)	63 (17)	14.8 (4)	11.1 (3)	0 (0)	3.74	0.81
5. Public sector accounting standards practices has adequately enable revenue implementation in accrual basis accounting system which were not previously captured in cash basis accounting system	3.7 (1)	66.7 (18)	22.2 (6)	7.4 (2)	0 (0)	3.67	0.68
6. Public sector accounting standards practices has reduced and enhanced better management of expenditure due to proper cost allocation	11.1 (3)	51.9 (14)	14.8 (4)	22.2 (6)	0 (0)	3.52	0.98
Overall						**3.72**	

Source: Field Data (2023)

From Table 4.3, 14.8% (4) of the participants strongly agreed, 63% (17) agreed, 7.4% (2) fairly agreed and 14.8% (4) disagreed that the accounting standards practices for the public sector have adequately enabled cash flow implementation in accrual basis accounting system which were omitted in cash basis accounting system. The finding was further corroborated by a mean of 3.78 and a standard deviation of 0.89, which is insignificant. Similarly, 33.3% (9) of the participants strongly agreed, 51.9% (14) agreed 3.7% (1) fairly agreed while 11.1% (3) that public sector accounting standards practices recognizes other assets such as biological assets which were excluded in cash basis accounting system. This finding was further corroborated by a mean of 4.07 and a standard deviation of 0.92 which is insignificant.

The findings indicated that 11.1% (3) of the participants strongly agreed, 51.9% (14) agreed, 18.5% (5) fairly agreed and 18.5% (5) disagreed that accounting standards practices for the public sector have adequately enabled liabilities implementation such as long and short term liabilities This was also corroborated by the mean of 3.56 and a standard deviation of 0.93, which is not significant. Further, 11.1% (3) of the participants strongly agreed, 63% (17) agreed, 14.8% (4) fairly agreed and 11.1% (3) disagreed that accounting standards practices for the public sector recognize other financing such as gratuity which were excluded in cash basis accounting system. This finding was further corroborated by a mean of 3.74 and a standard deviation of 0.81 which is not statistically significant.

The findings indicated that 3.7% (1) of the participants strongly agreed, 66.7% (18) agreed, 22.2% (6) fairly disagreed while 7.4% (2) that public sector accounting standards practices has adequately enable revenue implementation in accrual basis accounting system which were not previously captured in cash basis accounting system. The results were corroborated by the mean of 3.67 and the standard deviation of 0.68, which is statically insignificant. Moreover, 11.1% (3) of the Participants strongly agreed, 51.9% (14) agreed, 14.8% (4) fairly agreed while 22.2% (6) disagreed that accounting standards practices for the public sector have reduced and enhanced better management of expenditure due to proper cost allocation. This was also corroborated by the mean of 3.52 and a statistically insignificant standard deviation of 0.98.

The overall mean score of 3.72 implies that majority of the participants agreed with various statements relating to accrual basis accounting system. Public sector accounting standards practices adequately enable cash flow implementation in accrual basis accounting system. For instances, there is recognition of biological assets, implementation of liabilities, gratuity, revenue and expenditure management. This confirms with Pina, Torres and Yetano (2009) who found out that in European Union, implementation of accrual accounting system has enhanced the degree of disclosure on earning and expenditure management. Kobayashi, Yamamoto, and Ishikawa (2016) indicated that the importance of accrual information in non-obligatory settings lies on its ability to enhance relevance of financial statements' disclosure of assets and liabilities. It has been shown by Adhikari and Mellemvik (2010) that IPSASs have improved the standards of financial reports in South Asia. In this context, the essay proposes that legitimacy is the key to understanding the widespread adoption of IPSASs in South Asia. According to the results, the key benefits of using accrual accounting are better consistency and comparable financial information reporting, more effective liability management, more transparent presentation of the organization's true financial position and better asset management. This agrees with Philis (2014) who indicated that accrual accounting system is beneficial to non-profit making organization.

4.5.2 Preparation of Financial Statements Adoption

The descriptive statistics to find out the degree to which preparation of financial statements adoption determines the financial reporting quality in Kenya's public universities are in table 4.4 below.

Table 4.4: Descriptive Statistics: Preparation of Financial Statements Adoption

Preparation of Financial Statements	5	4	3	2	1	Mean	S. D
1. Financial statement preparation provides an opportunity to assess whether or not widely accepted accounting rules in the public sector are being followed.	33.3 (9)	51.9 (14)	11.1 (3)	3.7 (1)	0 (0)	4.15	0.77
2. Compliance with Public Sector Accounting Standards Practices ensures reliable financial reporting.	37 (10)	51.9 (14)	7.4 (2)	3.7 (1)	0 (0)	4.22	0.75
3. Preparation of financial statement is as per public sector accounting standards format	40.7 (11)	44.4 (12)	14.8 (4)	0 (0)	0 (0)	4.26	0.71
4. The university adheres to financial period as spelled out in public sector accounting standards	22.2 (6)	48.1 (13)	25.9 (7)	3.7 (1)	0 (0)	3.89	0.80
5. There is adequate engagement during preparation of financial statement as spelled out public sector accounting standards practices	29.6 (8)	48.1 (13)	7.4 (2)	11.1 (3)	3.7 (1)	3.89	1.09

6. The assumption that the business will continue in its current form lends assistance to the process of preparing financial statements in accordance with governmental accounting rules and procedures.	22.2 (6)	51.9 (14)	14.8 (4)	11.1 (3)	0 (0)	3.85	0.91
Overall						**4.04**	

Source: Field Data (2023)

According to table 4.4, 33.3% (9) of the participants strongly agreed, 51.9% (14) agreed, 11.1% (3) fairly agreed and 3.7% (1) disagreed that financial statement preparation provides an opportunity to assess whether or not widely accepted accounting rules in the public sector are being followed. This was confirmed with a mean of 4.15 and a standard deviation of 0.77, which is not significant. Similarly, 37% (10) of the participants strongly agreed, 51.9% (14) agreed and 7.4% (2) fairly agreed while 3.7% (1) disagreed that compliance with the accounting standards practices for public sector ensure reliable financial reporting. This was corroborated with a mean of 4.22 and a statistically insignificant standard deviation of 0.75.

Further, 40.7% (11) of the participants strongly agreed, 44.4% (12) agreed while 14.8% (4) fairly agreed that preparation of financial statement is per public sector accounting standards format. This was corroborated by the mean of 4.26 and a standard deviation of 0.71, which is not significant. Also, 22.2% (6) of the participants strongly agreed, 48.1% (13) agreed, 25.9% (7) fairly agreed and 3.7% (1) disagreed that the public universities adhere to financial period as spelled out in public sector accounting standards. This was corroborated by the mean of 3.89 and a statistically insignificant standard deviation of 0.8.

The results indicated that 29.6% (8) of the participants strongly agreed, 48.1% (13) agreed, 7.4% (2) fairly agreed, 11.1% (3) disagreed and 3.7% (1) strongly disagreed that there is adequate engagement during preparation of financial statement as spelled out public sector accounting standards practices. This was corroborated by a mean of 3.89 and a statistically significant standard deviation of 1.09. Similarly, 22.2% (6) of the participants strongly agreed, 51.9% (14)agreed, 14.8% (4) fairly agreed, 11.1% (3) disagreed that the assumption that the business will continue in its current form lends assistance to the process of preparing financial statements in accordance with governmental accounting rules and procedures. This was corroborated with a mean of 3.85 and a statistically insignificant standard deviation of 0.91.

The overall mean was 4.04, which implied that that majority of the participants agreed with most of the statements relating to preparation of financial statements. Preparation of financial statement in line with PSAS ensures quality financial reporting. Presence of a basis in the institution to determine if public sector accounting standards practices is followed ensures quality reports as reported by Kewo and Afiah (2017). In their study, they opined that basis for preparation of financial regards as outlined in IPSAS affords quality reports in terms of relevance. Majority of the participants also noted that consistency in preparation of financial statement in accordance with the public sector accounting standards practices enhances quality financial reporting, an assertion which was also supported by Grossi and Soverchia (2011) while examining European Commission implementation of IPSAS in connection to reforming financial reporting . Majority of the participants also opined that the going concern principle encourages preparation of the financial statements in accordance with the accounting standards practices for public sector. This is in agreement with Mnif and Gafsi (2020) who revealed that most central government have emphasis the principle of going concern presentation during preparation of financial statements. The respondents were also in agreement that adequate engagement during preparation of financial statement as spell out public sector accounting standards practices is significant determinant for quality financial reporting an assertion which was supported by Mattei, Jorge and Grandis (2020) in their seminal paper on "Comparability in IPSASs: Lessons to be learned for the European standards."

4.5.3 Disclosure of Financial Information Adoption

The descriptive statistics on the degree to which disclosure of financial information adoption determines the financial reporting quality at Kenya's public universities are in table 4.5 below.

Table 4.5: Descriptive Statistics: Financial Information Disclosure Adoption

Financial Information Disclosure	5	4	3	2	1	Mean	S. D
1. Detailed information on the company's ability to continue operations is disclosed in accordance with the public sector accounting rules.	66.7 (18)	29.6 (8)	3.7 (1)	0 (0)	0 (0)	4.63	0.56

2. The timely dissemination of financial information has been facilitated by the widespread adoption of accounting processes that conform to public sector norms.	18.5 (5)	55.6 (15)	25.9 (7)	0 (0)	0 (0)	3.93	0.68
3. The organisation's social responsibility details are fully disclosed in accordance with generally accepted accounting principles in the public sector.	44.4 (12)	51.9 (14)	3.7 (1)	0 (0)	0 (0)	4.41	0.57
4. Full transparency with regards to the state of the organisation's finances is done.	14.8 (4)	77.8 (21)	7.4 (2)	0 (0)	0 (0)	4.07	0.47
5. At the very least, the public sector accounting standards result in more comprehensive and integrated financial reporting that are more suited for decision making.	37 (10)	63 (17)	0 (0)	0 (0)	0 (0)	4.37	0.49
6. The university uses various mediums to disclose financial information	22.2 (6)	63 (17)	14.8 (4)	0 (0)	0 (0)	4.07	0.62
Overall						**4.25**	

Source: Field Data (2023)

The results indicated that 66.7% (18 individuals) strongly that public sector accounting standards procedures provide sufficient disclosure of ongoing company information. Additionally, 29.6% (8 individuals) indicated their agreement, while a smaller proportion of 3.7% (1 individual) expressed a fair agreement with this statement. The mean value of 4.63 was observed, accompanied with an acceptable deviation of 0.56 that did not provide statistically significant results. In a similar vein, it was found that 18.5% (5) of the participants expressed strong agreement, 55.6% (15) indicated agreement, and 25.9% (7) fairly agreed with the positive impact of implementing the public sector's accounting standards procedures on the timely disclosure of financial data. This was corroborated by a mean value of 3.93, and a standard deviation of 0.68, which was found to be statistically insignificant.

Yet, when asked if there is adequate dissemination of the company's social responsibility information in line with accounting for the public sector standards norms, 44.4% (12) of those polled unanimously agreed, 51.9% (14) concurred and 3.7% (1) reasonably agreed. The data is backed up by a mean of 4.41 and a small standard deviation of 0.57. As for whether or not the reporting of financial positions is done on a full disclosure basis, 14.8% (4) strongly agreed, 77.8% (21) of those surveyed agreed, , and 7.4% (2) moderately agreed. We can see this in the data, with an average of 4.07 and a negligible standard error of 0.47.

Further, 37% (10) of the participants strongly agreed while 63% (17) agreed that at the very least, the public sector accounting standards result in more comprehensive and integrated financial reporting that are more suited for decision making. The data (mean = 4.37, deviation from mean = 0.49) back up this claim. In addition, 22.2% (6) were very agree, 63% (17) were agree, and 14.8% (4) were somewhat agree that public institutions employ a variety of mediums to share financial information. A mean of 4.07 and an insignificant standard deviation of 0.62 supported this.

With a mean score of 4.25, the majority of those surveyed apparently agreed with many claims about the sharing of financial data. Disclosures involve qualitative and quantitative details relating the significance of financial instruments to the reporting entity, along with the type and exposure of risks arising from these financial instruments. There are a variety of things, including transferred financial holdings, that must be disclosed in detail (Monari, 2015). Most respondents agreed that more prompt release of financial information is achieved by the implementation of the accounting standards procedures for the public sector. Previous research has backed this up, for example, Olayinka, Okoye, Modebe, and Olaoye (2016) found that implementation of IPSAS in Nigeria’s public sector has enhanced the timelines of disclosure and elevated the quality of financial reporting.

In addition, most respondents said that corporate social responsibility data is adequately disclosed thanks to the norms of public sector accounting regulations. This aligns with the findings of Adesunloro, Udeh, and Abiahu (2019), who found that Nigerian Breweries Plc's adoption of accounting standards led to the disclosure of CSR reporting, which improved the organization's financial performance. When asked about the impact of implementation of IPSAS on financial reporting quality in Kenya's public sector, most respondents agreed that full disclosure of financial positions is now possible. This finding was corroborated by a study undertaken by Opanyi (2016). Financial reports prepared in accordance with the accounting standards for the public sector are generally agreed upon by respondents to be more thorough, integrated, and helpful to decision makers. Cohen and Karatzimas (2015) found similar results, namely that IPSAS implementation provides integrated accounting information that helps with management decision making in EU member states.

4.5.4 Presentation of Budget Information in Financial Statements Adoption

The descriptive statistics on the degree to which presentation of budget information in financial statements adoption determines the financial reporting quality in Kenya's public universities are in table 4.6 below.

Table 4.6: Descriptive Statistics: Presentation of Budget Information in Financial Statements Adoption

Budget Information Presentation	5	4	3	2	1	Mean	S. D
1. The financial accounts provide a comparison between expected and actual expenditures, as required by public sector accounting standards processes.	22.2 (6)	37 (10)	29.6 (8)	7.4 (2)	3.7 (1)	3.67	1.04
2. Notes that describe the basis for creation of the financial statements and the major accounting principles followed might assist readers better understand the interplay between budget and accounting information presented in the financial statements.	40.7 (11)	33.3 (9)	14.8 (4)	7.4 (2)	3.7 (1)	4.00	1.11
3. Financial statements notes may help users make sense of the budget and financial statements if they disclosed the fiscal year for which the budget was approved.	25.9 (7)	40.7 (11)	22.2 (6)	11.1 (3)	0 (0)	3.81	0.96
4. Provide no justification for why the budget has to be adjusted upwards or downwards, whether due to internal reallocations or external reasons.	29.6 (8)	40.7 (11)	18.5 (5)	11.1 (3)	0 (0)	3.89	0.97

5. A statement comparing anticipated and actual expenditures or a set of footnotes to the financial statements will provide the reconciliation.	37 (10)	33.3 (9)	18.5 (5)	11.1 (3)	0 (0)	3.96	1.02
6. A common accounting basis (accrual, cash, or otherwise) is used to show both planned and actual expenditures.	25.9 (7)	63 (17)	3.7 (1)	7.4 (2)	0 (0)	4.07	0.78
Overall						**3.9**	

Source: Field Data (2023)

From Table 4.6, 22.2% (6) of the participants strongly agreed, 37% (10) agreed, 29.6% (8) fairly agreed, 7.4% (2) disagreed and 3.7% (1) strongly disagreed that the financial accounts provide a comparison between expected and actual expenditures, as required by public sector accounting standards processes. This was corroborated by a mean of 3.67 and standard deviation of 1.04, which is statistically significant. Similarly, 40.7% (11) of the participants strongly agreed, 33.3% (9) agreed, 14.8% (4) fairly agreed, 7.4% (2) disagreed and 3.7% (1) strongly disagreed that notes explaining the foundational elements behind the formulation of financial statements and the fundamental accounting principles adhered to could enhance readers' understanding of the interplay between the budget and the accounting information being conveyed by the financial statements. The findings were corroborated by a mean of 4.00 and a standard deviation of 1.11, which is statistically significant.

The research findings noted that, 25.9% (7)of the participants strongly agreed, 40.7% (11) agreed, 22.2% (6) fairly agreed while 11.1% (3) disagreed that financial statements notes may help users understand the budget and financial statements if they disclosed the fiscal year in which the budget was approved. The findings were corroborated by a mean of 3.81 and a non-significant standard deviation of 0.96. Further, 29.6% (8) of the participants strongly agreed, 40.7% (11) agreed, 18.5% (5) fairly agreed and 11.1% (3) disagreed that they provide no justification for why the budget has to be adjusted upwards or downwards, whether due to internal reallocations or external reasons. This was corroborated by a mean of 3.89 and a non-significant standard deviation of 0.97.

Though, 37% (10) of the participants strongly agreed, 33.3% (9) agreed and 18.5% (5) fairly agreed and 11.1% (3) disagreed that a statement comparing anticipated and actual expenditures or a set of footnotes to the financial statements will provide the reconciliation. This was corroborated by a mean of 3.96 and a significant standard deviation of 1.02. On the other hand, 25.9% (7) of the participants strongly agreed, 63% (17) agreed, 3.7 (1) fairly agreed while 7.4% (2) disagreed that a common accounting basis (accrual, cash, or otherwise) is used to show both planned and actual expenditures. This was corroborated with the mean of 4.07 and a standard deviation of 0.78, which is not statistically significant.

With a mean score of 3.9, it can be assumed that the vast majority of those who took part concurred with many assertions about the sharing of financial data. By comparing the original and the final allocated funds amounts and actual spending in the financial reports to the freely accessible budget, consumers of the financial statements will be able to determine whether funds were used in line with the budget that was adopted, thereby completing the scrutiny cycle. For full transparency, the accounting variance (the disparity between actual and planned expenditures) may also be explained in the financial statements. Heiling (2019).

Per the vast majority of those who responded, it is usual practice for financial statements to provide a budget versus actual comparison. This claim is consistent with the findings of Dabbicco and Mattei (2021), who analyzed the process of reconciling budgets and financial statements: A research comparing Italy and the United Kingdom found that both governments' accounting records included a juxtaposition of budgeted and actual amounts. In addition, the vast majority of those surveyed agreed that planned and actual amounts are shown using the same accounting method, whether its accrual, cash, or some other method. In accordance with Heiling (2019), this means that entities only need to provide a budget vs. actuals comparison in the main financial reports if the reports and the budget were generated using the same methodology. Therefore, no juxtaposition of budget and actual revenues as extra spending columns is needed (or even probable) when the authorized spending plan is generated on cash or amended cash basis (currently executed by majority of the administrations) and the corresponding financial statements have been created on accrual basis.

Majority of the participants also agreed that including explanatory comments on the accounting records for the approved budget period is helpful for readers who want to learn more about the connection between the two. To help readers better understand how the financial statements relate to the budget, majority of the participants also agreed that "Information about the basis of getting ready of the financial declarations and the important accounting procedures embraced can be found in the notes". Supporting these two claims is a finding by Gomes, Brusca, Fernandes, and Vilhena (2022) “a public sector organization must provide an explanation of variances between the original and the final budget in the supplemental material to the financial statements or in an additional report issued prior to, in conjunction with, or simultaneously with the financial statements". Soguel and Luta (2021) found that aside from budget variances, clarification of material variances between actual and budget are additionally required in notes to the financial statements in the absence of the explanation in any other public reports or records issued to go along with the financial statements, and the annotations to the statements of affairs must detect the reports or records in which the clarification can be found.

4.5.5 Quality of Financial Reporting in Public Universities in Kenya

The descriptive statistics to find out the degree of financial reporting quality in Kenya's public universities are provided in table 4.7 below.

Table 4. 7: Descriptive Statistics: Quality of Financial Reporting

Quality Financial Reporting	1	2	3	4	5	Mean	S. D
1. The public sector's use of accounting standards processes has substantially improved the verifiability of financial statements and related disclosures.	40.7 (11)	44.4 (12)	11.1 (3)	3.7 (1)	0 (0)	4.22	0.80
2. Generally recognized accounting rules have been adopted by public agencies, which has facilitated faithful representation of financial reports and related disclosures.	40.7 (11)	44.4 (12)	11.1 (3)	3.7 (1)	0 (0)	4.22	0.80
3. Confidence in the veracity of financial statements and other disclosures has been bolstered by the widespread use of generally accepted accounting rules in the public sector.	55.6 (15)	44.4 (12)	0 (0)	0 (0)	0 (0)	4.56	0.51
4. Relevance of financial reporting of the public sector's has been enhanced by adoption of generally accepted accounting standards	55.6 (15)	37 (10)	7.4 (2)	0 (0)	0 (0)	4.48	0.64

5. Financial statements and disclosures in the public sector have improved leading to better understandability because of the widespread use of generally accepted accounting standards.	40.7 (11)	51.9 (14)	7.4 (2)	0 (0)	0 (0)	4.33	0.62
6. The adoption of accounting standards procedures by the public sector has increased the comparability of financial statements and the disclosures that accompany them.	22.2 (6)	59.3 (16)	11.1 (3)	7.4 (2)	0 (0)	3.96	0.81
Overall						**4.30**	

Source: Field Data (2023)

According to table 4.7, 40.7% (11) of the participants strongly agreed, 44.4% (12) agreed, 11.1% (3) fairly agreed and 3.7% (1) disagreed that the public sector's use of accounting standards processes has substantially improved the verifiability of financial statements and related disclosures. This was corroborated by a mean of 4.22 and a standard deviation of 0.80, which is not statistically significant. Similarly, 40.7% (11) of the participants strongly agreed, 44.4%(12) agreed, 11.1% (3) fairly agreed and 3.7% (1) disagreed that generally recognized accounting rules have been adopted by public agencies, which has facilitated faithful representation of financial reports and related disclosures. This was corroborated by a mean of 4.22 and a standard deviation of 0.80, which is not statistically significant.

From the research findings, 55.6% (15) of the respondents strongly agreed while 44.4% (12) that confidence in the veracity of financial statements and other disclosures has been bolstered by the widespread use of generally accepted accounting rules in the public sector. This was corroborated by a mean of 4.56 and a standard deviation of 0.51, which is not statistically significant. Further, 55.6% (15) of the participants strongly agreed, 37% (10) agreed while 7.4% (2) fairly agreed that relevance of financial reporting of the public sector has been enhanced by adoption of generally accepted accounting standards. This was corroborated with a mean of 4.48 and a standard deviation of 0.64, which is not statistically significant.

The results revealed that, 40.7% (11) of the participants strongly agreed, 51.9% (14) agreed and 7.4% (2) fairly agreed that financial statements and disclosures in the public sector have improved leading to better understandability because of the widespread use of generally accepted accounting standards. This was corroborated by a mean of 4.33 and a standard deviation of 0.62, which is not statistically significant. Moreover, 22.2% (6) of the participants strongly agreed, 59.3% (16) agreed and 11.3% (3) fairly agreed, while 7.4% (2) disagreed that the adoption of accounting standards procedures by the public sector has increased the comparability of financial statements and the disclosures that accompany them. This was corroborated with a mean of 3.96 and a standard deviation of 0.81, which is not significant.

4.6 Assumptions of Multiple Regression Analysis Models

The assumption of linear regression in this study included test for normality via Shapiro Wilk test, auto-correlation via the Durbin-Watson, multi-Collinearity test and heteroscedasticity using the Breusch-Pagan test. The findings are presented below.

4.6.1 Normality

Various methods may be used to ascertain the normality of data. However, the two most commonly used normality tests are the Kolmogorov-Smirnov test and the Shapiro-Wilk test which were also used on this study. The Ho (null hypothesis) posits that the sampled data comes from a population that follows a normal distribution for both aforementioned tests. When the P-value <0.05, the null hypothesis is rejected and it is concluded that the data are not normally distributed. Per Table 4.8, all the variables examined by the study research had a p-value > than 0.05, indicating that the data has a normal distribution.

Table 4.8: Tests of Normality

	Kolmogorov-Smirnov[a]			**Shapiro-Wilk**		
	Statistic	**df**	**Sig.**	**Statistic**	**df**	**Sig.**
Accrual basis accounting system	.150	27	.120	.932	27	.079
Preparation of financial statements	.134	27	.200*	.935	27	.092
Financial Information Disclosure	.132	27	.200*	.950	27	.220
Budget presentation in financial statements	.132	27	.200*	.937	27	.102
Quality Financial Reporting	.151	27	.117	.949	27	.199

*. This is a lower bound of the true significance.
a. Lilliefors Significance Correction

4.6.2 Multi-Collinearity

As a result of their interdependence, multicollinearity issues weaken one's capacity to define any given variable. Besley (1980) is cited in Jingyu li (2003) as saying that scholars have used a VIF= 10 criterion to assess how much excessive connection exists within the variables. All the VIF values in table 4.9 are under 10, indicating that there does not exist multi-collinearity issue with any of the variables used in the analysis.

Table 4. 9: Multi-Collinearity

Independent variable	Tolerance	VIF
Accrual basis accounting system adoption	.746	1.341
Preparation of financial statements adoption	.906	1.104
Financial Disclosure Information adoption	.724	1.382
Budget presentation in financial statements adoption	.843	1.187

4.6.3 Auto Correlation

The Durbin-Watson test statistic is used to look for autocorrelation in the residuals of a regression. It has a value range of 0–4. When a value is zero, autocorrelation does not exist. A value lower than 2 indicates a positive autocorrelation. When the value is above 2, autocorrelation is said to be negative. The Durbin-Watson statistic for this research is 1.587, which is not too far off from 2. This suggests that the residuals of the model exhibit little to no autocorrelation.

Table 4. 10: Test of Autocorrelation

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.838[a]	.702	.647	.24445	1.587

a. Predictors: (Constant), Presentation of budget information in financial statements adoption, Disclosure of financial information adoption, Preparation of financial statements adoption, Accrual basis accounting system adoption
b. Dependent Variable: Quality of financial reporting

4.6.4 Heteroskedasticity Test

To check for heteroskedasticity in the variance, the study employed the Breusch-Pagan test. The null hypothesis that the variance of the error terms stays constant may be tested statistically with the use of the Breusch-Pagan test. There is just one degree of freedom in the chi-squared distribution that this test statistic adheres to. The threshold for statistical significance was set at a two-tailed p-value of 0.05.

Table 4. 11: Heteroskedasticity Results

Breusch-Pagan Test for Heteroskedasticity		
Chi-Square	**df**	**Sig.**
1.615	1	.224

Source: Research Findings (2023)

Per Table 4.11, the Breusch-Pagan test has a probability value of 0.224, which is more than the 0.05 threshold for statistical significance. Therefore, because we do not reject the null hypothesis, it is possible that the variance in error measures is constant. This finding rules out heteroscedasticity as a possible explanation for the data.

4.7 Pearson Correlation Results

The outcomes of the correlation analysis performed by Pearson are shown in Table 4.12, presenting the correlation coefficient (r). This coefficient assesses the direction, either positive negative, and strength (ranging from -1 to +1) of the association between two continuous or ratio/scale variables.

Table 4. 12: Multiple Correlation Matrix

		ABAS	PFS	DFI	PBI
ABAS: Accrual basis accounting system adoption	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	27			
PFS: Preparation of financial statements adoption	Pearson Correlation	.303	1		
	Sig. (2-tailed)	.124			
	N	27	27		
DFI: Disclosure of	Pearson Correlation	.430*	.118	1	

financial information	Sig. (2-tailed)	.025	.556		
	N	27	27	27	
PBI: Presentation of budget information in financial statements	Pearson Correlation	.223	.025	.390*	1
	Sig. (2-tailed)	.264	.900	.044	
	N	27	27	27	27
Quality of financial reporting	Pearson Correlation	.572**	.260	.671**	.625**
	Sig. (2-tailed)	.002	.191	.000	.000
	N	27	27	27	27

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Field Data (2023)

Per the correlation Table 4.12, accrual basis accounting system adoption has positive correlation with the financial reporting quality in Kenya's public universities with a coefficient of 0.572 (p value =0.002), which is significant at 99% confidence level. Therefore, increase in accrual basis accounting system adoption would cause the financial reporting quality of Kenya's public universities to increase in same direction. However, the correlation coefficient for preparation of financial statements adoption was 0.260 (P value =0.191), suggesting positive but insignificant relationship between preparation of financial statements adoption and financial reporting quality in Kenya's public universities. Although not significant, increase in preparation of financial statements implementation would results to increase in financial reporting quality at Kenya's public universities.

Moreover, the obtained correlation value of 0.671** indicates a positive association between the implementation of the financial information disclosure and the financial reporting quality in Kenya's public universities, which is statistically significant. Finally, it is evident, a correlation between the incorporation of budget information in financial statements and the overall financial reporting quality at Kenya's public universities, which is statistically significant. This is corroborated by a correlation coefficient of 0.625**, with a p-value of 0.000. This suggests that the implementation of increased disclosure of budgetary information in financial statements will improve the overall financial reporting quality within Kenya's public universities.

4.8 Multiple Regression Analysis

The study used multiple regression analysis to evaluate the multivariate influence of independent variables (accrual basis accounting system adoption, preparation of financial statements adoption, financial information disclosure adoption and budget presentation in financial statements adoption) on the dependent variable, namely the financial reporting quality in Kenya's public universities. Prior to use, the pre-requisite assumptions of multiple regression analyses were verified. The results are presented in table 4.13, 4.14 and 4.15.

Table 4. 13: Model Summary Regression Results

					Change Statistics				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.838[a]	.702	.647	.24445	.702	12.939	4	22	.000

Table 4.13 presents the outcomes of a multiple regression analysis, which examines the collective impact of various independent variables in the study. These variables include the implementation of an accrual basis accounting system, the adoption of financial statement preparation practices, the adoption of financial information disclosure practices, and the inclusion of budget data in financial statements. The R-squared (R2) value of the model is 0.702, indicating the study accounts for 70.2% of the variance in the financial reporting quality at Kenya's public universities. The remaining 29.8% may be attributed to variables which are not included in the hypothesized research model. Thus, the study model can be considered robust.

Table 4.14: ANOVA Regression Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.093	4	.773	12.939	.000[b]
	Residual	1.315	22	.060		
	Total	4.407	26			

The Analysis of Variance (ANOVA) reveal that the mean squares and F statistics are significant (F(4,26)= 12.939; significant at *p<.001*), thus confirming the fitness of the model and also suggests that there are significant variations in the contributions of the independent variables to financial reporting quality at Kenya's public universities.

Per the unstandardized regression coefficients in table 4.15 below, the independent variables (accrual basis accounting system adoption; $\beta = 0.178$, $t = 2.094$ at $p<0.05$, preparation of financial statements adoption; $\beta = 0.086$, $t=0.976$ at $p>0.05$; financial information disclosure adoption; $\beta = 0.415$, $t = 2.734$ at *$p<0.05$,* budget presentation in financial statements adoption; $\beta = 0.254$, $t = 3.258$ at *$p<0.05$)* have a significant effect on the financial reporting quality of Kenya's public universities (dependent variable).

Thus, the study's multiple regression equation is;

$$\boldsymbol{Y = 0.534+0.178X_1+0.086X_2+ 0.415X_3 + 0.254X_4}$$

Where;

Y = quality of financial reporting in public universities in Kenya.

X_1 = accrual basis accounting system adoption

X_2 = preparation of financial statements adoption

X_3 = Disclosure of financial information adoption

X_4 = presentation of budget information in financial statements adoption

Table 4. 15: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.534	.622		.859	.400
Accrual basis accounting system	.178	.085	.282	2.094	.048
Preparation of financial statements adoption	.086	.088	.119	.976	.339
Disclosure of Financial Information	.415	.152	.374	2.734	.012

	Presentation of budget information	.254	.078	.413	3.258	.004
a. Dependent Variable: quality of financial reporting						

Per the unstandardized co-efficients in Table 4.15, if public sector accounting standards practices are non-existent, the financial reporting quality would be 0.534, p=0.400. Although positive it is not significant. The results indicate that accrual basis of accounting system adoption practice significantly determines the financial reporting quality at Kenya's public universities (β = 0.178 at $p<0.05$). One unit enhancement in accrual basis accounting system adoption will significantly lead to 0.178 units enhancement in financial reporting quality in Kenya's public universities when other factors in the model are excluded.

The results indicate that preparation of financial statements adoption practice insignificantly determined the financial reporting quality in the Kenya's public universities (β = 0.086 at $p>0.05$). One unit enhancement in preparation of financial statements adoption practice will insignificantly cause 0.086 units enhancement in financial reporting quality in Kenyan public universities when other factors in the model are excluded. The results indicate that financial information disclosure adoption significantly determine the financial reporting quality (β = 0.415 at $p<0.05$). The results indicate that one unit enhancement in Disclosure of financial information adoption will cause 0.415 units enhancement in the financial reporting quality at Kenya's public universities when other factors in model are excluded.

The outcomes of the multiple regression coefficients reveal that inclusion of budgets in financial statements has a significant impact on the financial reporting quality at Kenya's public universities (β = 0.254 at $p<0.05$). One unit of enhancement of the budget presentation in the financial statements leads to 0.254 units enhancement of the financial reporting quality at Kenya's public universities when other aspects in the model are excluded.

4.9 Discussion of the Findings

Multiple regression coefficients results indicate that accrual basis accounting system adoption practice significantly determined the financial reporting quality of Kenya's public universities (β = 0.178 at $p<0.05$). The findings indicate that one unit enhancement in accrual basis accounting system adoption leads to 0.178 units enhancement in the financial reporting quality in public universities in Kenya when other factors in the model are excluded. Otniel, Nunuy, Sugiono, and Muhammad Dahlan (2020), who investigated the impact of the government's accrual basis accounting on the reliability of its financial reports, reached the same conclusion. This study's findings provided concrete proof that using an accrual basis for accounting affects the accuracy of financial data. According to Putra and Sulistyowati (2021), the quality of Indonesia's fiscal openness is correlated with the accrual basis used by the government. This research showed that the use of accruals greatly improved the openness of government finances.

Kartika, Shodiq, and Alwi (2020), who studied how switching to an accrual basis approach affected government financial reporting, found similar outcomes. The investigation revealed that switching to an accrual basis for public sector financial reporting significantly improves its efficacy and/or efficiency. The study's independent variables—fixed assets, liabilities, revenues, and costs—were all shown by Deaconu, Silvia, and Crina (2011) to gain from the implementation of accrual basis of accounting in Romania's growing economy. It also illustrates how the benefits of Romania's switch from a cash to an accrual basis were discovered gradually over the course of the two analyzed phases, the transition and post-reform eras.

Multiple regression coefficient results indicate that preparation of financial statements adoption practice insignificantly determined financial reporting quality of Kenya’s public universities ($\beta = 0.086$ at $p>0.05$). The findings indicate that one unit enhancement in preparation of financial statements adoption practice leads to 0.086 units enhancement in financial reporting quality in public universities in Kenya when other factors in the model are excluded. The findings are consistent with those of Van Auken and Arraher (2013), who surveyed 312 small and medium-sized enterprises to determine what influences the regularity with which financial statements are prepared. The results demonstrated an inverse relationship between the trust of business owners in their accounting records and the regularity with which they prepared financial statements. To better prepare financial statements, Okaro and Okoye (2018) determined that implementing IPSAS in Nigeria’s public sector will initiate a new age of accountability and well-considered decisions.

Financial accounting procedures for micro, small, and medium companies and cooperatives were used to prepare accounting records at the Bengkulu City Joint Commercial Savings and Loan Cooperative, which is consistent with the findings of Dwiantini, Susanti, and Hidayah (2021). Results show that SAK EMKM implementation in the Joint Venture KSP is successful due to the significant extent to which it is in compliance with SAKEMKM. The steps of documenting financial activities and summarizing them were shown by Ardila, Zurriah, and Suryani (2019) in order to produce the accounting records. The Statement of Financial Position, Statement of Income, and Notes to Financial Statements were prepared using SAK EMKM.

Multiple regression coefficient results indicate that financial information disclosure adoption has a significant effect on financial reporting quality (β = 0.415 at $p<0.05$). One unit enhancement in financial information disclosure adoption leads to 0.415 units significant enhancement in quality of financial reporting in public universities in Kenya when other aspects in model are excluded. Wangari (2014) used generic and strategic disclosure, monetary disclosure, proactive disclosure, and social aspect of board disclosure as alternatives for quantifying voluntary disclosure and its effect on the financial health of commercial financial institutions in Kenya. It was determined from this research that companies who disclosed more information about their finances, operations, and board of directors saw a significant improvement in their performance. Financial reports disclosure has an influence on earnings management, as shown by Putri and Suputra (2019), but has no discernible effect on managerial efficacy. In addition, although audit quality did mitigate the effect of financial report transparency on earnings management, it was unable to analyze the connection between management skills and earnings management.

Opanyi (2016) bolsters the research by investigating how the adoption of IPSAS has changed the landscape of public sector financial reporting in Kenya. According to the findings, adopting IPSAS did not significantly affect the publication of financial information. All users of accounting data, including investors, agree on the significance of voluntary disclosure and the role it plays in assisting them in making economic choices, according to research by Kanakriyah (2016).

Multiple regression coefficients results indicate that budget inclusion in financial statements adoption has significantly determined the financial reporting quality at Kenya's public universities (β = 0.254 at $p<0.05$). The results suggest that one unit enhancement in budget presentation in financial statements adoption leads to 0.254 units enhancement in the quality of financial reporting at public universities in Kenya when other aspects in the model are excluded. The commonality of public and private sector budgetary and control procedures is made possible, according to Spanos and Liapis (2018), by the same format of accounting statements under IAS/IFRS and IPSAS. In this study, we look at how public sector organizations have adopted private sector budgeting and controlling strategies despite the inherent contradictions between the two types of organizations' underlying processes. Effective budget allocation, improved budget performance, and curtailed corruption by public officials are all shown by Abimbola, Kolawole, and Olufunke (2017) as a result of implementing IPSAS 18, 22, and 24. According to Mazhambe (2020), an IPSAS-compliant openly endorsed budget, after discussion with the public, is unbiased and advantageous for user choice, improving accountability and openness to the convenience of users, as well as adding stakeholder's confidence and faith, which has a positive impact on the overall contribution to the GDP.

Consistent with prior research, this finding supports the hypothesis. According to a study by Haeruddin, Ibrahim, Jamali, and Asriati (2021), comparing the recognition, measurements, appearance, and reporting of financial information of Minasa Village-owned businesses in Tamasaju Village revealed discrepancies with the requirements for financial accounting for Micro, Small Entities, and Intermediate. While the financial statements prepared in accordance with Financial Accounting Standards for Micro, Small Entities, and Intermediate only include a statement of earnings and expenditures and a balance sheet, the financial reports generated by Minasa Village Owned Enterprises include a profit and loss statement, a balance sheet, a statement of modifications to equity, and observes to financial statements. Failure to react to ecological modifications, a shortage of preparing a budget ability, a lack of training, a lack of flexibility in budgetary management and planning systems, and so on are all problems identified by Mwasi (2017).

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This section provides a concise overview of the significant results of the research and the conclusions on the impact of public sector accounting standards procedures on the financial reporting quality at Kenya's public universities. Ultimately, the section includes suggestions for upcoming studies in related areas.

5.2. Summary of Study Findings

The objective of the study "effect of public sector accounting standards practices on the quality of financial reporting in public universities in Kenya" was guided by four objectives as outlined below.

5.2.1 Accrual Basis Accounting System Adoption and Financial Reporting Quality in Public Universities in Kenya

Majority of the participants affirmed that the public sector accounting standards practices have adequately enabled cash flow implementation in accrual basis accounting system which were omitted in cash basis accounting system; recognizes other assets such as biological assets which were excluded in cash basis accounting system and has enhanced better management of expenditure due to proper cost allocation. Inferential analysis revealed accrual basis accounting system implementation has statistically significant influence on financial reporting quality in Kenya's public universities. Pearson correlation analysis indicated a significant relationship between implementation of accrual accounting and financial reporting quality ($r=0.572$, $P=0.000$). A unit change in accrual accounting would result to significant change in financial reporting quality at public universities in Kenya by 0.178 units. This implies that improvement in accrual accounting implementation would result to improvement in financial reporting quality of Kenya's public universities. These findings are supported by various empirical studies on the relationship between accrual accounting adoption and financial reporting quality.

This corroborates the findings of Kartika, Shodiq, and Alwi (2020), who studied how switching to an accrual approach improved government transparency and accountability in their financial reporting. This confirms the conclusion reached by Otniel, Nunuy, Sugiono, and Muhammad Dahlan (2020), who investigated the effect of the government's accrual accounting system and the accuracy of the financial reports it issues.

5.2.2 Preparation of Financial Statements Adoption and Financial Reporting Quality in Public Universities in Kenya

Per the descriptive analysis, majority of the participants were in agreement on the consistency in financial statements preparation and adequate engagement during financial statement preparation as spelt out in the public sector accounting standards practices; public universities adhere to financial period and financial statement format as spelt out in the accounting standards for the public sector. Inferential analysis indicated that preparation of financial statements adoption has insignificant influence on the financial reporting quality at Kenyan public universities. Pearson correlation analysis indicated there is insignificant relationship between implementation of preparation of financial statements and financial reporting quality ($r=0.260$, $P=0.191$). A unit increase in the financial statements adoption would lead to an insignificant increase in the financial reporting quality at Kenya’s public universities by 0.086. This postulated that adequate preparation of financial statements implementation would result in an improvement in financial reporting quality at Kenya’s public universities.

The study’s observation corroborates those of Dwiantini, Susanti, and Hidayah (2021), who investigated the use of IFRS in compiling financial statements by micro, small and moderate entities and cooperatives at the Bengkulu City Joint Business Savings and Loan Cooperative. According to Okaro and Okoye (2018), the compilation of financial statements in line with IPSAS in Nigeria’s public sector, would initiate a new age of accountability and transparency.

5.2.3 Disclosure of Financial Information Adoption and Financial Reporting Quality in Public universities in Kenya

Financial reports prepared in adherence to public sector accounting standards exhibit higher levels of completeness, integration and decision relevance, according to the descriptive analysis of the survey responses, and the public universities employ a wide variety of mediums to publish their financial data. Using the transparency principle, public colleges lay forth their financial standing for the public. Statistical inferences about Kenyan public universities' implementation of standards for disclosing financial information and the financial reporting quality show a strong association between the two variables. The financial reporting quality correlates positively with the prevalence of financial disclosure ($r=0.671$, $P=0.000$) as determined by the method of Pearson correlation analysis. The quality of financial reporting at Kenya's public universities might improve by a noticeable 0.415 units with every additional unit of adoption of disclosure of financial information. It was hypothesized that if the financial reporting quality at Kenya's public universities could be improved, then more would embrace the Financial Information disclosure.

Opanyi (2016) bolsters the research by examining how the implementation of IPSAS has changed the character of public sector financial reporting in Kenya. The influence of financial report transparency on managing earnings, but not on managing competence, was shown by Putri and Suputra (2019).

5.2.4 Presentation of Budget Information in Financial Statements Adoption and Quality of Financial Reporting in Public universities in Kenya

The majority of the participants concurred that the financial statements are prepared in line with accounting standards for the public sector, incorporate budgeted and actual comparison. Financial statements notes expound on key accounting procedures employed and other bases for preparation of financial statement. This aids in comprehending the connection between the accounting information in the financial reports and the budget. Furthermore, the presentation of the budget and reality on an analogous basis, such as utilizing the same accrual, cash, or other accounting method, ensures consistency and facilitates meaningful analysis.

Inferential analysis indicated that budget presentation in financial reports adoption has significant influence on financial reporting quality at Kenya’s public universities. Pearson correlation analysis indicated there is relationship between budget presentation implementation and financial reporting quality, which was statistically significant ($r=0.625$, $P<0.000$). A unit enhancement in budget presentation in financial statements implementation leads to significant enhancement in the financial reporting quality of Kenya’s public universities by 0.254. This postulated that effective and efficient budget presentation in financial statements implementation would result to a change in the same direction of the financial reporting quality in Kenya’s public universities.

Per the findings of Spanos and Liapis (2018), the adoption of the uniform framework of financial statements as outlined by IFRS/IAS and IPSAS facilitates the alignment of budgeting and control approaches across the private and public Sectors. In a recent study conducted by Haeruddin, Ibrahim, Jamali, and Asriati (2021), it was demonstrated that the accounting records preparation of the Minasa Village Owned enterprises in Tamasaju Village did not fully adhere to the Accounting Standards for Micro, Small and Moderate enterprises. This discrepancy was evident in the areas of recognition, measuring, display, and reporting of funds, as observed through a comparative analysis.

5.3 Conclusion

The study concluded that the accrual basis accounting system implementation has a significant effect on the financial reporting quality of Kenya's public universities. Implementation of accrual accounting has adequately enabled cash flow implementation which were omitted in cash basis accounting system, recognition of other assets such as biological assets which were excluded in cash basis accounting system, recognition of other financing such as gratuity which were excluded in cash basis accounting system and better management of expenditure due to proper cost allocation which has improved the financial reporting quality standards of Kenya's public universities.

Preparation of financial statements positively but insignificantly affects financial reporting quality in Kenya's public universities. There is need to develop a basis for determining if the public sector accounting standards practices are followed during preparation of financial statements. The financial statements are prepared consistently in line with the public sector accounting standards practices. Further, financial statements are prepared in line with format prescribed by the public sector accounting standards which has enhanced the financial reporting quality in Kenya's public universities.

The results of this investigation demonstrate that the implementation of financial information disclosure has a significant influence on the financial reporting quality in Kenya's public universities. The implementation of PSAS principles, particularly the financial information disclosure, guarantees that financial reports are not only more complete, but also integrated and more conducive for informed decision-making. Moreover, Kenyan public universities used many methodologies and approaches to facilitate the financial information disclosure, hence improving the quality of their financial reports.

The study concluded that budget presentation in financial statements adoption significantly affects financial reporting quality at Kenya's public universities. Financial reports' quality was enhanced by comparing budget versus actual in the financial statements as per public sector accounting standards practices. Disclosure notes on the financial statements for the approved budget's period assisted the users to effectively understand the connection between the budget and the actual amounts in the financial statement.

5.4 Recommendations

The study outcomes led to the formulation of recommendations in relation to each study objective. To maximize the accrual basis accounting adoption, there are several indicators that need government and other policy makers' attention. The indicators are the application of operational report revenue and the application of expenses; recognition of other assets such as biological assets. In applying accrual basis accounting, it should be regulated in accounting policies and selected methods based on best practice without reducing the reliability of financial statements.

To enhance financial reporting quality, the study recommended formulation of an approach within the institution to determine if public sector accounting standards practices are followed during preparation of financial statements. This would ensure the format as well as consistency in the preparation of financial statements are as the per public sector accounting standards practices.

In accordance with the outcomes, it is important to provide users with access to relevant financial data and reports in a timely manner, in a manner and language that facilitates analysis and interpretation. If this were the case, we could rest certain that all relevant information on an organization's viability has been disclosed.

It is essential that the budget information which is presented is accurate as well as the corresponding actual amounts in the financial report, to improve the quality of financial reports in Kenya's public universities. This can be achieved by presenting the budget and actual in comparable format which is on the same accounting basis i.e., cash or accrual.

5.5 Limitations of the Study

The study primarily examined Kenya's 31 public universities; however, it is important to acknowledge that the regulations and policies within a broader global framework, influenced by many international factors and dynamics. The use of a geographically limited strategy may fail to include global best practices, trends, and problems that have a substantial impact on accounting standards and financial reporting procedures. As a result, it is possible that the conclusions of this study may possess limited applicability outside the specific setting of Kenya or to other private universities in Kenya.

The research primarily used structured questionnaires that were delivered to individuals holding the position of finance officers or university accountants. This implies that the study was unable to collect qualitative data from open ended statement and therefore, some insights from the respondents were not captured. Moreover, it is important to acknowledge that self-reported data is inherently susceptible to various biases, such as the social desirability bias, which might potentially impact the accuracy and reliability of the replies.

The research examined specific elements of Public Sector Accounting Standards Practices which included accrual basis accounting system adoption, financial statements preparation adoption, financial information disclosure adoption and budget presentation in financial statements adoption. However, it should be noted that several variables that might possibly have a significant impact such as government policies were not considered in this study. The inclusion of these unexplored factors may provide more elucidation on the complexities surrounding the quality of financial reporting.

5.5 Areas for Further Research

The study covered four accounting standards practices specifically for the public sector; namely accrual accounting system, preparation of financial statements, financial information disclosure and budget presentation in financial statements. These practices accounted for 70.2% of variance in the quality financial reporting while 29.8% was accounted for by other practices or factors. it recommends further studies to be conducted on other accounting standards practices influencing financial reporting quality of public universities such as service concession agreements and government regulations and policies as intervening variables.

The study was conducted among universities in Kenya and focused on public sector accounting standards practices adoption in public universities. Further studies may focus on other public institutions such as county governments and state-owned corporations as well as private universities in Kenya.

Although the current study primarily used quantitative approaches, the inclusion of qualitative research methods including focus group discussions or interviews with relevant stakeholders might enhance the depth and contextual understanding of the findings. This technique has the potential to reveal the intricacies, difficulties, and underlying incentives associated with certain public sector accounting standards practices, therefore providing a robust comprehension of the public sector accounting standards practices and its connection to financial reporting.

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APPENDICES

APPENDIX: QUESTIONNAIRE

PART A: BACKGROUND INFORMATION

1. What is your gender? Male [ ] Female [ ]
2. What is your age?
   18-25years [ ] 25-34 years [ ]
   35-44 years [ ] 45-54 years [ ] above 55years [ ]
3. What is your highest level of education?
   Diploma [ ] Bachelor's degree [ ]
   Master's degree [ ] others [ ]
4. How long have you worked in this institution?
   Below 1 year [ ] 1-5 years [ ] 6-10 years [ ]
   11-15 years [ ] Over 15years [ ]

PART B: PUBLIC SECTOR ACCOUNTING STANDARD PRACTICES

For the questions listed below, please choose (with a check) the answer that best describes your current situation. 1 Strongly disagree **SD**, **2** Disagree **D**, **3** Fairly Agree **FA, 4** Agree **A**, **5** Strongly agree **SA**						
		5	**4**	**3**	**2**	**1**
SECTION 1: Accrual Basis Accounting System						
1	Public sector accounting standards practices has adequately enabled cash flow implementation in accrual basis accounting system which were omitted in cash basis accounting system					
2	Public sector accounting standards practices recognizes other assets such as biological assets which were excluded in cash basis accounting system					
3	Public sector accounting standards practices has adequately enabled liabilities implementation such as long- and short-term liabilities					
4	Public sector accounting standards practices recognizes other financing such as gratuity which were excluded in cash basis accounting system					
5	Public sector accounting standards practices has adequately enabled revenue implementation in accrual basis accounting system which were not previously captured in cash basis accounting system					
6	Public sector accounting standards practices has reduced and enhanced better management of expenditure due to proper cost allocation					

For the questions listed below, please choose (with a check) the answer that best describes your current situation. 1 Strongly disagree **SD**, 2 Disagree **D**, 3 Fairly Agree **FA**, 4 Agree **A**, 5 Strongly agree **SA**						
		5	**4**	**3**	**2**	**1**
	SECTION 2: Preparation of Financial Statements					
1	Financial statement preparation provides an opportunity to assess whether or not widely accepted accounting rules in the public sector are being followed.					
2	Compliance with Public Sector Accounting Standards Practices ensures reliable financial reporting.					
3	Preparation of financial statement is as per public sector accounting standards format					
4	The university adheres to financial period as spelled out in public sector accounting standards					
5	There is adequate engagement during preparation of financial statement as spelled out public sector accounting standards practices					
6	The assumption that the business will continue in its current form lends assistance to the process of preparing financial statements in accordance with governmental accounting rules and procedures.					

For the questions listed below, please choose (with a check) the answer that best describes your current situation. 1 Strongly disagree **SD**, **2** Disagree **D**, **3** Fairly Agree **FA, 4** Agree **A**, **5** Strongly agree **SA**						
		5	**4**	**3**	**2**	**1**
SECTION 3: Disclosure of Financial Information						
1	With Public sector accounting standards practices, there is adequate disclosure of going concern information					
2	Adoption of public sector accounting standards practices has enhanced timeliness disclosure of financial information					
3	With Public sector accounting standards practices, there is adequate disclosure of corporate social responsibility information					
4	Financial position reporting is done on a full disclosure basis					
5	At the very least, the public sector accounting standards result in more comprehensive and integrated financial reporting that are more suited for decision making.					
6	The university uses various mediums to disclose financial information					

For the questions listed below, please choose (with a check) the answer that best describes your current situation. 1 Strongly disagree **SD,** 2 Disagree **D**, 3 Fairly Agree **FA**, 4 Agree **A**, 5 Strongly agree **SA**						
		5	**4**	**3**	**2**	**1**
SECTION 4: Presentation of Budget Information						
1	The financial accounts provide a comparison between expected and actual expenditures, as required by public sector accounting standards processes.					
2	Notes that describe the basis for creation of the financial statements and the					

	major accounting principles followed might assist readers better understand the interplay between budget and accounting information presented in the financial statements.					
3	The notes to the financial statements may help users make sense of the budget and financial statements if they disclosed the fiscal year for which the budget was approved.					
4	Provide no justification for why the budget has to be adjusted upwards or downwards, whether due to internal reallocations or external reasons.					
5	A statement comparing anticipated and actual expenditures or a set of footnotes to the financial statements will provide the reconciliation.					
6	A common accounting basis (accrual, cash, or otherwise) is used to show both planned and actual expenditures.					

PART C: QUALITY FINANCIAL REPORTING

For the questions listed below, please choose (with a check) the answer that best describes your current situation. 1 Strongly disagree **SD**, 2 Disagree **D**, 3 Fairly Agree **FA**, 4 Agree **A**, 5 Strongly agree **SA**

		5	4	3	2	1
	SECTION 6: Quality Financial Reporting					
1	The public sector's use of accounting standards processes has substantially improved the verifiability of financial statements and related disclosures.					
2	Generally recognized accounting rules have been adopted by public agencies, which has facilitated faithful representation of financial reports and related disclosures.					
3	Confidence in the veracity of financial statements and other disclosures has been bolstered by the widespread use of generally accepted accounting rules in the public sector.					
4	Relevance of financial reporting of the public sector's has been enhanced by adoption of generally accepted accounting standards					
5	Financial statements and disclosures in the public sector have improved leading to better understandability because of the widespread use of generally accepted accounting standards.					
6	The adoption of accounting standards procedures by the public sector has increased the comparability of financial statements and the disclosures that accompany them.					

APPENDIX 11: PUBLIC UNIVERSITIES IN KENYA

1	University of Nairobi	Nairobi
2	Kenyatta University	Nairobi
3	Jomo Kenyatta University of Agriculture and Technology	Nairobi

4	Egerton University	Njoro
5	Moi University	Eldoret
6	Technical University of Kenya	Nairobi
7	Murang'a University of Technology	Murang'a
8	Maseno University	Maseno
9	University of Embu	Embu
10	South Eastern Kenya University	Kitui
11	Dedan Kimathi University of Technology	Nyeri
12	Kisii University	Kisii
13	Masinde Muliro University of Science and Technology	Kakamega
14	Multimedia University of Kenya	Nairobi
15	Garissa University	Garissa
16	University of Eldoret	Eldoret
17	Pwani University	Kilifi
18	Karatina University	Karatina
19	Technical University of Mombasa	Mombasa
20	Jaramogi Oginga Odinga University of Science and Technology	Bondo
21	Maasai Mara University	Narok
22	Chuka University	Chuka
23	Meru University of Science and Technology	Meru
24	The Co-operative University of Kenya	Nairobi
25	Kirinyaga University	Kerugoya
26	Kibabii University	Bungoma
27	Laikipia University	Nyahururu
28	Machakos University	Machakos
29	University of Kabianga	Kericho
30	Taita Taveta University	Voi
31	Rongo University	Rongo