

**THE EFFECT OF ADOPTION OF INTERNATIONAL PUBLIC
SECTOR ACCOUNTING STANDARDS ON FINANCIAL
REPORTING IN THE PUBLIC SECTOR IN KENYA**

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DECLARATION

This research project is my original work and has not been presented to any other examination body. No part of this work should be reproduced without my consent or that of the University of Nairobi.

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DEDICATION

I dedicate this research work to my dear husband Yabesh, my sons Moses, Joshua and Caleb. May this piece of work make you proud and always inspire you.

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LIST OF ABBREVIATIONS

ASB	Accountants Standards Board
CIGAR	Comparative International Government Accounting Research
FRQ	Financial Reporting Quality
IAS	International Accounting Standards
IFAC	International Federation of Accountants Committee
IFAC PSC	International Federation of Accountants Committee Public Sector Committee
IFRSs	International Financial Reporting Standards
IPSASB	International Public Sector Accounting Standards Board
IPSASs	International Public Sector Accounting Standards
NPM	New Public Management
OECD	Organization of Economic Co-operation Development
PFM	Public Financial Management
PSASB	Public Sector Accounting Standards Board Kenya
UK	United Kingdom

ABSTRACT

The main purpose of the study was to establish the effect of adoption of International Public Sector Accounting Standards on financial reporting in the public sector in Kenya. The study was grounded on a theoretical foundation based on the stakeholder's theory, organization theory of the firm and the positive accounting theory. The study employed a descriptive survey research design. The population of study was public institutions that had adopted accrual based IPSASs. A total of 196 non-commercial public sector institutions were to adopt IPSASs accrual as per the data from Public Sector Accounting Standards Board. Using simple random sampling, 32 public sector institutions were selected for this study. Before processing the responses, the completed questionnaires were edited for completeness and consistency. The data was then coded to enable the responses to be grouped into various categories. Data for this study was both quantitative and qualitative hence both descriptive and content analysis techniques were employed. Data analysis used Microsoft excel, percentages, tabulations, means and other central tendencies measures. Tables were used to summarize responses for further analysis and facilitate comparison. The study established that the adoption of IPSASs was widespread in public sector institutions in Kenya in compliance to the PFM Act 2012. The study found out that as a result of adoption of IPSASs by the public sector entities there is improvement in accountability, asset management and transparency on financial reporting in public institutions. Hence this has brought about consistency in financial reporting, enhanced decision making and has improved internal control systems. However, the adoption of IPSASs has experienced many challenges as the implementation cost of the system was expensive, lack of trained staff on IPSASs, resistance to change and complexity of accrual accounting systems were among the identified challenges experienced. The respondents were articulate in providing the measures for mitigating the challenges experienced in adopting IPSASs. The measures included involvement of all stakeholders in the preparation of the financial statements, sensitization of the users for better adoption of IPSASs; training of the staff on the relevant skills as far as adoption of IPSASs is concerned among other suggested measures. The study made recommendations that all public institutions should adopt IPSASs for better management, accountability and transparency of financial reporting. IPSASs prescribes a manner in which general purpose financial statements should be prepared to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. It was concluded that adoption of IPSASs by the public sector institutions has enhanced availability of timely, relevant and reliable financial information that has enhance decision making in the public sector.

CHAPTER ONE

INTRODUCTION

1.1 Background of Study

Over the last few decades, the public demand for radical improvement of public sector management has resulted in a wave of organizational, managerial, financial and accounting reforms in the public sector worldwide (Christians and Rommel, 2008). The result of these reforms brought about the concept of New Public Management (NPM) which implies managing based on use of economic regularities and market efficiency principles (Azuma, 2002). The NPM reform underpin six core elements in public sector governance namely privatization, marketization, decentralization, output orientation, quality systems and intensity of implementation (Connolly and Hyndman, 2006).

According to Hood (1995), the NPM focuses on reducing the difference between public and private sectors by moving public sector practice closer to private sector practice, shifting the emphasis from process accountability towards accountability in terms of outcomes and results. This has led governments to introduce cost improvement programs, performance indicators, financial management information systems, financial targets, delegated budgets and resource allocation rules (Aarlinton and Watkins, 2007). Thus, accounting reorientation as part of the New Public Financial Management led to adoption of accrual accounting by the public sector. In this regard, International Federation of Accountants Committee Public Sector Committee (IFAC PSC) and OECD Public Management Committee (PUMA) directly or indirectly supported the adoption of

International Accounting Standards (IASs) as a basis of development of International Public Sector Accounting Standards (IPSASs) (IFAC PSC, 2000, p.55).

The IPSASs set out guidance for the structure, minimum requirements, recognition, measurement and disclosure requirements in the general purpose financial reporting intended to meet the needs of users who are unable to require the preparation of financial reports tailored for their specific needs. The major objective of IPSASs is to prescribe a manner in which general purpose financial statements should be prepared to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. IPSASs are set through a due process commencing with research and deliberations held before tentative positions are adopted. Exposure drafts of proposed standards are disseminated to solicit the views of interested parties which are considered in revising and finalizing a standard (IFAC, 2004).

Traditionally, public sector organizations used cash-based accounting systems which posed challenges due to lack of standardized international reporting practices. The cash-based system lacked internationally accepted rules and guidelines on recognition, measurement, reporting and management of debt and state assets (Luder and Jones, 2003). Taking into account that relevant and reliable accounting information is an important resource in management decision making, a comprehensive accounting information system is crucial for management performance (Vasicek, 2004). This increased focus on public sector financial management has created increasing demand for high-quality standards and guidance on how to adopt and implement such standards.

The adoption of IPSASs by public sector entities is driven by the need to strengthen efficiency, accountability and professionalism in management of public resources (Aggestam, 2010). Accrual accounting improves decision making through comprehensive reporting of assets and liabilities and increased financial control as it provides a representation of the entity's overall financial position by providing a snapshot comparison between financial periods while enhancing strategic planning (Aggestam, 2010). IPSASs also improve comparability, harmonization, transparency and accountability in financial reporting by public entities as they provide more relevant, reliable and timely financial information for decision making (IFAC Public Services Committee, 2002). Other benefits attributed to accrual accounting include: identification of total cost of government programs and activities through better measurement of costs and revenues; greater focus on outputs; more efficient and effective use of resources and greater accountability, better presentation of financial position of the public sector organizations and greater attention to assets and more complete information on liabilities through better assets and liabilities management (Mellet, 2002; Olsen, 2001).

1.1.1 International Public Sector Accounting Standards

International Public Sector Accounting Standards (IPSASs) are financial measurements reporting rules recommended for adoption by governments around the world in the preparation of financial statements by public entities applicable at all levels of governments to harmonize their national standards in response to greater government financial accountability and transparency (Chan, 2008). The adoption of IPSASs is part of strategies for modernization by public sector to improve the level of confidence in the

quality and reliability of financial reporting and encourage in the provision of information for accountability and transparency (Benito et al, 2007).

The IPSASs are developed by the International Public Sector Accountants Standards Board (IPSASB). The IPSASB traces its origins to 1986 when IFAC established the Public Sector Committee (PSC) as one of its standing committees. The PSC had a mandate to develop programs for the improvement of public sector financial management and accountability. In 2004 IFAC re-launched the PSC as IPSASB with revised terms of reference and mandate to futuristic focus on developing and issuing IPSASs. The IPSASB has 18 members, of whom no less than three shall be public members. Membership from Switzerland, South Africa, United Kingdom, New Zealand, Morocco, France, Japan, Italy, Canada, China, United States, Panama, Pakistan, Malaysia, Australia, Brazil and Romania (www.ipsasb.org).

The International Public Sector Accounting Standards Board (IPSASB) develops International Public Sector Accounting Standards (IPSASs) both cash based and accrual-based standards used for the preparation of general purpose financial statements by governments and other public sector entities around the world. Through these standards, the IPSASB aims to enhance the quality, consistency, and transparency of public sector financial reporting worldwide. The IPSASB also issues guidance and facilitates the exchange of information among accountants and others who work in the public sector and promotes the acceptance of and international convergence to IPSASs (www.ipsasb.org).

Since IPSASB inception, the board has so far issued a total of 32 accrual-based IPSASs which are based on IASs/IFRSs in as far as they are applicable to the public sector. Accrual basis of accounting implies that transactions and other events are recognized when they occur and not only when cash or cash equivalents is received or paid. The Board has also issued four IPSASs which are specific to public sector namely IPSAS 22 on Disclosure of Information about General Government Sector, IPSAS 23 on Revenues from Non-Exchange Transactions, IPSAS 24 on Presentation of Budget Information in Financial Statements and IPSASs 32 on Service Concession Arrangements (Grantor). The IPSASB has also issued two cash-based IPSASs which are applied as transitory to adoption of accrual based IPSASs. The most important IPSAS being IPSAS 1 and IPSAS 2 on the Presentation of Financial statements and Cash flow statements respectively (IPSASB Consultation Paper, 2014).

The major objective of IPSASs is to prescribe a manner in which general purpose financial statements should be prepared to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. The IPSASs set out guidance for the structure, minimum requirements, recognition, measurement and disclosure requirements in the financial statements. General purpose statements are those intended for users who are not specified including taxpayers, rate payers, Members of legislature, creditors, suppliers, media and employees. IPSASs are focused towards harmonization of accounting and statistical reporting systems which are transparent, standardized and internationally comparable accounting information that decreases diversification of accounting systems and improves quality of government reporting (IPSAB, 2005).

1.1.2 Financial Reporting in Public Sector in Kenya

Financial reporting plays the main medium of communicating the information discrete to outside user. FASB (2008) states that the objective of financial reporting is to provide financial information about reporting entity that is useful to all stakeholders. The usefulness of financial information is enhanced if it is comparable, verifiable and understandable. Relevance and reliability are other major characteristics of useful financial information. The fundamental objective of the financial statements for any public/private sector organization is to provide high quality information concerning the economic activities of entities useful for economic decision making. The government should fulfill the stewardship function by providing an audited comparison of the actual use of resources with the agreed budget. A government's financial accountability arises from the budget setting process during which it gains agreement to the levels of taxation which will be levied and to the funding which will be allocated to the various services which it intends to provide (Wyne, 2012).

In Kenya the financial reporting for the public sector is governed by the reporting requirements of the Constitution of Kenya 2010 (Chapter 12), Public Finance Management Act 2012, State Corporations Act, Companies Act and any other relevant legislation. The legislation provides for keeping of financial records and auditing of all governments and other public entities as well as securing efficient and transparent fiscal management (Constitution, 2010).

1.1.3 IPSASs and Financial Reporting in Public Sector

The adoption of IPSASs by public sector entities is driven by the need to strengthen efficiency, accountability and professionalism in management of public resources. In Kenya IPSASs have been adopted in reference to section 194 (1) (f) of the Public Finance Management Act, 2012, for application of the Standards and guidelines on implementation of the standards. The Public Sector Accounting Standards Board (PSASB) was established by the Public Finance Management Act (PFM) section 192 (2012) with the mandate to provide frameworks and set generally accepted standards for the development and management of accounting and financial systems by all state organs and public entities in Kenya.

In exercising this mandate, the Public Sector Accounting Standards Board approved for adoption the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) for application by State Corporations. The board also adopted the International Public Sector Accounting Standards (IPSASs) issued by the International Public Sector Accounting Standards Board (IPSASB) for application by all public sector entities except the State Corporations. The PSASB permitted the National and County government and their respective entities to apply cash based IPSASs whereas the Semi-Autonomous National and County Government Agencies shall apply Accrual based IPSASs. The Board is mandated to periodically review and prescribe the applicable financial reporting standard which shall include progressive application of IPSAS Accrual standards by National and County Governments and their respective entities. The standards were scheduled to be adopted and applied with effect from the 1st July 2014. These standards are intended to enhance

quality of financial reports and improve compliance with internal controls in all state organs and public sector entities (Kenya Gazette No. 18, 2014).

1.2 Research Problem

There has been an increase in demand for public accountability and transparency by stakeholders in the preparation of transparent and understandable financial statements to facilitate meaningful internal control and monitoring of public resources (ICPAK, 2014). Cash-based accounting systems previously adopted by public sector do not give insight into actual state of assets, finances and revenues (true and fair view) hence the need to have a clear financial reporting framework for the public sector, International Public Sector Accounting Standards. The IPSASs enhance accounting harmonization, better comparability of accounting systems globally and possibility of consolidating financial statements of the government (Regering, 2010).

Despite the many benefits attributed to accrual accounting for public sector other researchers believe that its implementation is often accompanied by plethora of drawbacks and problems which eventually overcome anticipated benefits (Stamatiadis, 2009). Christiaens and Rommel (2008) argued that transition from cash to accrual accounting system will only succeed in the coming years in business-like parts of government activities. This is attributed to vague accounting objectives, standards and treatments that usually derive from unclear aspects of accounting legislation such as assets identification, valuation, measurement of depreciation of physical assets, amortization of intangible assets, recognition of income and expenses and identification of opening balances (Christiaens, 2001; Ouda, 2008 and Hepworth, 2003).

In a study by Dorotinsky (2008) on the countries which have actually adopted this reform for example, Australia, New Zealand and United Kingdom, the evidence suggested that if the countries knew then what they know now, that move may never have taken place because the benefits claimed were not being realized in practice. This poses the pertinent question framed by 10th biennial Conference on Comparative International Government Accounting Research (CIGAR), “Is government accounting reform Mimicry, fad or necessary?” Wayne (2004) in his study on whether Accrual Based Accounting is real priority for the public sector based on the UK, Australia and New Zealand concluded that the accrual accounting benefits are to be questioned mainly in terms of cost-benefits comparative approach: lack of wealth for financial reporting, increased complexity of financial statements, no positive impact on decision making and incomprehensibility of information coupled with a lack of contribution to improve public services. He concluded that the substantial costs are not justifiable. Other challenges on adoption of IPSASs are in the identification and valuation of assets and liabilities due to the nature of public goods, public monuments, heritage assets, infrastructure assets and community assets which seldom have a liquid market and tractable market values (Pallot, 1992; Lapsley, 2009).

In Kenya IPSASs have been adopted in reference to section 194 (1) (f) of the Public Finance Management Act, 2012, for application of the Standards and guidelines on implementation of the standards. In a study by Kiungu (2008) based on a survey on the perception on the adoption of IPSASs by Local Authorities in Kenya, it was established that IPSASs adoption had transformed financial management, increased transparency and accountability and increased financial information disclosures. Hamisi (2010), sought to

establish factors affecting the implementation of IPSASs in Kenya, he concluded that there are several factors key among them adoption of technology, lack of trained personnel and lack of legal framework all affected implementation of IPSASs in Kenya. Since then the legal framework is in place under the PFM Act 2012 enacted by parliament.

This far, the researcher is not aware of any study on the effect of adoption of IPSASs on public sector financial reporting. Studies on this area this far are on the local authorities (Kiungu, 2008) and on the Ministry of Finance (Hamisi, 2010). This study sought to find answers to the following questions: Has the Public sector institutions realized the benefits of adopting IPSASs? What are the challenges faced by the institutions while adopting IPSASs? What are the measures put in place by the public sector institutions to overcome the challenges and to ensure successful implementation of the standards?

1.3 Research Objective

The objective of the study was to establish the effect of adoption of International Public Sector Accounting Standards on financial reporting in the public sector in Kenya.

1.4 Value of the Study

The study was to add value to accounting theory, considering that accounting theory is dynamic and the accounting principles evolve based on practice. Thus the findings from this study were to contribute in the development of IPSASs and the conceptual framework for the public sector entities. The study was also to add value to the stakeholders' theory whereby the users of financial information provided through general

purpose financial statements would have relevant and reliable information for decision making.

The study was to benefit the Public Sector Accounting Standards Board as this would inform on the level of adoption of the accrual based IPSASs by the public sector institutions , the challenges faced, the applicability of the IPSASs in Kenya context, any changes to be made locally to fit the Kenya Context.

Scholars would also benefit from the study as it would add to the body of knowledge on the adoption of IPSASs by the public sector in Kenya. The research findings would be used for further research work to fill identified gaps.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter will summarize the information from other researchers who have carried out research in the same field of study. The reviews have delved into various theories and empirical research findings that will act as foundation for this research study. The theories and findings from the past studies were to act as the core variables of this study.

2.2 Theoretical Foundation

The theoretical foundation helps to make logical sense of the relationship between the variables and to clarify the implication and hence guide the researcher in determining factors to be measured and the relationship to be established.

2.2.1 Stakeholder's Theory

Ansoff (1965) was the first to use the term stakeholder theory in defining the objectives of the firm in which the major objective was to attain the ability to balance the conflicting demands of the various stakeholders in the firm. Stakeholders of general purpose government financial reporting include voters, taxpayers, fee payers, grantors and donors, lenders and creditors, employees and contractors. The stakeholders' theory tends to explain the structure and operations of established corporations in preparing accounting information to meet the needs of stakeholders (Omoró, 2014).

Gray (1997) noted that one way of theorizing the accountability relationship between an accounting entity and its "outside world" lies in the stakeholder perspective since it

establishes that all those groups and/or parties who influence the organization or reporting entity are stakeholders. Stakeholders' theory has been mostly applied to organization- society interaction analysis in the corporate private sector. However, it is equally applicable in public sector context. Stakeholders' theory provides the basis for identifying the groups/parties which constitute the external socio-political forces for the entity regardless of whether the entity is in the private or public sector. It does so through stakeholders power (Ullman, 1985), which is the power to influence organizations and management in their actions. Roberts (1992) states that power is a function of the stakeholders degree of control over resources required by the organization while Gray (1997) notes that stakeholders power may be derived from economic and/or legislative sources.

Stakeholders' theory has received criticism from shareholder theorist Friedman (1962) who argues that managers should serve the interests of firm's owners by making good on contracts, obeying the law and adhering to ordinary moral expectations. Marcoux (2000) argued that obligations to non-shareholders stand as side constraints on the pursuit of shareholder interests. Further the stakeholders theory has no consensus on the definition of the term stakeholder as Windsor (1998) considers that, "who is a stakeholder is in fact an unresolved matter in literature whereas Freeman (1984) was of the opinion that stakeholder should include everyone affected or was affected by an organization. Donald and Preston (1995) argued that stakeholder-ship concept is more than just a union of influence and impact. Windsor (1998) describes this class of stakeholders as contributing beneficiaries.

In this context, the public sector institutions have to win confidence of its stakeholders (the general public, the national government, the trade unions, employees, suppliers and the donor community) through assurance of transparency, accountability and reliability of financial reporting through adoption and implementation of international public sector accounting standards.

2.2.2 The Organization Theory of the Firm

The conceptual foundation of corporate finance reporting is the theory of the firm that emphasizes managers as agents of the owners of the firm. Government accounting needs broader theory of government accountability which can be derived from Simon's organization theory (Simon, 1945). When applied to public sector, the essence of the theory states that a variety of stakeholders have vested interests in the financial viability of the government. Their incentive to use government's financial statements as a source of their common knowledge about the government comes from their desire to know the amount, timing and degrees of uncertainty of the benefits they expect to receive from the government (Sunder, 1997).

In the context of the firm, a major issue is the information asymmetry between the managers and the stakeholders, whereby the owners are faced with moral dilemmas as they cannot accurately evaluate and determine the value of the decisions made by users of financial reports (Barako, 2007). Palebu and Healy (2001) argued that demand for financial reporting and disclosure arises from information asymmetry and agency conflicts between managers and outside investors. The credibility of management disclosures is enhanced by regulators, standard setters, auditors and other capital market intermediaries. Therefore general purpose financial reporting reduces the information

asymmetry between the stakeholders and government financial accounting systems. This forms the major objective of International Public Sector Accounting Standards to prescribe a manner in which general purpose financial statements should be prepared to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities.

2.2.3 Positive Accounting Theory

Positive accounting theory (PAT) has been of interest to accounting theorists for around four decades. Positive accounting theory is considered as the mainstream in accounting choices research realm. Jensen (1976) asserts that the PAT has managed to explain why accounting is what it is, why accountants do what they do and the effect these phenomena has on people and resources utilization. Watts and Zimmerman (1990) assert that the accounting theory's role is to provide explanations and predictions for accounting practices. For instance, Zimmerman and Watts (1978) on their paper towards a positive theory of determination of accounting standards noted that management's attitude towards accounting standards is affected by the effect the standards will have on the cash flow of the firm. Thus the positive accounting theory help in understanding better the source of the pressure driving accounting standard setting process, the effect of various accounting standards on different groups of individuals and allocation of resources.

PAT or the political cost hypothesis has been used to explain reason why firms make voluntary social disclosures (Zimmerman and Watts (1978, 1986) while Belkaoui (1989, 1992) sought to establish evidence for the political cost hypothesis. Belkaoui (1992) asserted that the central ideal of the positive approach is to develop hypotheses about factors that influence the world of accounting practices and to test empirically the validity

of these hypotheses. Studies following this trend studied statistically the relationship between an accounting choice made by company and characteristics of firms (Chiapello & Desrosieres, 2003).

Positive accounting theory also focuses on the role of contracting cost and political cost considerations in explaining management motives for making accounting choices when markets possess semi-strong form of efficiency (there is information asymmetry), when there are significant costs in writing and enforcing contracts (agency costs) and when there are political costs arising out of the regulatory process (Jensen & Meckling, 1976; Watts & Zimmerman, 1990). Contracting costs include transactions costs, agency costs, information costs, renegotiation costs and bankruptcy costs, and they are all crucial to accounting choice models (Watts & Zimmerman, 1978; 1990).

PAT investigates how particular contractual arrangements based on accounting numbers can be put in place in order to minimize agency costs associated with the problems. Authors such as Dumontier & Raffournier (1998), Missonier-Piera (2004) have provided empirical support on accounting choices based on positive approach. This theory is critical in this study in seeking to understand the accounting practices and financial reporting of public sector institutions and the basis of the accounting policies adopted by the institutions.

2.3 Benefits of Adopting IPSASs

Deaconu et al (2009) advanced that the main benefits of accrual accounting include accountability and more efficient control, improvement of users' decision making process, financial reporting efficiency, better performance, compatibility, managerial and

financial efficiency and public institutions governance. Some of the benefits are discussed below.

2.3.1 Enhanced Transparency and Accountability

IFAC consistently promoted the need for enhanced transparency and accountability in the public sector, noting in particular the risk that lack of transparency and accountability presents to the efficiency of capital markets, global financial stability, and long term sustainability (IFAC, 2007). Public Sector Organizations adopt IPSASs to enhance internal and external transparency, increase accountability and transparency of state and public agencies (Newberry and Pallot, 2005).

Christiaens (2010) observed that the trend towards accrual accounting in public sector accounting is explained by the need for transparency, efficiency and performance management. Accrual based IPSASs enhance increased capacity to provide correct information on resources, debt and revenues which in turn enhances communication with various stakeholders (Wong, 1998). Accrual accounting also leads to increased capacity to obtain full cost information which is critical element for improved organization planning, controlling and accountability (Chan, 2003).

The proponents of accrual reporting in public sector argue that it will enhance transparency, both internally and externally (Boxall, 1998 and Wong, 1998). Secondly, whilst on occasions increased transparency in and of itself is suggested to represent a sufficient basis for recommending the adoption of accrual accounting over alternative systems, more frequently, increase in transparency, particularly internal transparency, are

said to in turn drive greater organizational performance, primarily through improved resource allocation (Ball, 1992 and Likierman, 2000).

The opponent to the ‘transparency’ argument in relation to improved organizational performance argue that while significant quantities of literature have been devoted to the issue of performance measurement systems and techniques within the context of the public sector (Bowerman and Humphrey, 2001; Neale and Pallot, 2001; and Walker, 2001), literature which critically and empirically addresses the alleged linkage between the adoption of accrual accounting and reporting within the public sector and improved overall performance is essentially non-existent. A limited amount of work touches on this question tangentially (Carlin and Guthrie, 2001b). There is a small quantity of published evidence which suggests that the costs of implementing accrual based accounting and reporting may have outweighed the benefits (Jones and Puglisi, 1997), while Mellet (2002) provides a satirical insight into some of the absurdities which have resulted from the adoption of new techniques such as accrual accounting. Overall however, the critical response has been a muted one partly due to the sheer difficulty of gathering ‘hard’ evidence on the linkages between a particular reform and related changes in performance within a complex environment and the task is rendered even more recondite due to the implementation of other new public management techniques (Carlin, 2002).

2.3.2 Improved Asset Management

Accrual accounting has made a change on the way assets are accounted for especially long-term assets. Under cash accounting assets are procured and accounted for when cash is paid out, this meant that cultural and environmental assets were not accounted for. The practice of expensing assets resulted in no provision for depreciation or amortization in

the financial records making it impossible to determine the value of the assets as well as the existence of such assets. Full disclosure of information on assets and liabilities as well as revenues and expenses is an essential element of accrual accounting. Hence the financial reports include both cash and non-cash transactions reflecting the true cost of an entity's operations (Diamond, 2002).

Enhanced asset management through adoption of public sector accrual reporting systems has been criticized as 'misleading' in practice (Barton, 1999a). Barton's argument was based on AAS 27 Financial Reporting by Local Governments which states that local government organizations need to ascertain the value of land underneath the roads under their purview, undertake a valuation and recognize the asset in each period's statement of financial position. The enormity and visibility of this is one of the challenges faced in the full implementation of accrual accounting by the public sector globally.

2.3.3 Improved Capacity to Measure costs and Liabilities Management

Adoption of accrual accounting results in improved capacity to measure cost, leading to better resource allocation decisions and overall performance. Accrual systems improve conceptualization of cost through adoption of full accrual cost which includes all recurring and capital costs, including depreciation and some measure of the cost of capital employed to produce a particular good or service (Robinson, 1998a).

Adoption of accrual accounting will aid in monitoring of government debt and liabilities for their true economic implications for instance the sovereign debt crisis and the consequences that are being felt around the globe. Public sector balance sheet management failures by many governments and inability of organizations such as global

financial institutions, investors in government debt, and credit rating agencies to adequately monitor the financial positions of governments has led to demand for better accountability and reporting framework for the public sector. The full disclosure of all assets, liabilities (including long-term obligations of government e.g. pension obligations) and contingent liabilities is vital for assessing the true economic implications of public sector financial management. This will encourage government leaders to make decisions that focus on long-term sustainability of the government operations (IFAC, 2014).

2.3.4 Enhanced Decision Making

High-quality and timely accrual-based financial reporting in the public sector can be achieved through the adoption of globally-accepted, high-quality reporting standards developed specifically for the public sector, i.e., IPSASs. The adoption of IPSASs by governments worldwide will improve the quality of financial information reported by public entities, which is critical for investors, taxpayers, and the general public to understand the full impact of decisions made by governments with respect to their financial performance, financial position, and cash flows. Global adoption of these standards will facilitate the comparability of such information (IFAC, 2014).

Accrual accounting improves decision making by providing information on full cost of operations and resources used to deliver services to the public and information on assets and liabilities at the end of accounting period (Rkein, 2008). Studies on UK government on accrual accounting have reported that accrual based accounting has assisted decision makers to better understand how they are utilizing financial resources by offering more detailed information to manage assets and liabilities and to identify and dispose underutilized assets (National Audit Office, 2008).

2.3.5 Consistency and Comparability of Financial Information

One of the benefits of IPSASs is the application of the consistency and coherent financial reporting systems, both within a country and between countries, and the potential harmonization of financial reporting across jurisdictions (Adhemar, 2006). Consistency in financial reporting enhances comparability both from year to year and with the private sector for performance measurement and outsourcing purposes (Boxall, 1998; Pallot and Ball, 1996, 1997 and Likierman et al, 1995).

2.4 Challenges Faced whilst Adopting IPSASs

Though accrual accounting initiative is associated with numerous benefits, its adoption by public organizations is often accompanied by several drawbacks and problems that may hinder the achievement of anticipated benefits (Christiaens and Rommel, 2008). Moving from cash or modified cash accounting to full accrual based accounting under International Public Sector Accounting Standards can be a challenging endeavor as it entails not only vast amount of work but also major changes in business processes (Aggestam, 2010).

Training of human capital is important in the implementation process, thus serious deficiencies in the accounting skills available contribute to rushed and confusing implementation process as it was established in the UK (Hyndman and Connolly, 2005). They argued that the adoption process is also expensive as many of the costs of implementation are ongoing rather than ‘one off’ for instance the increased costs of employing professionally qualified accountants, setting up asset management systems and other information technology financial management systems.

Hepworth (2003) in the study based on the introduction of accrual accounting in Eastern Europe, concluded that the adoption of accrual accounting is costly and time consuming and requires diversion of resources from other activities. The process also needs significant changes of substance to organization, procedures and responsibilities of managers hence requires wide consultation with all stakeholders before implementation. Accrual accounting is also considered to be carrying considerable risk as it provides wide scope for exercise of judgment which relies on technical knowledge and disciplined approach, hence the need for an elaborate audit system to monitor use of judgment. Chan (2006) terms government accounting reform a 'moral dilemma' since costs of such reform compete with other social basic goods and services for instance food for the hungry, medicine for the sick and other social benefits.

Other challenges on adoption of IPSASs are in the identification and valuation of assets and liabilities due to the nature of public goods (problematic assets) for instance: public monuments, heritage assets, infrastructure assets and community assets which seldom have a liquid market and tractable market values (Pallot, 1992; Lapsley, 2009). Mautz (1988) argued that certain assets such as infrastructure and heritage assets cannot be recognized as assets as they do not contribute revenues to the entity but require heavy resources for maintenance.

Resistance to change also does slow down the adoption process. In practice uncertainties over the outcome of adopting accrual accounting in any governmental or organizational setting frequently create resistance and skepticism to such accounting changes. Taking into account such inherent resistance and skepticism when planning the adoption of new accounting practices is critical. In this context studies that deal with the organizational

and implementation aspects of the adoption of accrual accounting are highly relevant. Another implicating factor for any change within the public sector is that of the political nature of many of the activities undertaken within governments and international organizations. In practice this means that political influences will frequently be at work at the various stages of both the decision to implement accrual accounting and the subsequent implementation process (Aggestam, 2010). For successful implementation of IPSASs proper direction and focus from top management are essential to secure the active participation of staff and allocation of required resources.

2.5 Empirical Research

2.5.1 International Studies

According to Baker and Ronnie (2006), institutional forces leading to adoption of accrual-based accounting by the government of Canada, the result was that the decision was based on the interaction of the normative and coercive influence of the Auditor General of Canada and Mimetic Isomorphism with other jurisdictions. Mimetic isomorphism occurs when organizations model themselves after others. Normative isomorphism results from professionals creating standards and homogeneous pronouncements which affect the adoption of financial reporting among organizations (Baker and Ronnie, 2006).

Benito, Brusca and Montesinos (2007) established that the role of IPSASs based on the survey sent to 30 countries showed that whereas some accounting systems are very close to the IPSASs model, others have a great diversity in compliance to International Public Sector Accounting Standards. Christiaens et al (2013) in their study on the effect of

IPSAS on reforming the government financial reporting an international comparison; the comparative study revealed an important move to accrual accounting particularly IPSAS-accrual accounting whereby there still remains a level of reluctance mainly in central governments, especially in countries where business-like accrual accounting has been developed. The study further revealed that transition towards IPSASs necessitates a long period of implementation whereby existing local business accounting regulations hinder jurisdictions to implement international standards.

Hyndman and Connolly (2005) assert that costs and benefits of adopting accrual accounting in Northern Ireland, a region of the UK, concluded that there was little evidence that accrual accounting information was extensively used in decision making within the Northern Ireland public sector. Many interviewees identified the problems of unnecessary complexity and incomprehensibility of the information undermining its potential use. They noted that there were serious deficiencies in the accounting skills available which contributed to a rushed, confusing and uneven implementation. Connolly and Hyndman (2006) in their study on the Actual Implementation of Accrual Accounting Caveats from a case within the UK Public Sector, asserted that the actual implementation of accrual accounting differed from that presented in pre-implementation government publications resulting in complex expensive system that has provided few benefits due to overoptimistic claims and obfuscation of costs.

Mellet, Macniven and Marriott (2007) studied the benefits of introducing accrual accounting to UK health service and concluded that there was no evidence that the perceived benefits from the introduction of accrual accounting were being realized. No positive impact on decision making was found as accounting measures did not influence

'rent or buy' or 'retain or dispose' decisions, although the desire not to take an adverse 'hit to the bottom line' could impede disposal decisions; no evidence was found on the opportunity cost of capital expenditure being recognized, as reflected through measures based on resource accounting when acquiring or constructing fixed assets. They further argued that Governments which have undertaken to implement accruals accounting should therefore beware of the fact that any potential benefits may not be realized.

Guthrie et al (2005) concluded that various mechanisms built on the accrual accounting base have over the long term had a detrimental effect on departmental capability in a manner that has escaped parliamentary understanding and control. They further argued that this reform promised significantly more in terms of efficiency, better service and increased public choice than it delivered in practice. Ellwood and Newberry (2007) also argued that the fundamental purpose of governmental accounting is the protection of public money and that business sector accounting practices were not devised for that purpose.

Ijeoma (2014) focused on the Impact of International public Sector Accounting Standard (IPSAS) on Reliability, Credibility and Integrity of Financial Reporting in State Government Administration in Nigeria; he concluded that the implementation of IPSAS will improve reliability, credibility and integrity in state government financial management in the public sector of Nigeria. Chan (2006) on IPSAS and Government Accounting and Reform in Developing Countries concluded that as much as accrual accounting in developing countries enable the government to identify and measure the government's assets and liabilities, corruption tends to result in understatement of

governments assets or the overstatement of government liabilities leading to loss of integrity, credibility and reliability of governments financial information.

2.5.2 Local Studies

Kiungu (2010) conducted a survey on the adoption of international public sector accounting standards by local authorities in Kenya. The researcher adopted descriptive research design with a target population of 60 local authorities. The researcher concluded that the adoption of IPSASs by local authorities improved transparency and accountability despite challenges such as lack of sufficient skilled labour, lack of regular training and financial misconduct.

Mabruk (2013) conducted a study to establish if the adoption of International Financial Reporting Standards (IFRSs) had an effect on the quality of accounting reports of small and medium enterprises (SMEs) in Nairobi County. The study was based on a target population of 150 SMEs with the assumption that they had adopted IFRSs in their accounting practice. The study measured the reaction of the respondents on the introduction of IFRSs using correlation analysis which showed that there was a positive significant relationship between relevance and quality of accounting reports. Multiple regression analysis on understandability had a positive and significant relationship with the quality of accounting reports with the adoption of IFRSs. This study is related to the current study on International Public Accounting Standards since IPSASs are an adoption of IFRSs in as far as they are applicable to the public sector.

Maina (2013) carried out a study on factors influencing effective financial management systems in government sector in Kitui Central Ministerial departments. The researcher

adopted descriptive research design on a sample of 90 respondents from 30 ministerial departments. The researcher noted that majority of the respondents were not involved in the formulation of budgets and had no access to the financial reports of the government. He further recommended that there was need for legal framework, clear financial regulation on accounting instructions, improvement of public access to fiscal information and adoption of accrual system of accounting in conformity with International Public Sector Accounting Standards.

Kamwenji (2014) conducted a study to ascertain the effect of adoption of International Financial Reporting Standards on quality of accounting information of deposit taking savings and credit cooperative societies (SACCOS) in Nairobi County. He adopted descriptive research design with target population of 34 SACCOs in Nairobi County. Data was analyzed using descriptive statistics as well as regression models. The results showed that adoption of IFRSs increased transparency and honesty in disclosure and presentation of financial statements and that the presentation of accounting information was comparable with other institutions that have adopted IFRSs. He asserted that IFRSs adoption improved relevance, reliability and understandability of accounting information provided in the financial statements and related disclosures. The IPSASs being an adoption of IFRSs are meant to promote transparency and accountability in public sector financial reporting by enhancing the quality of financial information disclosed in the financial statements. The quality of financial information provided increases understandability of financial statements and enhance decision making.

In another study Omoro, Aduda and Okiro (2015) sought to determine the relationship between Demographic in Top Management Team (TMT) and Financial Reporting

Quality (FRQ) in Commercial State Corporations in Kenya. Using correlation and longitudinal research design and stepwise regression analysis of FRQ variables, they concluded that demographic diversity in top management team is associated with financial reporting quality as measured by fundamental qualitative characteristics of accounting information, earnings management, timeliness in reporting and disclosure quality. This study provided another dimension of the factors that influence the quality of financial reporting in the public sector despite the standardization through adoption of IPSASs.

2.6 Summary of Literature Review

Based on the stakeholders' theory, the positive accounting theory and the organization theory of the firm there has been an increase in the public demand for financial accountability and transparency through reliable and timely financial reports. International Public Sector Accounting Standards as part of the New Public Finance Management reforms seeks to provide guidance on recognition, measurement and reporting framework for the public sector. The local empirical literature reviewed focused on various aspects in local authority, Ministry of Finance and state corporations (parastatals). This leaves a knowledge gap on the effect of adoption of IPSASs by the Public Sector Institutions in Kenya.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter introduces the research methodology which was used in order to answer the research questions. The chapter identifies the research design, the population, the sample design adopted and the data collection methods used. It also explains how data was analyzed, interpreted and presented. The expected problems, ethical issues and expected outcome are also detailed in this chapter.

3.2 Research Design

The study was to establish the effect of the adoption of IPSASs by public sector institutions. The study employed a descriptive survey research design. Sekaran (2000) defined descriptive research as a process of collecting data in order to test hypotheses or to answer questions concerning the current status of the subjects in the study. The descriptive research design enabled the researcher to generalize the findings to a larger population.

3.3 Population

Mugenda and Mugenda, (2003), explain that the target population should have some observable characteristics, to which the researcher intends to generalize the results of the study. The population of study was public institutions that have adopted accrual based IPSASs. A total of 196 non-commercial public sector institutions were to adopt IPSASs

accrual by July 2014 as per the data from Public Sector Accounting Standards Board (PSAB Kenya) (Appendix i).

3.4 Sample Design

Statistically, in order for generalization to take place, a sample of at least 30 elements must exist (Cooper and Schindler, 2003). Kotler (2001) argues that well-chosen samples of about 10% of a population can often give good reliability. Mugenda and Mugenda (2003), argue that a sample of 30 elements can be taken as a representative sample of the population of the study. Using simple random sampling, 32 public sector institutions were selected for this study.

3.5 Data Collection

Based on the theory that the best way to find out what is going on is to ask questions (Patton, 1992), the researcher used questionnaires (Appendix I) in collecting qualitative primary data. The questionnaire had a five-point Likert Scale questions with extra space provided to collect qualitative responses and comments. The respondents to the questionnaire were officers in finance, accounting and internal audit departments in the sampled organizations.

3.5.1 Validity and Reliability

Validity is the accuracy or meaningfulness and technical soundness of research. According to Mugenda and Mugenda (1999), validity is the degree to which a test measure what it purports to measure. To enhance validity of the questionnaire a pilot study similar to the target population was carried out using simple unambiguous language to increase response rate.

Reliability of instruments measures the consistency of the instruments. Best and Khan (2001) consider reliability to be the degree of consistency that the instruments or procedure of measurement demonstrates.

3.6 Data Analysis

Before processing the responses, the completed questionnaires were edited for completeness and consistency. The data was then coded to enable the responses to be grouped into various categories. Data for this study was both quantitative and qualitative hence both descriptive and content analysis techniques were employed. Content analysis was used to analyze the qualitative data collected while descriptive methods were used to analyze quantitative data. Hosti (1969) defines content analysis as any technique for making inferences by objectively and systematically identifying specified characteristics and messages. Content analysis was used to determine the presence of certain words or concepts within texts or sets of texts.

The descriptive statistical tools helped the researcher to describe the data and determine the extent to be used. The findings were presented using tables and charts. The Likert scale was used to analyze the mean score and standard deviation, this helped in determining the extent to which the public sector institutions have benefited from adoption of International Public Sector Accounting Standards in financial reporting and the challenges faced in the implementation process. Data analysis used Microsoft excel, percentages, tabulations, means and other central tendencies measures. Tables were used to summarize responses for further analysis and facilitate comparison. This generated quantitative reports through tabulations, percentages, and measure of central tendency. Cooper and Schindler (2003) notes that the use of percentages is important for two

reasons; first they simplify data by reducing all the numbers to range between 0 and 100. Second, they translate the data into standard form with a base of 100 for relative comparisons. In addition, univariate and inferential statistics was used at 95% confidence level, this provided the generalization of the findings on the extent of compliance on the adoption of IPSASs by public sector institutions on preparation and presentation of financial statements.

The following multiple regression model was used to establish the relationship between the dependent variable (Quality of financial reporting) and independent variable (adoption of IPSASs).

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

Where: Y = Quality of Financial Reporting

X1 = Comparability of financial statements within organizations and inter periods.

X2 = Consistency in financial reporting policies

X3 = Transparency in information provided on the financial reports

X4 = Accountability on resources utilization

β_{1-n} = the regression coefficient or change in Y by each X,

ϵ = Error term

Operationalization of Research Variables

The independent variable is the adoption of IPSASs which was measured by comparability, consistency, transparency and accountability of financial statements. The variables were measured by the responses to Likert Scale (Question 8(a) of Appendix I)

The dependent variable was the quality of financial reporting as was measured by timeliness, relevance, understandability and reliability of financial information in the financial statements. The variables were measured by the responses to Likert Scale (Question 8(c) of Appendix I).

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the result of the analysis of data collected through questionnaires to determine the effect of adoption of international public sector accounting standards on financial reporting in the public sector in Kenya. The findings were presented in tables, charts and figures and inferential statistics was carried out to establish a relationship between the variables of the study.

4.2 Response Rate

The target population of the study involved the public institutions that have adopted accrual based IPSASs in Kenya. The study targeted 32 public sector institutions which have adopted accrual based IPSASs. Those who filled and returned the questionnaires were 30 public sector institutions making a response rate of 93.8%. According to Mugenda and Mugenda (2009), a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. This means that the response rate for this study was excellent and therefore enough for data analysis and interpretation.

4.3 Demographic Information

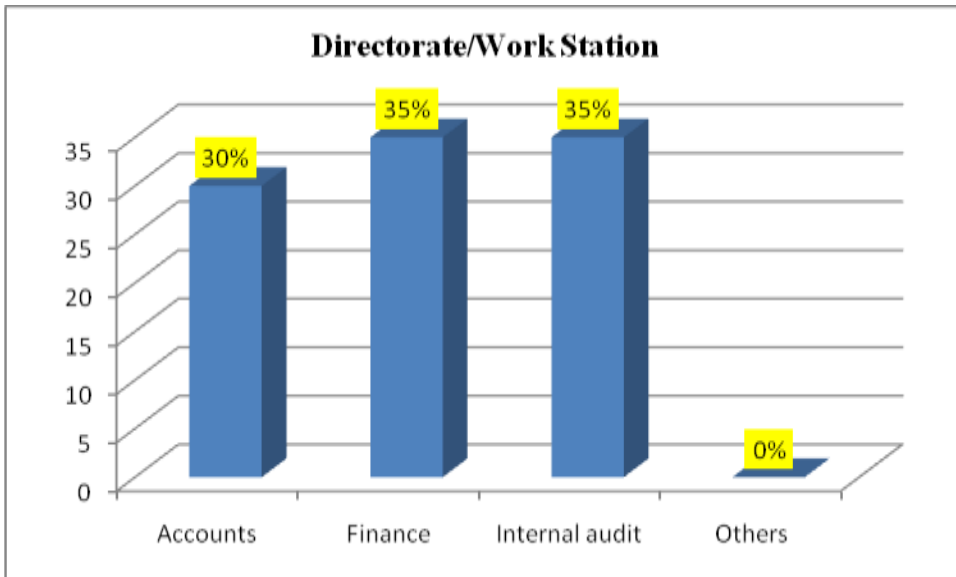
The study sought to determine the demographic profile of the respondents by establishing the name of the public institution, work station, number of years worked for the

organization, academic qualification and professional qualification. The findings were discussed in the subsequent findings below.

4.3.1 Directorate/Work Station

The study sought to establish the directorate/ work station that the respondents were currently based. The findings were presented in figure 4.1 below.

Figure 4.1: Directorate/Work Station



From the findings in the figure above, it is clear that the majority of the respondents indicated that their work station is at the finance and internal audit departments. This was represented by 35% of the respondents respectively while 30% of the respondents indicated that their work station was at the accounts department. The study deduces that the International Public Sector Accounting Standards (IPSASs) was mostly used in the finance, auditing and accounting departments in public sector institutions.

4.3.2 Number of years worked in Organization

The respondents were required to indicate the number of years worked in the organization. The findings were presented in figure 4.2 below.

Figure 4.2: Number of years worked in Organization

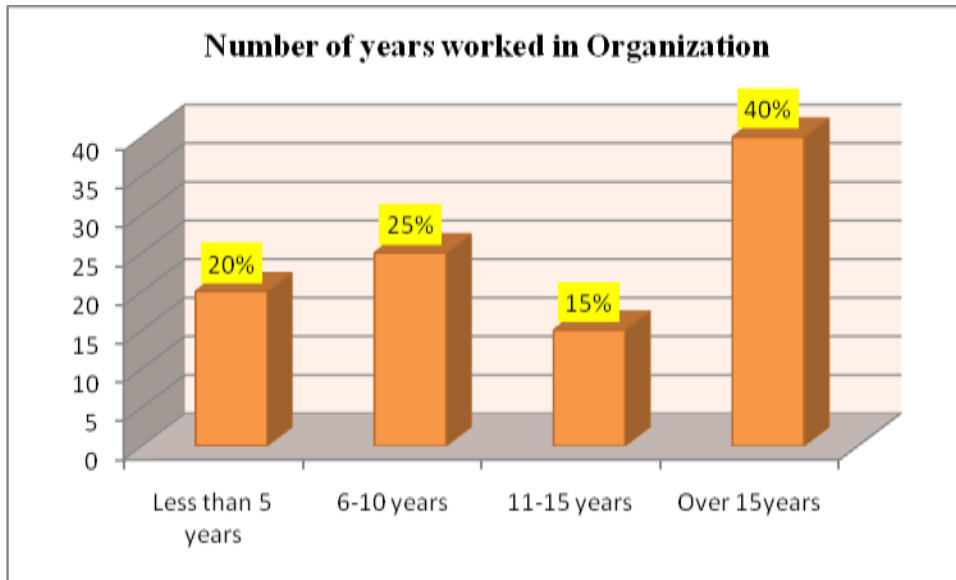


Figure 4.2 presents the findings on the number of years worked by the respondents in the organization. 40% of the respondents indicated that they had worked in the organization for over 15 years comprising of the majority of the respondents. 25% of the respondents indicated that they had worked in the organization for 6 to 10 years. 20% of the respondents indicated that they had worked in the organization for less than 5 years while 15% of the respondents indicated that they had worked in the organization for 11 to 15 years. The results show that the respondents had been working in the organization for a good number of years to know about the adoption of international public sector accounting standards on financial reporting in the organization.

4.3.3 Academic Qualification

The respondents were required to indicate their academic qualification. The findings were obtained and presented in the figure below.

Figure 4.3: Academic Qualification

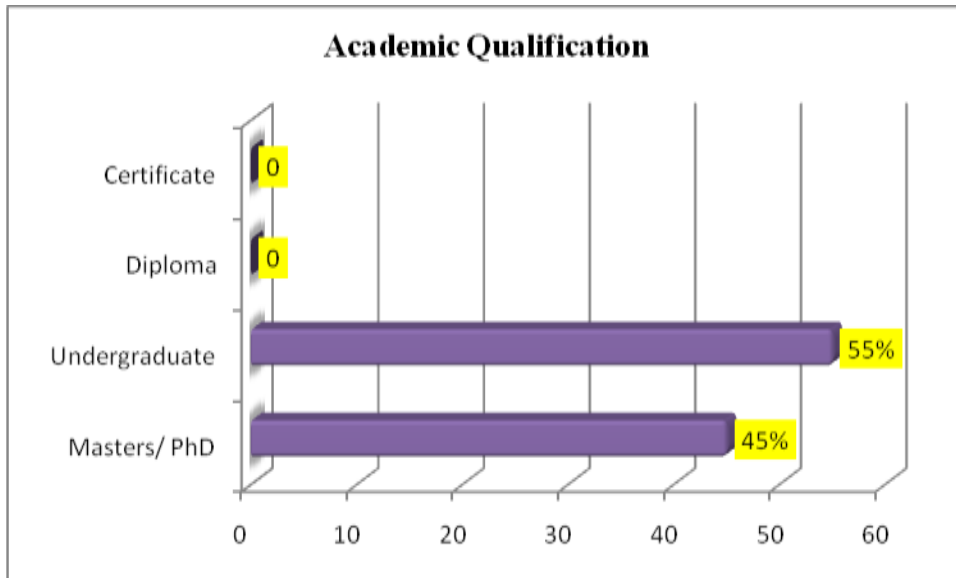


Figure 4.3 above presents the academic qualifications of the respondents. The majority of the respondents (55%) indicated that they were undergraduates, meaning that they had bachelors degrees. 45% of the respondents indicated that they were graduates meaning that they had Masters/ PhD. The academic qualification of the respondents showed that they were knowledgeable and aware of the effect of adoption of IPSASs on financial reporting in the public sector and therefore their response was considered as resourceful to the study.

4.3.4 Professional Qualification

The respondents were required to indicate their professional qualifications. These findings were presented in the table below.

Table 4.1: Professional Qualification

Professional Qualification	Frequency	Percentage
CPA	30	100%
ACCA	0	0%
KATC	1	3.3%
Others	3	10%

Table 4.1 above indicates that all the respondents had CPA professional qualification. This accounted for 100% of the respondents. One of the respondents indicated that they had CPA and KATC certificates, accounting for 3.3% while three other respondents indicated that they had other qualifications in CISA, CISM, CIA; CPEK and Post Graduate Diploma in Finance representing 10% of the respondents. The professional qualification of the respondents revealed that they were highly trained professionals who have been certified and approved to carry out financial reporting in the public sector.

4.4 Adoption of IPSASs

This section presents the assessment on the adoption of international public sector accounting standards on financial reporting in the public sector in Kenya. The findings were presented in the subsequent subtitles below.

4.4.1 Has the Institution Adopted IPSASs?

The study sought to determine whether the institution has adopted IPSASs. The response was presented in the table below.

Table 4.2: Has the Institution Adopted IPSASs?

Has the Institution adopted IPSASs?	Frequency	Percentage
Yes	30	100%
No	0	0%

Table 4.2 above reveals that all the organizations that participated in the study have adopted IPSASs. The study further sought to determine the area of operation the organization applies IPSASs. The overwhelming response of the respondents indicated that the area of operation the organization applies IPSASs was in the financial statement reporting. However, it was noted that some organizations apply IPSASs in preparation of budget statements. This overwhelming implementation is in line with the PFM Act 2012 that stipulated that IPSASs should be adopted with effect from July 2014.

4.4.2 Benefits of Adopting IPSASs

The study sought to determine the extent to which the respondents agree to the given statements on benefits accruing to the organization upon adoption of IPSASs.

Table 4.3: Benefits of Adopting IPSASs

Statements	Mean	Std. Dev.
Adoption of IPSASs has improved Asset management through recognition, measurement, valuation and reporting	4.115	1.654
Adoption of IPSASs has enhanced transparency and accountability on financial reporting	4.242	1.552
IPSASs adoption has enhanced capacity to measure costs and better expenditure management	3.452	1.615
Adoption of IPSASs has improved resource allocation due to identification of full cost of activities	4.184	1.504
Adoption of IPSASs has enhanced consistency in financial reporting	4.791	1.532
IPSASs has enhanced comparability of financial report across various periods and other similar organizations using IPSASs in financial reporting	4.865	1.734
Adoption of IPSASs has enhanced decision making due to availability of accurate, timely, relevant and reliable financial information	4.782	1.507
IPSASs has improved disclosure and measurement of financial elements hence present true and fair financial position of the organization	4.941	1.845
Adoption of IPSASs has improved internal control systems	4.219	1.584

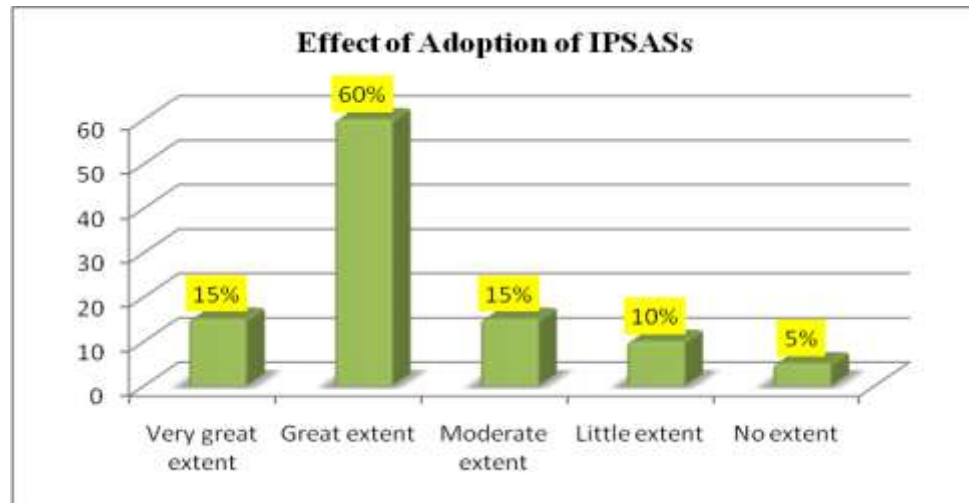
From the findings in the table above, majority of the respondents strongly agreed that adoption of IPSASs has improved disclosure and measurement of financial elements hence financial statements present a true and fair financial position of the organization, enhanced comparability of financial report across various periods and other similar organizations using IPSASs in financial reporting and has enhanced consistency in financial reporting with mean of 4.94, 4.86 and 4.79 respectively. Moreover the respondents agreed that IPSASs has enhanced decision making due to availability of accurate, timely, relevant and reliable financial information with a mean of 4.78, has enhanced transparency and accountability with mean of 4.24 and IPSASs adoption has

improved internal control with a mean of 4.22. Other benefits were improvement in resource allocation due to identification of full cost of activities and improvement in asset management through recognition, measurement, valuation and reporting with a representative mean of 4.18 and 4.115 respectively. However, respondents were neutral that the IPSASs adoption has enhanced capacity to measure costs and better expenditure management with a representative mean of 3.452. The study further sought to establish what other benefits the organization has achieved as a result of adoption of IPSASs. The respondents revealed that the IPSASs financial reporting template allows for faster, complete and consistency in preparation of financial statements enabling the National Treasury prepare consolidated financial statements for the entire government. IPSASs have improved corporate governance through improved accountability; IPSASs bridges the gaps from other accounting standards as well as capitalization of road work costs hence ease of asset management.

4.4.3 Effect of Adoption of IPSASs on Quality of Financial Reporting Information

The study sought to determine the extent to which the adoption of IPSASs has improved the quality of financial reporting information in the organization. The findings were presented in the figure below.

Figure 4.4: Effect of Adoption of IPSASs on Quality of Financial Reporting Information



From the findings in figure 4.4 above, the majority of the respondents (60%) indicated that the adoption of IPSASs has improved the quality of financial reporting information in the organization to a great extent. 15% of the respondents indicated that the adoption of IPSASs has improved the quality of financial reporting information in the organization to a very great extent and moderate extent respectively. 10% of the respondents indicated that the of IPSASs has improved the quality of financial reporting information in the organization to little extent and 5% of the respondents indicated that IPSASs has improved the quality of financial reporting information in the organization to no extent.

4.5 Challenges Experienced while Adopting IPSASs

The study sought to determine the challenges experienced while adopting IPSASs in the organization. The findings were presented in table below in mean and standard deviation.

Table 4.4: Challenges while Adopting IPSASs

Statements	Mean	Std. Dev.
Lack of adequate resources	2.125	1.564
High cost of implementation of the system	2.451	1.741
Resistance to change	2.681	1.685
Lack of training and communication to relevant staff on IPSASs	4.684	1.556
Difficult in recognition, measurement and valuation of assets	4.971	1.705
Inadequate financial system to handle accrual accounting system needs	3.578	1.594
Lack of top management support	4.015	1.552
Complexity of accrual accounting systems	3.908	1.751

From the findings in the table above, the study findings established that the respondents strongly agreed that recognition, measurement and valuation of assets was the most difficult challenge experienced while adopting IPSASs with a representative mean of 4.971. Lack of training and communication to relevant staff on IPSASs and lack of top management support with means of 4.684 and 4.02 respectively. The respondents indicated that they agree that complexity of accrual accounting systems was a challenge with a representative mean of 3.908. The respondents were neutral on the challenge of inadequate financial system to handle accrual accounting system needs. However, other respondent disagreed on lack of adequate resources, the high cost of implementation of the system and resistance to change with a representative mean of 2.125; 2.451 and 2.681 respectively.

The study further sought to determine any other challenges experienced while adopting IPSASs by the organization.

The respondents indicated other challenges experienced while implementing IPSASs in the organization as inadequacy of IPSASs in addressing accounting on deferral of funds to the next financial year. Another challenge was on training of human resource which is inadequate on practical skills as the training was based on theory without practical experience. Valuation of assets is a challenge as assets are valued as a group even though it is one asset that requires valuation hence leading to over valuation of the group of assets. Difficulty in valuation of road assets previously not capitalized and determination of depreciation rates for the road assets bearing in mind that each road is unique from previous systems was also identified as a challenge.

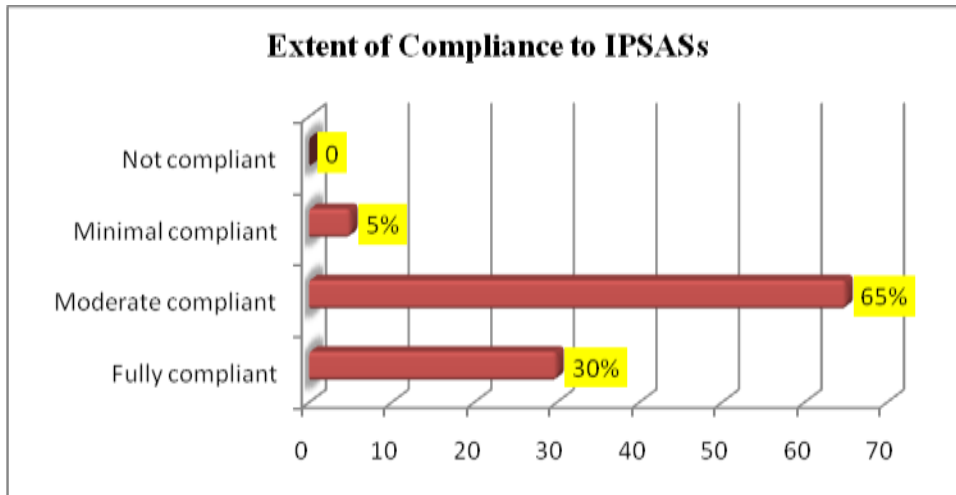
4.6 Measures for Mitigating Challenges

The study sought to determine the measures adopted by the organizations to mitigate the above mentioned challenges. The response revealed that benchmarking with IFRS will ensure all the accounting aspects are covered under IPSASs. Continuous training of all staff involved in the generation, valuation, preparation and reviewing of financial and non-financial reports on IPSASs and a clear transition framework from national treasury on transitioning from cash accounting to full accrual accounting with involvement of all stakeholders will enhance the preparation of the statements. Also there is need for further training on IPSASs through engaging the technical staff to determine useful life of various assets for instance roads for ease of determining the depreciation rates and sensitization of the users of the financial reports for better adoption of IPSASs.

4.7 Extent of Compliance to IPSASs

The study sought to determine the extent to which the organization has complied with IPSASs implementation. The findings are as shown in the figure below.

Figure 4.5: Extent of Compliance to IPSASs



From the findings in the figure above, the majority of the respondents (65%) indicated their organization complied moderately to IPSASs implementation; 30% of the respondents indicated that their organization is fully compliant and 5% of the respondents indicated that their organization has minimal compliance to IPSASs implementation.

4.8 Regression Analysis

The study sought to establish the effect of adoption of international public sector accounting standards on financial reporting in the public sector in Kenya. The factors investigated were: comparability of financial statements within organizations and inter periods, consistency in financial reporting policies, transparency in information provided on the financial reports and accountability on resources utilization.

The regression model was:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Whereby Y represents the quality of financial reporting,

X₁ represents comparability of financial statements within organizations and inter periods,

X₂ represents consistency in financial reporting policies,

X₃ represents transparency in information provided on the financial reports and

X₄ represents accountability on resources utilization.

B₀ is the model's constant, and β₁ – β₄ are the regression coefficients while ε is the model's significance from f-significance results obtained from analysis of variance (ANOVA).

Table 4.5: Model's Goodness of Fit Statistics

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
.756 ^a	.572	.514	.15410	1.4511

a. Predictors: (Constant): Comparability of financial statements within organizations and inter periods; consistency in financial reporting policies; transparency in information provided on the financial reports and accountability on resources utilization

b. Dependent Variable: Quality of Financial Reporting

Table 4.5 shows that there is a strong linear relationship between the dependent and independent variables used in the study. This is shown by a correlation (R) coefficient of

0.756. The determination coefficient as measured by the adjusted R-square presents a moderately strong relationship between dependent and independent variables given a value of 0.514. This depicts that there was a variation of 51.4% between adoption of IPSASs and quality of financial information. This implies that comparability, consistency, transparency and accountability explained 51.4% of the quality of financial reporting information in the public sector at a confidence level of 95%.

Durbin Watson test was used as one of the preliminary test for regression to test whether there is any autocorrelation within the model's residuals. Given that the Durbin Watson value was close to 2 (1.4511), there was no autocorrelation in the model's residuals.

Table 4.6: Analysis of Variance (ANOVA)

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	1.524	4	.381	11.064	.046 ^a
Residual	15.63	30	.521		
Total	16.773	34			

a. Predictors: (Constant), Comparability of financial statements within organizations and inter periods; consistency in financial reporting policies; transparency in information provided on the financial reports and accountability on resources utilization

b. Dependent Variable: Quality of Financial Reporting

The ANOVA statistics presented in Table 4.6 were used to present the regression model significance. An F-significance value of $p = 0.046$ was established showing that there is a probability of 4.6% of the regression model presenting a false information. Thus, the model is significant with confidence level of 95%.

Table 4.7: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.142	.244		8.126	.315
Comparability of financial statements within organizations and inter periods	.298	.321	.545	4.416	.012
Consistency in financial reporting policies	.335	.405	.486	2.871	.054
Transparency in information provided on the financial reports	.358	.178	.382	5.031	.044
Accountability on resources utilization	.286	.175	.441	3.273	.013

a. Dependent Variable: Quality of Financial Reporting

The following regression result was obtained:

$$Y = 3.142 + 0.298X_1 + 0.335X_2 + 0.358X_3 + 0.286X_4 \quad P=0.046$$

From the model, when other factors (comparability of financial statements within organizations and inter periods; consistency in financial reporting policies; transparency in information provided on the financial reports and accountability on resources utilization) are at zero, the quality of financial reporting will be 3.142. Holding other factors constant, a unit increase in comparability of financial statements within organizations and inter periods would lead to 0.298 (p=0.012) increase in quality of financial reporting. Holding other factors constant, a unit increase in consistency in financial reporting policies would lead to 0.335 (p=0.054) increase in quality of financial reporting. The table above shows, holding other factors constant, a unit increase in transparency in information provided on the financial reports would lead to 0.358

($p=0.044$). Holding other factors constant, a unit increase in accountability on resources utilization would lead to 0.286 ($p=0.013$). These results show that when acting jointly, comparability of financial statements within organizations and inter periods; consistency in financial reporting policies; transparency in information provided on the financial reports and accountability on resources utilization influences the adoption of IPSASs on financial reporting in the public sector.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The study set to establish the effect of adoption of International Public Sector Accounting Standards on financial reporting in the public sector in Kenya. The study focused on the adoption of IPSASs, the benefits of adopting IPSASs, the challenges and measures for mitigating challenges encountered while adopting IPSASs. This chapter entails the summary of findings, conclusions and recommendations based on the study findings.

5.2 Summary of Findings

The study findings established that majority of the public sector institutions in Kenya have adopted IPSASs in line with the Public Finance Management Act 2012. Majority of the respondents agreed that adoption of IPSASs have improved disclosure and measurement of financial elements hence the financial reports present a true and fair financial position of the organization; IPSASs have enhanced comparability of financial report across various periods and against other similar organizations using IPSASs in financial reporting and have enhanced consistency in financial reporting. Moreover the respondents agreed that IPSASs have enhanced decision making due to availability of accurate, timely, relevant and reliable financial information; have enhanced transparency and accountability and have improved internal controls of the organization. The respondents also agreed that there was improvement in resource allocation due to identification of full cost of activities and improvement in asset management through

recognition, measurement, valuation and reporting of assets following the adoption of IPSASs.

The study also established other benefits of adopting IPSASs by the public sector in Kenya to be user friendliness of financial reporting template that allows for faster, complete and consistency in preparation of financial statements enabling the National Treasury to prepare consolidated financial statements for the entire government and enhanced corporate governance through improved accountability.

However the respondents revealed that there were a number of challenges facing full implementation of IPSASs key among them being poor recognition, measurement and valuation of assets and lack of training and poor communication to relevant staff on IPSASs. Lack of top management support and complexity of accrual accounting systems were also cited to be challenges faced by the public sector institutions hindering successful implementation of IPSASs. Other challenges highlighted by the respondents include inadequacy of IPSASs in addressing accounting on deferral of funds to the next financial year, training of human resource which is inadequate on practical skills, valuation of assets especially road assets previously not capitalized and determination of depreciation rates for the road assets bearing in mind that each road is unique from previous systems is big challenge.

The study sought to determine the measures adopted by the organizations to mitigate the above mentioned challenges. The response revealed that benchmarking with IFRSs/IASs will ensure that all the accounting aspects are covered under IPSASs. Continuous training of all staff involved in the generation, valuation, preparation and reviewing of financial

and non-financial reports on IPSASs and a clear transition framework from national treasury on transitioning from cash accounting to full accrual accounting with involvement of all stakeholders will enhance the preparation of the financial statements. Also there is need for further training of the technical staff on how to determine useful life of various assets for instance roads for ease of determining the depreciation rates and sensitization of the users of the financial reports for better adoption of IPSASs.

5.3 Conclusion

The study made conclusions based on the study findings that the public sector institutions were compliant on the adoption of IPSASs as directed by the PFM Act of 2012. This was prompted by the need to enhance transparency and accountability, improve asset management and consistency in public sector financial reporting. This has improved on the availability of timely, relevant and reliable financial information to enhance decision making.

However, the study also concludes that the adoption of IPSASs has experienced many challenges as difficult in recognition and measurement of road assets, lack of trained staff on IPSASs, resistance to change and complexity of accrual accounting systems were among the identified challenges experienced. Other challenges were lack of support by top management, problem of changeover from cash accounting to IPSASs and lack of proper guidance on implementation of IPSASs.

The study found out that the public sector institutions have identified measures to be put in place to mitigate the challenges experienced in adopting IPSASs. Some of the measures include training of all stakeholders involved in the preparation of the financial

statements; sensitization of the users for better adoption of IPSASs; a clear conceptual framework and training of the staff on the relevant skills for effective adoption of IPSASs.

5.4 Recommendations

The study recommends that based on the study findings all public sector institutions should adopt IPSASs for better management, accountability and transparency in financial reporting. IPSASs prescribes a manner in which general purpose financial statements should be prepared to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. The study recommends that the government should fulfill the stewardship function by providing an audited comparison of the actual use of resources with the agreed budget. This will be in line with international best practice and enhance international comparability of government financial reports enhancing investment in the country.

Due to the challenges faced while adopting IPSASs, there is need for intensive training of public sector employees on IPSASs especially on practical skills, there is need for involvement of other professional experts to guide on measurement of assets and clear implementation framework to be followed by all public sector institutions transitioning from cash accounting to accrual accounting.

5.5 Limitations of the Study

Time and resource constraints were the major challenges faced. The other challenge was lack of cooperation from the respondents in terms of availing information on time and

rigorous procedures to be followed before collecting the data. The researcher overcame the challenges by notifying the respondents on the purpose of the study.

On other cases where employees feared for victimization on disclosure of their identity and public use of the information gathered, the questionnaire assured them that the information gathered was to be kept confidential and used strictly for the purpose of this research only.

5.6 Suggestions for Further Research

The results show the effect of adoption of International Public Sector Accounting Standards (IPSASs) in financial reporting by the public sector in Kenya. The study focused on the benefits achieved, the challenges faced and the mitigation measures to enhance full realization of the benefits. The sample was taken from non-commercial public sector institutions, the researcher suggests for future studies on other sectors of the public sector, and wider sample incorporating institutional and organizational characteristics. It is recommended that other characteristics related to financial reporting be evaluated by trying to control the effects of other variables that may interfere with quality of financial information such as economic environment, the main capital sources, capital market maturity etc.

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APPENDICES

Appendix I: Questionnaire

The questionnaires seek to collect data from Public Sector Institutions that shall assist in the study on the effect of adoption of International Public Sector Accounting Standards (henceforth referred as IPSASs) on Financial Reporting in the public sector. Kindly answer the following questions by ticking in the appropriate box or filling the spaces provided. The information gathered will be kept confidential and will be used strictly for the purpose of this research only.

Section A: Demographic Information

1. Name of Public Sector Institution _____

2. Kindly indicate your directorate/work station

Accounts Finance Internal audit

Others Specify _____

3. How long have you worked for the organization?

Less than 5 years 6-10 years

11-15 years over 15 years

4. Academic qualification

Graduate (Masters / PhD) Diploma

Undergraduate Certificate

5. Professional qualifications

CPA [] ACCA [] KATC [] Others []

Specify _____

Section B: Adoption of IPSASs

6. Has your institution adopted IPSASs Yes [] No []

7. If yes, in what areas of operation does the organization apply IPSASs

- a) Budget
- b) Financial statement reporting
- c) Audit
- d) All

8. Kindly indicate the extent to which you agree with the following benefits accruing to the organization upon adoption of IPSASs. Use scale of 1 to 5 where 1 is strongly disagree, 2 is disagree, 3 is Neutral 4 is agree and 5 is strongly agree.

Benefits of adopting IPSASs	1	2	3	4	5
Adoption of IPSASs has improved Asset management through recognition, measurement, valuation and reporting.					
Adoption of IPSASs has enhanced transparency and accountability on financial reporting					
IPSASs adoption has enhanced capacity to measure costs and better expenditure management					
Adoption of IPSASs has improved resource allocation due to identification of full cost of activities					
Adoption of IPSASs has enhanced consistency in financial reporting					
IPSASs has enhanced comparability of financial report across various periods and other similar organizations using IPSASs in financial reporting					
Adoption of IPSASs has enhanced decision making due to availability of accurate, timely, relevant and reliable financial information					

IPSASs has improved disclosure and measurement of financial elements hence present true and fair financial position of the organization					
Adoption of IPSASs has improved internal control systems					

b.) What other benefits has your organization achieved as a result of adoption of IPSASs?

i)

ii)

c) On overall to what extent has the adoption of IPSASs improved the quality of financial reporting information in your organization?

To a very great extent [] To a great extent []

To a moderate extent [] To a little extent []

To no extent []

9. To what extent do you agree with the following statements on the challenges experienced while adopting IPSASs in your organization.

Use scale of 1 to 5 where **1 - strongly disagree, 2 - disagree, 3 - Neutral 4 - agree and 5 - strongly agree.**

Challenges while adopting IPSASs	1	2	3	4	5
Lack of adequate resources					
High cost of implementation of the system					
Resistance to change					
Lack of training and communication to relevant staff on IPSASs					
Difficult in recognition, measurement and valuation of assets					

Inadequate financial system to handle accrual accounting system needs					
Lack of top management support					
Complexity of accrual accounting systems					

10. List any other challenges experienced while implementing IPSASs in your organizations

11. List any measures that have been and/or will be taken by the organization to mitigate the challenges above.

12. In your opinion to what extent has the organization complied to IPSASs implementation

- Fully compliant Moderate compliant
- Minimal compliance Not compliant

THANK YOU FOR YOUR PARTICIPATION

Appendix II: Public Sector Institutions that have adopted Accrual based IPSASs in

Kenya

- 1 Agricultural Development Corporation
- 2 Alcoholic Drink Control Fund
- 3 Anti-Counterfeit Agency
- 4 Athi Water Services Board
- 5 Brand Kenya Board
- 6 Bukura Agricultural College
- 7 Capital Market Authority
- 8 Centre of Mathematics, Science and Technology
- 9 Coffee Board of Kenya
- 10 Coffee Development Fund
- 11 Coffee Research Foundation
- 12 Commission for University Education
- 13 Communication Authority of Kenya
- 14 Competition Authority of Kenya
- 15 Cooperative College of Kenya
- 16 Cotton Development Authority
- 17 Council for Legal Education
- 18 Dedan Kimathi University
- 19 Digital Village Revolving Fund
- 20 Egerton University
- 21 Embu University College
- 22 Energy Regulatory Commission
- 23 Engineers Registration Board (ERB)
- 24 Export Promotion Council
- 25 Garissa University College
- 26 Higher Education Loans Board
- 27 Horticultural Crops Development Authority
- 28 Insurance Regulatory Authority
- 29 Jaramogi Oginga Odinga University of Science and Technology
- 30 Jomo Kenyatta University of Agriculture and Technology
- 31 Kabiang'a University College
- 32 Karatina University College
- 33 Kenya Accountants and Secretaries Examination Board
- 34 Kenya Accreditation Service
- 35 Kenya Agricultural Research Institute
- 36 Kenya Animal Genetic Resource Centre
- 37 Kenya Bureau of Standards
- 38 Kenya Citizen & Foreign Nationals Management Board
- 39 Kenya Civil Aviation Authority
- 40 Kenya Coconut Development Authority

- 41 Kenya Copyright Board
- 42 Kenya Dairy Board
- 43 Kenya Education Management Institute
- 44 Kenya Film Classification Board
- 45 Kenya Film Commission
- 46 Kenya Forestry Research Institute
- 47 Kenya Forests Services
- 48 Kenya Industrial Property Institute
- 49 Kenya Industrial Research & Development Institute
- 50 Kenya Information and Communications Technology Board
- 51 Kenya Institute of Curriculum Development
- 52 Kenya Institute of Public Policy Research Analysis
- 53 Kenya Institute of Special Education
- 54 Kenya Institute of Supplies Management
- 55 Kenya Investment Authority
- 56 Kenya Law Reform Commission of Kenya
- 57 Kenya Leather Development Council
- 58 Kenya Marine and Fisheries Research Institute
- 59 Kenya Maritime Authority
- 60 Kenya Medical Laboratory Technicians and Technologists Board
- 61 Kenya Medical Research Institute
- 62 Kenya Medical Supplies Agency
- 63 Kenya Medical Training College
- 64 Kenya National Assurance Company (2001) Ltd
- 65 Kenya National Bureau of Statistics
- 66 Kenya National Commission for UNESCO
- 67 Kenya National Examination Council
- 68 Kenya National Highways Authority
- 69 Kenya National Library Services
- 70 Kenya Nuclear Electricity Board
- 71 Kenya Ordnance Factories Corporation
- 72 Kenya Plant Health Inspectorate Services
- 73 Kenya Revenue Authority
- 74 Kenya Roads Board
- 75 Kenya Roads Board Fund
- 76 Kenya Rural Roads Authority
- 77 Kenya School of Government
- 78 Kenya School of Law
- 79 Kenya Sugar Board
- 80 Kenya Sugar Research Foundation
- 81 Kenya Tourism Board
- 82 Kenya Trade Agency Network
- 83 Kenya Tsetse and Trypanosomiasis Eradication Council
- 84 Kenya Universities and Colleges Central Placement Service

- 85 Kenya Urban Roads Authority
- 86 Kenya Utalii College
- 87 Kenya Veterinary Board
- 88 Kenya Veterinary Vaccines Production Institute
- 89 Kenya Vision 2030 Delivery Secretariat
- 90 Kenya Water Institute
- 91 Kenya Water Towers Agency
- 92 Kenya Yearbook Editorial Board
- 93 Kenyatta National Hospital
- 94 Kenyatta University
- 95 Kerio Valley Development Authority
- 96 Kibabii University College
- 97 Kirinyaga University College
- 98 Kisii University
- 99 Konza Technopolis Development Authority
- 100 Laikipia University
- 101 Lake Basin Development Authority
- 102 Lake Victoria North Water Services Board
- 103 Lake Victoria South Water Services Board
- 104 LAPSSET Corridor Development Authority
- 105 LATIF
- 106 Local Authority Provident Fund (LAP FUND)
- 107 Maasai Mara University College
- 108 Machakos University College
- 109 Maseno University
- 110 Masinde Muliro University of Agriculture and Technology
- 111 Media Council of Kenya
- 112 Medical Practitioners and Dentists Board
- 113 Meru University College of Science & Technology
- 114 Moi Teaching Referral Hospital
- 115 Moi University
- 116 Multi Media University College of Kenya
- 117 Murang'a University College
- 118 Nairobi Health Management Board
- 119 National Aids Control Council
- 120 National Authority for the Campaign Against Drug Abuse
- 121 National Bio-safety Authority
- 122 National Commission for Science , Technology and Innovation
- 123 National Communications Secretariat
- 124 National Construction Authority Board
- 125 National Coordinating Agency for Population and Development
- 126 National Council for Law Reporting
- 127 National Council of Persons with Disability
- 128 National Crime Research Centre

- 129 National Development Fund for Persons with Disabilities
- 130 National Drought Management Authority
- 131 National Environment Management Authority
- 132 National Environment Trust Fund (NETFUND)
- 133 National Environmental Tribunal
- 134 National Industrial Training Authority
- 135 National Irrigation Board
- 136 National Museums of Kenya
- 137 National Quality Control Laboratory
- 138 National Transport and Safety Authority
- 139 National Water Conservation & Pipeline Corporation
- 140 Northern Water Services Board
- 141 Nursing Council of Kenya
- 142 Pest Control Product Board
- 143 Pharmacy and Poisons Board
- 144 Polical Parties Fund
- 145 Policy Holders Compensation Trust Fund
- 146 Politcal Parties Fund
- 147 Prison Farms Revolving Fund
- 148 Prisons Industries Fund
- 149 Privatization Commission
- 150 Public Benefits Organisations Regulatory Authority
- 151 Public Complaints Committee (PCC)
- 152 Public Procurement Oversight Authority
- 153 Public Sector Accounting Standards Boards
- 154 Pwani University
- 155 Registration of Certified Public Secretary Board
- 156 Research Development Unit
- 157 Retirement Benefit Authority
- 158 Rift Valley Water Services Board
- 159 Rivatex E. A. Ltd
- 160 Rongo University College
- 161 Rural Elecrification Scheme
- 162 Rural Electrification Authority
- 163 Sacco Societies Regulatory Authority
- 164 Sisal Board of Kenya
- 165 Small and Micro Enterprises Authority
- 166 South Eastern Kenya University
- 167 Sports Kenya
- 168 Sports Stadia Management Board
- 169 State Corporation Appeal Tribunal
- 170 Sugar Arbitration Tribunal - 2010/2011
- 171 Sugar Arbitration Tribunal - 2011/2012
- 172 Sugar Arbitration Tribunal - 2012/2013

- 173 Sugar Development Fund
- 174 Taita Taveta University College
- 175 Tana and Athi Rivers Development Authority
- 176 Tana Water Services Board
- 177 Tanathi Water Services Board
- 178 Tea Board of Kenya
- 179 Tea Research Foundation of Kenya
- 180 Teachers Service Commission
- 181 Technical University of Mombasa
- 182 The Kenya Cultural Centre
- 183 The Technical University of Kenya
- 184 Truth, Justice and Reconciliation Commission
- 185 Unclaimed Financial Assets Authority
- 186 University of Eldoret
- 187 University of Nairobi
- 188 University of Nairobi Pensions
- 189 Uwezo Fund
- 190 Water Resources Management Authority
- 191 Water Service Trust Fund
- 192 Water Services Regulatory Board
- 193 Water Tower Conservation Fund (WTCF)
- 194 Wildlife Clubs of Kenya (WCK)
- 195 Women Enterprise Fund
- 196 Youth Enterprise Development Fund

Appendix III: Sample of the Public Sector Institutions Used for this Study

1. Capital Market Authority
2. Commission for University Education
3. Communication Authority of Kenya
4. Energy Regulatory Commission
5. Export Promotion Council
6. Kenya Urban Roads Authority
7. Kenya Animal Genetic Resource Centre
8. Kenya Dairy Board
9. Kenya Institute of Supplies Management
10. Kenya Medical Laboratory Technicians and Technologists Board
11. Kenya National Commission for UNESCO
12. Kenya Plant Health Inspectorate Services
13. Kenya School of Law
14. Kenya Universities and Colleges Central Placement Service
15. Kenya Water Institute
16. Kenya Utalii College
17. National Bio-safety Authority
18. The Technical University of Kenya
19. Kenyatta National Hospital
20. National Authority for the Campaign Against Drug Abuse
21. National Council for Law Reporting
22. National Environment Trust Fund (NETFUND)
23. National Transport and Safety Authority
24. Insurance Regulatory Authority
25. Public Benefits Organisations Regulatory Authority
26. Research Development Unit
27. Rural Electrification Authority
28. Sports Stadia Management Board
29. Tea Board of Kenya
30. Teachers Service Commission
31. University of Nairobi
32. Water Services Regulatory Board