

ASSESSMENT ON THE IMPLEMENTATION OF INTERNATIONAL PUBLIC
SECTOR ACCOUNTING STANDARDS/IPSAS/ IN NON FOR PROFIT
ORGANIZATIONS



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Arts in Public Management and Public Policy

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STATEMENT OF DECLARATION

I, Hiwot Ayele Wondimu, the undersigned, hereby declare that this is my original work and has not been presented to any other institution for a master's degree or anywhere else for academic purposes. Due acknowledgment is made of any material previously published and used as a reference.

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Date: May, 2020

CERTIFICATE

This is to certify that this study, Assessment of the implementation of International public sector accounting standards/IPSAS/ in non for profit organizations, undertaken by Hiwot Ayele for the partial fulfillment of the requirements for the degree of Master of Arts in Public Management and Public Policy at Addis Ababa University, College of Business and Economics, is an original work and not submitted earlier for nay degree either at this university or any other University.

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**Addis Ababa University College of Business and Economics Department of
Public Administration and Development management**

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Acronyms

AABE	Accounting and Auditing Board of Ethiopia
CHSA	Agency for civil society organizations
EC	Ethiopian calendar
GC	Gregorian calendar
IASB	International Accounting Standards Board
IAS	International Accounting Standards
IASC	International Accounting Standards committee
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IPSAS	International Public sector accounting standards
IPSASB	International Public sector accounting standards board
NGO	Nongovernmental organization
PPE	Property, plant and Equipment
PSC	Public Sector Committee
UN	United Nations
UNCTD	United Nations Conference on Trade and Development
WHO	World Health organization

Abstract

Ethiopia adopted the international financial reporting standard, International Public Sector Accounting Standards(IPSAS), with proclamation 847/2014 by giving full mandate to Accounting and Audit Board of Ethiopia (AABE). The study aimed on assessing any challenges faced and types of challenges in time of implementation of IPSAS and the important factors to consider while implementing IPSAS to non for profit organizations. The researcher collected data from primary and secondary sources, using questionnaires, interview and document review. The study revealed that IPSAS implementation challenged in Not for profit organizations (NGO's) by less partner engagement, low capacity in technology, arrangement of implementers. In addition to that, specialists' competency, extraordinary investment cost, less feasibility in given time, local standard compatibility and appropriateness to not for profit sector are contests to implementation. Further, information, communication, and monitoring and evaluation gaps are encounters for IPSAS implementation in NGO's. Professionals suggested that for the factors that have a role in effective implementation of IPSAS are practical training, worker's stability, management commitment, awareness creation, and law cooperation. The use of common language to bring uniformity across cultures and governments in the Public sector is also key. Finally, the researcher recommends that AABE experts need to work closely with Consultants, NGO management teams, professionals to ensure IPSAS implementation in all NGO's.

Key words: *IPSAS, partner engagement, investment cost, and technology and arrangement*

Chapter One

Introduction

1.1 Background of the study

Brian Quinn, director at the World Bank, “Research has shown that more transparent countries have better credit ratings, better fiscal discipline, and lower borrowing costs” (IFAC, 2019). Before making any commitments for new programmes and services international institutions use IPSAS standards that issued by IPSAS Board for use by public sector entities around the world in the preparation of financial statements which leads to transparency, inventory and performance assessment.

The IPSASB (and its predecessor, the IFAC Public Sector Committee) has been developing and issuing accounting standards for the public sector since 1997 independently. The IPSASB issues IPSAS, guidance, and other resources for use by the public sector around the world. The objective of the IPSASB, which serves the public interest by setting high-quality public sector accounting standards and by facilitating the adoption and implementation of these (Muller & Berger, 2012) that financial report simplifies accounting numbers interpretation and also contribute for reliability, comparability, understand ability and timeliness of an organization economic substance (Kenneth, 2012).

The board also enhances the quality and consistency of practice throughout the world and strengthening the transparency and accountability of public sector finances (Muller & Berger, 2012). Thus, high quality financial reporting have the ultimate objective to trust and ensure compliance with reporting obligations which may have challenge towards making the reporting available to the public; power of the regulator to investigate; organization of the regulator with sufficient resources; market discipline and suitability of the standards.

Ethiopian government give emphasis for formal financial information by having consistent and quality financial report for decisions on entities economic resources reflected on proclamation number 847/2014 . Thus the proclamation establish and give full mandate to the Accounting and Auditing Board of Ethiopia (AABE) .

ABBE introduced on the proclamation to follow the status and update, appropriate financial report, to assist the organization Board to develop financial Standards (Standards) based on consistent concepts, resulting in financial information that is useful to investors, lenders and other creditors, to assist preparers of financial reports to develop consistent accounting policies for transactions or other events when no Standard applies or a Standard allows a choice of accounting policies and also to assist all parties to understand and interpret Standards.

In order to achieve the above statutory objectives, AABE will endeavor to strengthen the accounting profession to build institutional capacity, to maintain the establishment of capable professional Accountancy Organizations in Ethiopia; to construct a durable accountancy career; to institute a local robust CPA qualification with international recognition; and to work to comply with international standards by applicable reporting entities and auditors

Thus, Ethiopian accounting board regulates the financial reporting and auditing standards, establishes obligation to submit financial reports sets obligation for the audit of financial statements and requires registration of financial statements in Ethiopia for both profit making and non for profit making /charitable / organizations. The main purpose for the establishment of AABE's is protecting public interest.

AABE is responsible to give emphasizes on the scope of IPSAS Conversion by incorporating accounting policy, IT system, process, etc. for speedy implementation (Mengistu, 2017).

Therefore, the study assessed the challenges in implementing and factors to consider in the implementation of IPSAS for Non-for Profit organizations in Ethiopia.

1.2 Statement of the problem

Public finance management enables sustainable, efficient, effective and transparent management of public finance that supports aggregate control, prioritization, accountability and efficiency in the management of public resources and delivery of services. The main aim of accounting and financial reporting is useful to users in making decisions relating to providing resources to the entity.

Hughes (2013) stated that sound public financial management Systems are fundamental to the appropriate use and effectiveness of donor assistance since aid increasingly provided through modalities that rely on well- functioning systems for budget development, execution and control. Yet many developing countries have had difficulties in fully realizing these benefits due to lack of capacity, inadequate accounting procedures, or weak accounting systems. In addition to that organizations rely on donors expect their money to accomplish the agreed projects in a very prompt way, which leads to the development of the nation.

The need for high quality global standards to enhance sound financial reporting is to extend the harmonization of national and international public sector accounting systems and their convergence towards the private sector financial reporting standards (Roje, Vašiček, & Hladika M. (2012). So that there is the technical need to develop the underpinning accounting policies to support the application of the standards (Roje, Vašiček, & Hladika M. (2010). Hence, IPSASs are a single set of accounting standards that specify how certain transactions and other events reported in financial statements to maintain stability and transparency throughout the

financial world (Dawit, 2017).

The application of IPSAS expected to serve as a catalyst to drive increased inflow of foreign aid and foreign direct investment arising from a more accurate and fair reporting of organization's financial performance, fiscal and cash flows positions.

Thus, for many governments in the developing world has taken the form of moves to adopt International Public Sector Accounting Standards (IPSAS), as part of their public sector financial management reforms (IFAC,2019).

Ethiopia adopted IPSAS as issued by the International Public Sector Accounting Standards Board (IPSASB) through assigning AABE /Accounting and Audit Board in Ethiopia/ in proclamation 847/2014. The proclamation has already pointed mandatory adoption of IPSAS for Charities and Societies on Hamle 1, 2010 EC (July 8,2018 GC).

On the date of adoption, AABE provide five years implementation strategic plan for which the effects expected to realize within the years to come and that the reporting entities are expected to be compliant with IPSAS based financial reporting until 2019 deadline.

Therefore, this study tried to assess the challenges of implementation and the factors to consider in time of implementing IPSAS in Ethiopia of Non for profit organizations on the view of professionals.

1.3 Research Questions

The following were the basic research questions assessed in the study:-

1. Are there any challenges faced during implementation of IPSAS to not for profit organizations?
2. What are the types of challenges in implementing IPSAS to not for profit organizations?
3. What are the important factors to consider while implementing IPSAS to not for profit organizations?

1.4 Objective of the study

1.4.1 General Objective

The general objective of the study was to assess the challenges in the implementation and the important factors to consider while in implementing IPSAS in not for profit organizations by professionals who have worked on it.

1.4.2 Specific Objectives

The study tried to address the following specific objectives:-

- Realize the challenges faced while implementing IPSAS in Not for Profit organizations
- Determine the types of challenges faced while implementing IPSAS in Not for Profit organizations
- Identify the factors that have role in effective implementation of IPSAS in Not for Profit organizations

1.5 Scope of the study

The scope of this study was delimited to assess professionals view towards challenges faced in the implementation of IPSAS for not for profit organizations and the important factors to consider in IPSAS implementation in Ethiopia. In Ethiopia, NGOs start to implement IPSAS as per Ethiopian law under AABE that the research conducted on the view of who worked on. The implementation of IPSAS in public organizations other than not for profit, and NGO is whom do not start to implement IPSAS excluded from this study. The detailed study of technical procedures is beyond the scope of this study. In this study, the full proclamation of Ethiopia regarding financial reporting announced by Ethiopian proclamation taken as a comprehensive model. Other Financial reporting standards such as IFRS will excluded in this study.

1.6 Limitation of the study

This research was undertaken to see the challenges in implementing IPSAS and the important factors to consider on the way implementing it in Ethiopia in not for profit organization. However, since the implementation of IPSAS is new in the Ethiopian context, the following limitations take place. The documents acquired in Ethiopian context are narrow and the professional's availability on the work to give their full professional challenge towards the process, and their attitude to the financial reporting affect their response.

1.7 Significance of the Study

The result of this study contribute, as a reference to know further on the challenges IPSAS implementation for AABE Board administrators. For NGO and government officials, it creates clear understanding on the important factors to consider on the implementation of IPSAS. The study also serves as a reference material for the individuals who have the desire to perform further research.

1.8 Definition of Basic Terms

- ✓ charitable organization - an organization established with the aim of working for the interest of general public that keep books of account that are prepared in accordance with acceptable accounting standards
- ✓ Infrastructure-means a structure needed by the organization that are chart of account and documents.
- ✓ Accrual basis-it is a recording way in accounting on financial statements the effect of transactions are recognized when they occur
- ✓ Cash basis-it is a recording way in accounting on financial statements the effect of transactions are recognized when cash or its equivalent is received or paid
- ✓ Modified cash basis-It is the accounting basis under which revenue and expenses are usually reported when cash is received or a payment is made, but with some exceptions.
- ✓ Property, plant and equipment, or PP&E- it are tangible items that are: (a) held for use in the production or supply of goods or services, for rental to others or for administrative purposes; and (b) expected to be used during more than one reporting period.

1.9 Organization of the Paper

The study organized into five chapters. The first Chapter deals with the background of the study, statement of the problem, objectives of the study, scope of the study, limitations of the study , significance of the study and definition of basic terms. The second chapter discussed about conceptualization and theoretical and empirical review. The third chapter focused on the data analysis and discussion that the findings based on questionnaire, interview and secondary materials. The fourth chapter discussed the data presentation, analysis and interpretation. The fifth chapter give conclusion and recommendation based on findings.

Chapter Two

Literature review

2.1 Conceptualization

Fundamental qualitative characteristics of financial information to be relevant and faithful representation that may describe the comparability, verifiability, timeliness and understandability. IPSASB focuses on improving the quality of general purpose financial reporting, leading to more informed and fiscally efficient decision-making by governments, while simultaneously increasing transparency and accountability. As Wang and Miraj (2018) states a strong governance framework, quality principles, and a credible regulatory framework support that IPSAS standards. The IPSASs designed to apply to public sector entities that: Are responsible for the delivery of services to benefit the public and/or to redistribute income and wealth; Mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees and do not have capital providers that are seeking a return on their investment or a return of their investment; and, Do not have a primary objective to make profits.

IPSAS standards brings liabilities onto the government balance sheet that provides a view of the long-term implications in terms of spending commitments and borrowing needs and performance assessment. Accrual accounting helps to improve the measurement of a public entity's financial performance and financial position and provides transparent information on government sustainability. There are 38 standards on the accrual basis of accounting and one standard on the cash basis of accounting (IFAC, 2006) that quality of financial reporting is essential to the need of users who require them for investment and other decision making purposes.

Ethiopian proclamation 847/2014 established to address the necessity towards establishing a sound, transparent, and understandable financial reporting system applicable to entities in both private and public sectors. It may help to have uniform financial reporting law enhances transparency and accountability by centralizing the hitherto decentralized financial reporting structures of Ethiopia. It supports various building blocks of the economy by reducing the risk of financial crisis, corporate failure, and associated negative economic impacts. Thus, it is necessary to ensure that the provision of financial information meets internationally recognized

reporting standards (Article 55, pp1). Therefore, this proclamation reflected a clear perception in government that the existing national standards system needed to update IPSAS in a formal way. Then, restructuring the accounting system in accordance with “world’s best practices” will result in uniformity and transparency in the financial management of the country, ensure good governance, boost the confidence of investors, and contribute to strengthening the economy.

2.2 Theoretical review

2.2.1 Financial reporting for good governance

Quality information helps the government properly analyze risks and play its essential roles in resolving the complex and interconnected challenges in variety of sectors, including in health, social protection and education (Mengistu, 2017). Users of accounting and financial reporting are donors, lenders/creditors, tax authorities, statistics office, supervisors, regulators, public at large. Those users must rely on financial reports for much of the financial information they need.

Hughes (2013) indicated that the key qualitative characteristics of public sector financial reporting identified by the IPSASB are (1) Understandability – are the financial statements clear and are the key aspects and terms explained? (2) Relevance – can the information be used to assist in evaluating past, present or current events? In order to be relevant, information must also be timely (3) Reliability – is the information free from material error and bias? (4) Comparability – can the information be used to identify similarities and differences between that information and information in other reports?

In recent years, there has been a global concern for good governance and effective financial management in public service, particularly in Africa and other developing world. This informed by the need to avoid the damage done to the society due to the absence of good governance and effective financial management and their roles in facilitating the attainment of the desired socio-economic growth of society and the upliftment of the general wellbeing of the citizenry (Hamid and Dambatta, 2003). Mengistu (2017) discusses that financial reporting importance in regards to transparency, trust; grant /donation, social service that leads to community development .IPSAS contribute for financial statements presentation to high quality, transparent and comparable financial information for use by Public sector including Non-profit oriented entities.

IPSAS facilitates the alignment with best accounting practices through the application of credible, independent accounting standards on a full accrual basis. It improves consistency and comparability of financial statements because of the detailed requirements and guidance provided in each standard.

2.2.2 History of International Public sector accounting standards /IPSAS /

Both International accounting standard/IAS /and International Financial Reporting Standards /IFRS /are standards themselves that prescribe rules of accounting treatments for various individual items or elements of financial statements. IASs are the standards issued before 2001 and IFRS are the standards issued after 2001. International Accounting Standards committee (IASB) was responsible for developing IAS before 2001. IASB was renamed as the International Accounting Standards Board (IASB) in 2001. consequently the standards issued thereafter are known as IFRS (IFAC, 2019).

IFRS is an acronym for international financial reporting standards and covers full set of principles and rules on reporting of various items, transactions or situations in the financial statements .Often they referred to as “principles based” standards because they describe principles rather than dictate rigid accounting rules for treatment of certain items.

IFRS also discusses objective of financial statements, underlying assumptions used in IFRS, qualitative characteristics of financial statements, elements of financial statements, measurement of elements of financial statements and concepts of capital and maintenance.

Conceptual framework of IFRS states that IFRS introduces three main things that are (1) concepts on measurement ,including factors to be considered when selecting a measurement basis (2) Concepts on presentation and disclosure ,including when to classify income and expenses in other comprehensive income ,and (3) Derecognition which includes guidance on when assets and liabilities are removed from financial statements. The framework updated definition of an asset and a liability and a recognition criterion for including asset and liabilities in financial statements. The framework also clarified prudence, stewardship, measurement uncertainty and substance over form.

While the focus of IFRS is to provide investors, lenders and other users of the financial statements with information about the entity’s financial performance and financial position .Then it help those users make investment and credit decisions. On the other hand, IPSAS financial statements designed to provide information about how an entity has utilized its

resources, and about the cost of service delivery (Ernst and Young, 2013). IPSAS also converge with IFRSs, which improves quality of financial reports (Mhaka, 2014).

As Mhaka, 2014 indicated that the international Federation of Accountants (IFAC) Public Sector Committee (PSC) in 1997 initiated a program for developing and disseminating IPSAS. The IPSASB consists of 18 members, of which 15 drawn from IFAC member bodies and the remaining three are public members with expertise in public sector financial reporting. The IFAC Board on the recommendation of the IFAC Nominating Committee appoints all members of the IPSASB, including the chair and deputy chair.

International Public Sector Accounting Standards (IPSAS) are a set of accounting standards issued by the IPSAS Board for use by public sector entities around the world in the preparation of financial statements. These standards based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). IPSAS implementation will provide information for better decision-making and in turn should lead to better use of public resources that will help to enhance Fiscal Operation Report that will increase control of public agencies, Public-Private Partnership arrangements, increased cross-border investment and foreign direct investment and for enhancement of implementation of the Freedom of Information.

UN (2015), as UN IPSAS team summarized that, the IPSAS implementation project was introduced in 2006 with the following goals. Those are vital component of the UN's drive to excel as a modern progressive Organization that attains and remains up-to-date with best management practices, support more efficient use of financial and human resources available to the Organization, financial policies, regulations and rules better respond to the current needs of the Organization, support efficient and effective conduct of work and improve the quality of United Nations system financial reporting resulting in benefits for governance, and accountability and transparency.

As transactions are generally common across both the private and public sectors, there has been an attempt to have IPSAS converged with the equivalent International Financial Reporting Standards (IFRS). As a rule, the IPSAS maintain the accounting treatment and original text of the IFRS, unless there is a significant public sector issue that warrants a departure. The IPSAS developed for financial reporting issues that those either not addressed by adapting an IFRS or for which no IFRS developed. Most developing countries will initially assure compliance with Part 1 of the Cash Basis IPSAS before they attempt to comply with the accrual IPSAS (Hughes , 2013) that the IPSASB issues IPSASs dealing with financial reporting under the cash basis of accounting and the accrual basis of accounting (IFAC,2019).

When the cash basis of accounting underlies the preparation of the financial statements, the primary financial statement is the statement of cash receipts and payments. When the accrual basis of accounting underlies the preparation of the financial statements, the financial statements will include: the statement of financial position (IPSAS 1), the statement of financial performance (IPSAS 1), the cash flow statement (IPSAS 2), the statement of changes in net assets/equity (IPSAS 1) and the notes to the financial statements, or annex (IPSAS 1).

For the purposes of IPSAS, the ‘public sector’ refers to national governments, regional governments (e.g., state, provincial, and territorial), local governments (e.g., town and city), and related governmental entities (e.g., agencies, boards, commissions, and enterprises). The IPSAS intended to apply in the preparation of general-purpose financial reports that intended to meet the needs of users who cannot otherwise command reports to meet their specific information needs.

An increasing number of governments and intergovernmental organizations produce financial statements on the accrual-basis of accounting in accordance with IPSAS or IPSAS-similar standards. Government financial reporting in Africa has characterized with general cash based and accrual based accounting practices with the exception of South Africa, Uganda, Ghana, Zambia and Gambia among others. Those have successfully adopted the cash based IPSAS and transitioning to accrual based IPSAS or both (Cited by Mhaka, 2014(World Bank, 2007)) accounting system will need to be adjusted for reporting in the statistical reporting system.

Thus, IPSASs are principle based that designed for Public sector, which includes not for profit-oriented entities. Financial reports prepared in accordance with IPSAS allow users to assess the accountability for all resources the entity controls and the deployment of those resources, assess the financial position, financial performance, and cash flows of the entity and make decisions about providing resources to, or doing business with, the entity.

Regarding Business entities, IFRS took place in the case of adoption and implementation that Diriba (2019) states that the results of the study also show that the implementation of IFRS in public enterprises is more difficult than that of financial institutions due to such additional challenges as the problem of backlog clearances, poor records keeping mechanisms, lack of updated book of accounts and lack of corporate memory. IFRS difficult to understand , technical complexities in IFRS, lack of implementation guidance, difficulty in determining fair value of assets and liabilities, lack of personnel with necessary knowledge and expertise of IFRS, scarcity of experts for consulting and limited access to IFRS education and training program(Kenate, 2019) . Due to that, the transition to IFRS in Ethiopia will be challenging (Teshome, 2017). As Agumas (2018) discussed that the weak corporate governance, poor quality

of education and training, lack of supports from accountancy professional bodies, weak enforcements of regulatory body, inadequacy of transition period, improper planning, non-availability of transparent market information, high cost of implementation and weak management support are the major challenges of adopting IFRS . Thus, Diriba (2019) suggests that to support the sustainable implementation of IFRS and to strengthen the regulatory body and enforcement institution, adequate resources must put in place. Teshome (2017) also states that the prospect of IFRS implementation in Ethiopia and the result showed that the transition plan to IFRS and its implications for preparers, users, educators and other stakeholder has to be effectively coordinated and communicated.

As IFRS designed to serve as a common global language for business affairs, IPSAS designed for public organizations that proclamation states in the clear way. On that way, IFRS adoption benefits and challenges may give some indication for IPSAS implementation as the proclamation given in the same time.

2.2.3 Countries and stage of adoption of IPSAS: Africa

Tickell (2010) credits the increasing rate of IPSAS adoption among NGOs and national governments to the desire for better accountability over the management of public funds. Multilateral institutions such as the African Development Bank, Asian Development Bank, the World Bank, the International Monetary Fund (IMF) and the United Nations (UN) are the principal providers of financial resources to most developing countries. All of these multilateral institutions have endorsed the application of IPSAS in accounting for resources they provide as cited by Hussein and Williams (2018) from (Chan, 2006; Babatunde, 2017).

According to Roje and Vasicek (2012), some countries use their own accounting standards that are broadly consistent with IPSASs requirements, keeping their own national sovereignty to apply national accounting standards; others prepare IPSASs compliant financial statements, while some countries are in the process of adopting IPSASs.

Hussein and Williams (2018) argues that IPSAS application in Liberia improves the quality and reliability of government accounting information, aligns government financial accounting with best international standards, stimulates Public-Private sectors partnerships, and increases government accountability and transparency within the Liberian economy that the issue of transparency and comparability is viewed as a means of ensuring state stewardship. Africa has been at the forefront of IPSAS adoption, with several countries intending to formal adoption the standards as part of financial management reform programmes. Donors (ACCA, 2018) have funded some of the incentives and programmes for IPSAS adoption in Africa.

A. Table 2.2.3. Countries IPSAS adoption status

Country	Adoption status	Update	Proposed implementation date
Ghana	Partially adopted	Ghana announced in 2014 that the country would implement accrual basis IPSAS from 2016, with full rollout expected to take five years.	2016 to 2021
Nigeria	Partially adopted	Nigeria began IPSAS implementation in 2016. Each of Nigeria's 36 independent states will determine its own implementation period	2016
South Africa	Partially adopted	Completed at local government level in 2009 using Generally Recognized Accounting Practice (GRAP). National and provincial public entities report on modified cash basis using either adopted IFRS or GRAP	2009
Tanzania	Completed	Tanzania adopted accrual IPSAS at all levels of government	2013
Zambia	In progress	Zambia began adopting cash basis IPSAS in 2016 and is committed to fully adopting cash basis IPSAS in 2020	2016 to 2020
Zimbabwe	Planned	Zimbabwe has announced it will adopt accrual basis IPSAS by 2021. Central government and local authorities are currently using cash accounting	2021

Source: Adopted from ACCA 2018

2.2.4 Factors to consider in IPSAS implementation

IPSAS gives high quality, freely created bookkeeping guidelines, supported by solid due process and augmented by governments, proficient bookkeeping bodies, and universal improvement organizations, speaking to best practices for governments and not-for-profit organizations.

According to WHO (2013), the ongoing challenges that the organization faces when it comes to its IPSAS implementation project include: Firstly, *Organization wide participation* which is the requirement under IPSAS go beyond financial records that the involvement of many teams (procurement, human resources etc.) and collaboration across locations (Regional Offices, Country Offices etc.) is required for the successful implementation of IPSAS. Secondly, *training* that changes resulting from IPSAS implementation require that ongoing and focused training is provided to key staff as they report under the new standards. Finally, *Time and*

Resources that IPSAS requires additional tasks to be completed in preparing and maintaining financial records. These tasks need to be completed each year, which is significantly more demanding than in the former biennial process.

IFAC (2019) IPSASB maintain a strategy and a work plan for the period 2019 to 2023 that may tackle the challenges faced through IPSAS implementation. That are setting standards on public sector specific issues by amending conceptual framework, maintaining IFRS alignment that IFRS is a key pillar of IPSAS development since the inception of the standards program, developing guidance to meet users' broader financial reporting needs, promoting IPSAS adoption and implementation and advocating benefits of accrual in strengthening

On the other hand, as the impact of IPSAS implementation goes far beyond accounting, UNAIDs, (UNAIDS,2013) endorsement for the factors facilitate to smoothen the challenges faced for IPSAS implementation are consultation and acceptance by professional capacity building team, participation in the high level committee on management and Finance and Budget Network for harmonizing adoption of IPSAS, joint development for the interpretation of IPSAS standards ,support and oversight by senior management, support from external auditors and donors ,robust audit process, comprehensive management training, appropriate cultural approach, awareness and willingness of staff to adopt change and adapt to the timelines, IT capacity and enterprise resource planning implementation and also Accrual-based approach by identifying best practices and developing policies and processes to support IPSAS

The successful IPSAS implementation that suggested the following efforts by UN (2015) are management commitment and ownership, effective communication, risk-management, training, as well as deployment of a tracking/ reporting mechanism will be essential. These areas are equally important and will be addressed simultaneously to best support benefits realization.

Generally, IPSAS implementation need staff training to upgrade the skills to capacity building on a continual basis, release of upgrades and revisions to existing standards, as well as the issuance of new ones, which will support in order to stay abreast of new and emerging IPSAS developments.

2.3 Empirical review

2.3.1 History and practice of IPSAS in Ethiopia

The International Public Sector Accounting Standards Board (IPSASB) has issued IPSAS that become a mandatory adoption of IPSAS in Ethiopia. A three phase transition over a period of three years for reporting entities (Mengistu, 2017). As per the Law the transition phases are stated as follows that IPSAS falls in Phase 2.

B. Table 2.3.1. Timetable for implementation phase

Phase stage	Responsible body	Description	Time for Adoption	Remark
Phase 1	Significant Public Interest Entities	Financial Institutions and public enterprises owned by Federal or Regional Governments	Hamle 1, 2009 EC/July 8,2017GC	For adoption of IFRS.
Phase 2	Other Public Interest Entities	ECX member companies and reporting entities that meet PIE quantitative thresholds and IPSAs for Charities and Societies	Hamle 1, 2010/July 8,2018GC	For adoption of IPSAS
Phase 3	Small and Medium-sized Entities		Hamle 1, 2011/July 8,2019GC	For adoption of IFRS-SME

Source: Adopted AABE , 2017

The AABE is the statutory body established in terms of the Financial Reporting Proclamation 847/2014, with the primary purpose of protecting the public interest. To achieve this, AABE is responsible for regulating the profession as well as for issuing a national professional accountancy qualification that recognized internationally. Among others, its responsibilities include setting accounting and auditing standards and code of conduct to regulate the behaviour of professionals. To register and certify professionals and firms to provide such services; review and monitor the work of professionals and firms rendering accountancy and/or audit services and reporting entities is also AABE's responsibility. The additional tasks providing

professional qualification training, supporting education and continuous professional development programs; enforcing the financial reporting law and taking disciplinary measures on those who do not comply with the provisions of the law and the regulation set by the Government and directives, other relevant policies and guidelines issued by the Board(AABE,2015).

AABE's aspiration is that to maximize the qualified number of accountants in the country and enhance the quality of financial reporting necessary for protecting the public interest. AABE works as a regulator and as a facilitator to achieve high quality financial reporting to promote confidence in corporate reporting and ensure governance.

ABBE's vision is to be an internationally recognized independent and effective regulatory body of the accountancy profession in Ethiopia with the mission to support investment and protect the public interest by promoting high quality financial reporting in Ethiopia through appropriate oversight of the accountancy profession, in accordance with local laws and international standards. In regulating the profession in evolving complex financial reporting requirements, ABBE will uphold and guided by the following values: Integrity, Fairness, Collaborative, Accountability, Resourcefulness and Commitment to excellence that the registration time is June 22, 2017 to January 8, 2018. AABE has clear and realistic statutory objectives, those stated in the regulation as, to promote high quality reporting of financial and related information by reporting entities; to promote the highest professional standards among auditors and accountants; to promote the quality of accounting and auditing services; to ensure the accountancy profession is used in the public interest and to protect the professional independence of accountants and auditors .Regarding ,ABBE's guideline policies the first is leveraging resources with other relevant domestic and international organizations. The second guideline policy is applying modern information communication technology to enhance the operational effectiveness of the AABE and to improve the public's access to AABE's registration, filing and other information. The third stated guideline is establishing and sustaining organizational excellence.

AABE will be responsible for the financial reporting standards to use when preparing financial statements are International financial reporting standards; or International financial reporting standards for small and medium enterprises; International Public Sector accounting standards applicable to charities and societies issued by the International Accounting Standards Board or its successor or issued by the International Public Sector Accounting Standards Board or its successor as adopted, adapted or amended by the Board(Article 55,pp6)

2.3.2 Purpose of IPSAS in financial reporting

No matter the quantum of financial resources in hands of organizations, the desired objectives may not be achieved unless there is effective financial management, which will ensure that the money is used economically, effectively and efficiently for the benefit of all stakeholders (Hamid and Dambatta, 2003). The objective of IPSAS is to advance the information from Public sector accounting, permitting the comparability and giving devices for the social control of public entities. It also helps to see the further understanding of accounting information and its disclosure inside the budgetary clarifications, prompting profound changes in organization, whether in the way the public equity is managed or in the form of recognition, measuring and disclosure of equity items.

IPSAS adoption improves transparency and comparability of government financial reports and influences the quality of government financial reports (IFAC, 2019). IPSAS encourage the use of the same accounting policies and estimates i.e. consistency in reporting and comparability (IFAC, 2006).

IPSAS assist preparers of financial statements to produce and present high quality, transparent, and comparable financial information that the main purpose of these standards is to maintain stability and transparency throughout the financial world (Mengistu, 2017). Hence, rendering of accounts of stewardship, auditing, control and accountability, compliance with laid down procedures/rules/statutes, due process, good public and corporate governance become inevitable with a view to ensuring economical, efficient and effective operations and ensure the development of a country (Hamid and Dambatta, 2003). The implementation of IPSAS has resulted in benefits for UNAIDS that are strengthened accountability towards all stakeholders; strengthened support for results-based management through the provision of comprehensive information on costs; improved management and planning across the Joint Programme due to better accounting practices for income and expenditure; better understanding of revenue and expenses and improved management of commitments, risks and uncertainties; increased transparency and harmonization of financial reports and statements across the UN system; enhanced prediction of future asset and cash-flow needs; and adherence to the highest international standards of financial reporting—aligned with best practices—that allow for improved consistency and comparability.

WHO (2013), the major benefits of IPSAS to WHO are use of Best Practices to bring comparability and consistency, improved Senior Management Decision-Making, increased

transparency for more financial transactions to be recognized or disclosed in financial statements including the notes and strengthen the internal control mechanism, annual Audits and reporting which permits a more timely assessment of financial reporting and enhanced Financial and Resource Stewardship.

UNICEF(2012) also stated that IPSAS enables the consideration of the accountability for all of the resources it controls as well as the management and deployment of those resources ; enable the identification of funding requirements for asset maintenance and replacement and all liabilities; and making better decisions about providing resources to UNICEF.

Woldeha (2017) study depicts that, the envisaged benefits of IPSAS are transparency; enhanced internal control; understandability; accountability; comparability; credibility and better interpretation and acceptability of financial reports. As Mhaka, 2014 argues that the adoption of IPSAS in government financial reporting has its expected benefits including, transparency, convergence with IFRSs, comparability, flexibility and ultimately improved quality of financial reports.

ACCA (2018) also states that IPSAS adoption has started to provide significant and common advantages across the public sector .Those are greater accountability and transparency; better decision-making; improved efficiency ; data consistency and application; sound financial management; Professionalization and access to talent and broader economic and social advantages.

IPSAS adoption improves the quality of financial reports and assists the government in managing both domestic and external debt. Adoption will also improve donor confidence in the country as IPSAS encourages transparency and comparability (Mhaka, 2014)

Starting from the concept that IPSASs introduction in Slovenia, Croatia and Bosnia and Herzegovina has been overviewed in the contexts of EU accession, the encouragement for fully complying with IPSASs has been to enhance better understanding of public expenditures of transition countries at the international level (Roje et al.,2010).

2.3.3 Key for adoption and contests of IPSAS

All other public interest entities (ECX member companies and reporting entities that meet the qualitative thresholds for PIE) and Charities and Societies are expected to mandatorily adopt IFRS and IPSAs (for Charities and Societies), for statutory purposes, by July 8, 2017. This means that all other public interest entities, Charities, and Societies in Ethiopia will statutorily be required to issue IFRS and IPSAs based financial statements respectively for the year ending

July 7, 2018(AABE, 2015).

Woldeha (2017) argues that the adoption of IPSAS in Ethiopia in the expected deadline is not feasible. Hence, for effective implementation, there is a need to have feasible target and clearer understanding of the standard (Juhar,2017).So that the implementation of the IPSAS is a feasible target that the more the public sector takes responsibility for qualifying the standards, the greater the advantages that will result (Diniz, 2015). ROSC (2007)review result revealed that there were significant differences between the actual accounting practices and IFRS/IPSAS requirements (As cited on,AABE,2015).Some scholars discuss the challenges of IPSAS adoption that need to be address for proper implementation. Some of them discussed as follows;

Hussein and Williams (2018) examines that lack of IPSAS experts, conflict between IPSAS and existing laws, and high cost of transition from existing accounting practices to IPSAS represent threats to realizing the full benefits of IPSAS. Hughes (2013) also alerts that the change provoked by the convergence with the IPSAS not only promotes challenges, but also requires that the professionals prepare to adapt to the global standards.

Whereas presentation of IPSAS can give monstrous advantage in accomplishing reasonable and straightforward financial reporting, which is able give open responsibility and integrity, the fruitful application would depend on the taking after key drivers. Those are (Bello 2013), Firstly the human capabilities and commitment which shows IPSAS are a complete transformation/revolution in public accounting; full application may require competent labor at the whole organization. Secondly, Information and Communication Technology (ICT) Infrastructure that for an effective usage of IPSAS, tremendous infrastructural assets required. Indeed, with this venture, control moreover required to back this ICT. Thirdly, finance that is moving from cash to full IPSAS requires considerable money related speculation in material and human assets. Such gigantic use may be a burden to creating world that is battling destitution, debasement and unemployment. Finally, system capability and internal accountability that framework capability alludes to the structure for collecting, recording, and summarizing money related information. Financial statements on the accrual basis designed only by an accounting system with sophisticated structures.

The Nepali case further demonstrates that the adoption and implementation of the standard has become more rhetoric than reality in many countries. As such, the implementation of the Cash Basis IPSAS in less developed countries (LDCs) has become an uncertain exercise with a diffusion trajectory that may lack clarity (Adhikari, Kuruppu, Wynne and Ambalangodage, 2012).

Research carried out by UNCTAD, IFAC and others appears that numerous of the nations that as of now begun the travel towards execution of IPSAS are some place between cash accounting and full usage. These components propose that it is not conceivable to duplicate the approach taken by one nation and apply it specifically to another. In any case, the approach rules and transitional steps which will be required, alongside require for capacity building all through the alter administration prepare, may be common fixings contributing towards effective IPSAS usage. There are, therefore, potentially valuable lessons to be learned from the experiences of those countries that have made the journey towards implementation of IPSAS, if those lessons are learned in the context of the situation facing each jurisdiction (IFAC 2019). Mengistu (2017) also states that conversion to IPSAS does not end with the publication of the first set of IPSAS compliant financial statements that necessary preparation including changes in accounting policy, IT system, process, etc. must precede conversion to IPSAS.

Hussein and Williams (2018) study in Liberia mentions that conflict between IPSAS and existing laws, and high cost of transition from existing accounting practices to IPSAS represent threats to realizing the full benefits of IPSAS. Few experience in adopting and implementing IPSAS; scarcity of qualified professionals and trained human resources; lack of proper guidelines from regulatory bodies on the adoption process and increased administrative, compliance or other costs are the key challenges of IPSAS adoption in Ethiopia (Woldeha , 2017). They are also prepared in English and whilst they may be translated into other languages this is not an easy task and technical accounting terminology can easily be lost in translation (Roje et al., 2010).

Adepeju (2017) investigates the factors, which slows the implementation of IPSAS in Nigeria that are political support, institutional commitment, expertise, sociological issues and cost of funding IPSAS. Unfortunately, for the majority of governments the accounting change regarded as a technical change rather than a managerial change (Hepworth, 2002).

According to Alani (2019), the challenges of Nigerian public sector are costs associated with tracking and identifying government tangible assets; difficulties in reconciling budget and financial statement information. To sum up, consolidation issues in respect of elimination of all interagency transactions and balances, lack of qualified accountants to adequately carryout the changes in IPSAS.

According to Ocansey ,2014 cited by Juhar (2017) adoption of IPSAS in Ghana prospects, challenges and the way forward, (PP 10) identified as the following as main challenges.

- 1) *Cost to implement*-Accounting manuals need to be rewritten; manuals must incorporate IPSAS terminologies and conform to local requirements. Roje et al.(2010), there are risks

with switching from cash to accrual accounting, and even though such a change is mostly regarded a priority, the costs and benefits of the change are not necessarily well understood in the transition countries.

- 2) *Availability of qualified accountants*-Most of the Public sector and government agencies lack the necessary personnel to adequately carry out the changes in IPSAS as opposed to the financial reporting framework currently existing in the Public Sector.
- 3) *Apparent complexities*- The use of common language to bring uniformity across cultures and governments in the Public sector is also very key. Some terminologies' used in the IPSAS may not apply to the country or Governments financial reporting system due to some uniqueness in its financial operations
- 4) *Readiness of government departments and agencies*- Some organizations including central admin, regions and a large number of other public sector bodies still use traditional modified cash based accounting even if cost and management accounting is compulsory.
- 5) *Resistance*-Not all government systems and administrative machinery will support IPSAS. Currently most of the Government agencies and departments have the Budget and Performance Monitoring Software (BEPEM), which is yet to put to full use.

Juhar (2017) evidenced that the adoption of IPSAS enhances level of accountability through asset management and transparency in information provided in the financial reports. Despite the acknowledged benefits, the foreign charities in Ethiopia do not seem to endorse that the benefits of IPSAS outweigh its challenges but because it is a mandatory requirement by the government (Woldeha, 2017).

2.3.4 Gap in the Existing Literature

As it has seen above, there are a number of studies regarding IPSAS adoption or implementation in other countries. Such as, IPSAS adoption and quality of financial reporting in the Nigerian public sector by Olayinka E., Oyeleke O. and Olaoye O. (2013), Adepeju (2017) Implementing international public sector accounting standards in Nigeria: issues and challenges, Implementing international public sector accounting standards in Nigeria: issues and challenges and ACCA. (ACCA, 2018) and also IPSAS Implementation: Status and Challenges. And IPSAS: Guidelines for Developing Countries.

As many countries declared, Ethiopia stated the mandatory implementation of IPSAS in its respective jurisdictions. Although IPSAS implementation renders many benefits, it poses many challenges. Literatures revealed challenges in the process of IPSAS adoption due to cost of

implementation, Shortage of IPSAS specialist, apparent complexities and terminology, readiness and resistance of government agencies are the major challenges. For instance, The benefits and challenges of adopting the IPSAS in foreign charities by Juhar (2017) and assessment of the perception of foreign charities in Addis Ababa on the benefits and challenges of adopting IPSAS by Woldeha (2017) held in Ethiopia.

However, to the knowledge of the researcher, there appear to be no studies on implementation challenges to developing countries specifically Ethiopia. This paper attempts to contribute on the practical challenges faced by professionals as an implementer and regulator and their input to ease the implementation process. Even if IPSAS implementation is mandatory, I find interesting to study professional's challenges in the implementation that particularly interesting to study for the reason that drawbacks in IPSAS implementation investigated and procedures/solutions applied in the first implementers recommended. Then the implementation of IPSAS will move faster to contribute for greatest financial reporting by users in every dimension.

Chapter Three

Research Methodology

This chapter described research methodology used in this study. The study area, research design, materials and methods, sources of data, population and sampling technique, data collection and instruments and methods of data analysis presented in this section.

3.1 Study Area

The researcher used AABE's registered accountants and auditors to assess the challenges faced towards implementation and important factors to consider while in implementing IPSAS in Ethiopia.

3.2 Research Design

In this study, descriptive survey design conducted with the purpose to examine the challenges faced in the implementation and factors to consider in IPSAS implementation. As Polit & Hungler, 1999), the purpose of descriptive research are to describe, explain and validate findings which is where data is collected at one point in time from a predetermined population and the opinions of the respondents are illustrated.

3.3 Material and Method

This research take place in Addis Ababa, Ethiopia and it focused on the professional accountants of AABE registered accountants and auditors. Both primary (questionnaire and interview) and secondary sources (books, articles and proclamation review) used in order to have the desired information.

3.4 Sources of Data

The researcher used mainly a primary data for this research, which was a questionnaire distributed to the registered accountants and auditors in AABE and interview collected from AABE IPSAS expert, IPSAS consultant, trainer and finance heads who work at different NGOs who start to implement IPSAS. Both the questionnaires and interview administered by the researcher. Self-administered questionnaire chosen as an appropriate method of data collection because the respondents are qualified professionals. Interview held through phone call due to current situation, COVID 19.

Moreover, the secondary data collection gathered based on books, journal articles, newspapers, reports, websites and other related materials that used to support the empirical findings of the

study.

3.5 Population, sampling frame and Sampling techniques

Accounting & Auditing Board of Ethiopia (AABE) who has 840 authorized accountant and audit firms in federal, Addis Ababa, level was the target population. After holding a phone call assessment the researcher choose those familiar in IPSAS work, sampled based on their knowledge and professional judgment.

The sampling procedure adopted for the research work was non-probability sampling that is purposive sampling, which involves identifying and selecting individuals or groups of individuals that are especially knowledgeable about or experienced with a phenomenon of interest (Cresswell & Plano, 2011). Thus, those who had access to adopt or participate in implementation of IPSAS contributed.

Cost constraint, limitation of time and its convenience of use mentioned as major reasons for choosing purposive sampling for this research process.

3.6 Data Gathering tools

The research instrument was a five- point Likert scale type of questionnaire, which designed to be straightforward and concise. Because Ethiopia has not implemented IPSAS before, this study follows the trend in previous researches to determine the content of the research instrument. It covers the areas of IPSAS challenges of implementing and the important factors to consider the implementation. The instrument asks the respondents to give their perception independently.

The questionnaire contained a set of questions classified into two major sections A and B. Section A featured questions on bio data of the respondents. Section B of the questionnaire comprises of statements of assertion and open-ended question. These designed primarily to provide information for answering the research question. The applicable five-point Likert scale used was outlined and interpreted with points of degree agreement, Strongly Agree= 5, Agree= 4, Undecided =3, Disagree =2 and Strongly Disagree= 1 .

3.7 Data Collection Instruments

Primary data collected through administering questionnaires to ensure confidentiality of the respondents. The questionnaire contained structured questions relating to the study about challenges of implementing IPSAS and factors affecting implementation of IPSAS, which constructed on an interval scale with respondent's answering in line with the extent to which

they agree or disagree with the statements in the questionnaire. In addition to that interview have been held with those of trainers, consultants and First time implementers of Finance head. Secondary data was obtained through literature review of research findings and existing literature on each study variable. The research instrument subjected to content validation to ensure that the substance of the instrument measures the variables investigated in the study. The questionnaire initially developed from literatures found and two ACCA students in accounting reviewed the initial copy. Their input was incorporated which reviewed and approved by this paper advisor.

3.8 Methods of Data Analysis

In this study, both qualitative and quantitative data analysis employed. For the analysis, certain measures of statistical computations descriptive analysis (Frequency, mean and standard deviation) was used to find some of the determinant factors that can indicate the challenges of implementing of IPSAS and the important factors to consider in implementation of it by using SPSS version 22 software. The collected data presented by either using graphs, tables and / or mathematical procedures. Finally, the research conclusion and recommendations forwarded.

3.9 Ethical Considerations

In this part, ethical considerations were discussed those were taken during the research study process. Creswell (2012) stated that research ethics should be primary consideration rather than an afterthought, and it should be at the front of research agenda. Thus, to collect data, ethical issues like voluntary participation, informed consent, risk of harm, confidentiality and privacy have been taken in to considerations.

Chapter Four

Results and Discussion

This chapter deals with the presentation, analysis and interpretation of data that collected through the questionnaires and Interview. The main objective of the study was to disclose the challenges of IPSAS implementation and factors to consider in IPSAS implementation in non for profit organizations Ethiopia.

To achieve the above objective of the study, factors used as a parameter were partner engagement, expertise capacity, investment cost, technology and structure, system capability and internal accountability

4.1 Sample Response Rate

The study population is AABE registered accountants and auditors, which in the purposive selection of the researcher are access to IPSAS implementation and the factors to consider to IPSAS implementation. Therefore, out of the total number of 840 registered accountant and auditor firms in Addis Ababa, Ethiopia the researcher distributed questionnaire to 100 respondents of the total population of professionals. From that, the researcher on purposive basis from the Addis Ababa areas selects the respondents. Those filled and returned questionnaires were 96 respondents bringing about a response rate of 95%.

Reliability of the questionnaire

The reliability of the questionnaire was evaluated using the "Cronbach's alpha".

Table 4.1 shows the result of the estimated Cronach's alpha coefficient, which was 0.782, that George and Mallery (2003) suggest 0.7 as the accepted level, the reliability test conducted for all 30 items.

C. Table 4.1 Reliability Statistics

Cronbach's Alpha	N of Items
.782	30

Source: survey

4.2 Demographic Characteristics of Sample Respondents

The demographic characteristics addressed in the study were gender, age, level of education, work experience in finance, and their perspective towards AABE registration. These characteristics analyzed as follows

Description		Frequency	Percent	Valid Percent	Cumulative Percent
Gender of respondent	Female	66	68.8	68.8	68.8
	Male	30	31.3	31.3	100.0
	Total	96	100.0	100.0	
Age group of respondent	27-35	31	32.3	32.63	32.6
	36-45	37	38.5	38.95	71.6
	46-55	23	24.0	24.21	95.8
	56-65	4	4.2	4.21	100.0
	Total	95	99.0	100.0	
	missing System	1	1.0		
	Total	96	100.0		
Education level	Bachelor's degree	43	44.8	45.3	45.3
	Master's degree	47	49.0	49.5	94.7
	post master's credits	5	5.2	5.3	100.0
	Total	95	99.0	100.0	
	Missing system	1	1.0		
	Total	96	100.0		
Certification in the profession	ABBE certificate	75	78.1	82.4	82.4
	ACCA or CPA certificate	7	7.3	7.7	90.1
	other	9	9.4	9.9	100.0
	Total	91	94.8	100.0	
	Missing System	5	5.2		
	Total	96	100.0		
Experience Year of in the profession	>3	1	1.0	1.0	1.0
	3-5	1	1.0	1.0	2.1
	6-10	18	18.8	18.8	20.8
	11-15	27	28.1	28.1	49.0
	16-20	32	33.3	33.3	82.3
	>=21	17	17.7	17.7	100.0
	Total	96	100.0	100.0	

Source: survey

4.2.1 Gender Distribution

Table 4.2 shows that gender group distribution of respondents (male and female) with percentage and number presented the summary of the IPSAS familiar is demographic data results. From the respondent 68.8 % were males and 31.2 % were females. Thus, it implies that there was a male's dominance on gender proportion in the assessment taken

4.2.2 Age of the Respondents

The data presented in table 4.2 below shows that the age of the sample respondents lies between five age categories. From the total of (n=96, 99%, one is missing) majority (n=37, 38.9%) of respondents were between the age of 36-45 year, followed by respondents aged lies from 27-35 (n=31, 32.3%) then from 46-55 (n=23, 24%) and 56 to 65 comes next which was (n=4, 4.2%) of the total respondents respectively. This shows that the majority of the respondents were in a mature age group and they may give reliable responses to the questionnaire.

4.2.3 Educational level, certification and work experience

Regarding there educational level (in table 4.2) master's Degree holders, Bachelor's degree holders of respondents are 47 (49%), and 43 (44.8%) respectively. Tthe remaining five with 5.2% are postmaster's credits.

Concerning their certification (In table 4.2) majority (n=75, 78.1%) of respondents are ABBE certificate holders. Seven of them (7.3%) ACCA or CPA certified professionals are engaged to respond to the questionnaire. Nine (9.4%) of respondents certified with only IPSAS training. The remaining five left the questionnaire empty. This shows that respondent's education level, certification, and work experience are capable of the question distributed to get appropriate responses.

Regarding the professionals work experience, respondents who fall in a majority number are work sixteen to twenty years (n=32), eleven to fifteen years (n=27), six to ten years (n=18) and greater than twenty-one years of experience fall in 33.3%, 28.1%, 18.8% and 17.7% respectively . Respondents who work less than three years and three to five years of experience fall in 1% each follow that.

The findings, therefore, conclude that most respondents are capable of indicating IPSAS implementation challenges and this would give a good indication for their responses.

4.3 Descriptive Statistics Results

The descriptive statistics used as a way of examining valid (N), maximum, minimum, mean, and standard deviation in this study. It need to determine the respondents' perception of challenges in IPSAS implementation and factors to consider in its implementation.

4.3.1 Descriptive Statistics of challenges in IPSAS implementation

Challenges faced when implementing IPSAS to not for profit organizations presented here. Those categorized into four types, which are Partner engagement, expertise capacity, investment cost and technology, and infrastructure.

I. Partner Engagement

Table 4.3.1a indicated descriptive data (valid N, maximum, minimum, mean, and standard deviations) for the challenges faced in IPSAS implementation regarding stakeholders Engagement. The sample size for all partner engagement variables valid (N) was 96 by considering all respondents. In computing of the results, low mean score showed the more frequently faced in challenges regarding of partner engagement while high mean score implies less frequently drilled in IPSAS implementation challenges regarding partner engagement.

Table 4.3.1a Descriptive Statistics on partner Engagement

Attributes	Scale	Frequency	Percent	Mean	Std. Deviation
IPSAS creates a strong partnership between Finance and audit	Strongly Disagree	1	1.0	4.1771	.80779
	Disagree	3	3.1		
	Undecided	9	9.4		
	Agree	48	50.0		
	Strongly Agree	35	36.5		
IPSAS implementation, organization's in Ethiopia understood by key stakeholders like auditor generals and accountants generals	Strongly Disagree	3	3.1	3.5625	1.08397
	Disagree	19	19.8		
	Undecided	11	11.5		
	Agree	47	49.0		
	Strongly Agree	16	16.7		
IPSAS implementation, organization's in Ethiopia understood by key stakeholders like political office holders and ministries.	Strongly Disagree	10	10.4	3.2813	2.36511
	Disagree	25	26.0		
	Undecided	19	19.8		
	Agree	30	31.3		
	Strongly Agree	12	12.5		
Average		96	100	3.67	1.42

Source: survey

As shown in Table 4.3.1a, the mean and standard deviation value for each of the Partner engagement subscales were calculated. Accordingly, IPSAS creates a strong partnership between finance and audit was (M=4.18 and SD= 0.81). IPSAS implementation, organization's in Ethiopia understood by key stakeholders like auditor generals and accountants generals was (M=3.56 and SD= 1.08), IPSAS implementation, organization's in Ethiopia understood by key stakeholders like political office holders and ministries was (M=3.28 and SD= 2.37). As Adepeju (2017) studied political support, institutional commitment; expertise, sociological issues, and Hepworth (2002) mention that IPSAS change respected as a specialized alter instead of an administrative alter. AABE (2015) also mentions that the stakeholder relationships underpin its activities. In general, the mean and standard deviation of stakeholder's engagement subscales were between 3.28 to 4.18 and 0.81 to 2.37 respectively.

II. Expertise capacity

Table 4.3.1b indicated descriptive data (valid N, maximum, minimum, mean, and standard deviations) for the challenges faced in IPSAS implementation in regarding expertise capacity. The sample size for all expertise capacity variables valid (N) was 95 by considering all respondents except one missed. In computing of the results, high mean score showed the more frequently faced in challenges regarding of expertise capacity while low mean score implies less frequently drilled in IPSAS implementation challenges regarding expertise capacity.

Table 4.3.1b Descriptive Statistics on expertise capacity

Attributes	Scale	Frequency	Percent	Mean	Std. Deviation
Ethiopian government staffs lack the skills, competence and staffing levels needed to implement IPSAS	Strongly Disagree	16	16.7	2.6458	1.14229
	Disagree	32	33.3		
	Undecided	23	24.0		
	Agree	20	20.8		
	Strongly Agree	5	5.2		
Lack of personnel to adequately carry out changes in IPSAS as opposed to the financial reporting framework	Strongly Disagree	3	3.1	3.8105	1.17866
	Disagree	14	14.6		
	Undecided	16	16.7		
	Agree	27	28.1		
	Strongly Agree	35	36.5		
	Missing	1	1.0		
Most not for profit organization accountants are not adequately trained as professional accountants	Strongly Disagree	1	1.0	4.0417	.99384
	Disagree	10	10.4		
	Undecided	9	9.4		
	Agree	40	41.7		

	Strongly Agree	36	37.5		
Average (Valid N(listwise)=95		96	100	<u>3.5</u>	<u>1.04</u>

Source: survey

As in Table 4.3.1b, the mean and standard deviation value for each of the expertise capacity subscales were calculated. Accordingly, the Ethiopian government staffs lack the skills, competence, and staffing levels needed to implement IPSAS was (M=2.65 and SD= 1.14). There is a lack of personnel to adequately carry out Changes in IPSAS as opposed to the financial reporting framework was (M=3.81 and SD= 1.18), Most not for profit accountants are not adequately trained as professional accountants and would find it difficult switching over to IPSAS from the current accounting system was (M=4.04 and SD= 0.99). As Woldeha (2017) states the key challenges of IPSAS adoption in Ethiopia were that few experience in adopting and implementing IPSAS; scarcity of qualified professionals and trained human resources. Alani (2019) stated that the challenges to the lack of qualified accountants to adequately carry out the changes in IPSAS as opposed to the financial reporting framework currently existing. In general, the mean and standard deviation of expertise capacity subscales were between 2.65 to 4.04 and 0.99 to 1.18 respectively.

III. Investment cost

Table 4.3.1c indicated descriptive data (valid N, maximum, minimum, mean, and standard deviations) for the challenges faced in IPSAS implementation regarding investment cost. The sample size for all investment cost variables valid (N) was 95 by considering all respondents except one missed. In computing of the results, high mean score showed the more frequently faced in challenges regarding investment cost while low mean score implies less frequently drilled in IPSAS implementation challenges regarding investment cost.

Table 4.3.1c Descriptive Statistics on investment cost

Attriutes	Scale	Frequency	Percent	Mean	Std. Deviation
IPSAS implementation requires additional investment	Strongly Disagree	1	1.0	4.2396	.69198
	Disagree	1	1.0		
	Undecided	5	5.2		
	Agree	56	58.3		
	Strongly Agree	33	34.4		
	Total	96	100.0		
Cost of IPSAS implementation is not much more regarding its benefit	Strongly Disagree	4	4.2	3.8646	1.10138
	Disagree	11	11.5		
	Undecided	8	8.3		
	Agree	44	45.8		
	Strongly Agree	29	30.2		
	Total	96	100.0		
Implementing IPSAS comes with a lot of difficulties in reconciling budget and financial statement information	Strongly Disagree	4	4.2	3.2421	1.15515
	Disagree	28	29.2		
	Undecided	18	18.8		
	Agree	31	32.3		
	Strongly Agree	14	14.6		
	system missing	1	1.0		
	Total	95	100.0		
IPSAS implementation requires substantial financial investment in material resources	Strongly Disagree	0	0.0	3.6562	1.05460
	Disagree	20	20.8		
	Undecided	15	15.6		
	Agree	39	40.6		
	Strongly Agree	22	22.9		
IPSAS implemenation requires financial investment in human resources	Strongly Disagree	0	0.0	3.6562	1.05460
	Disagree	2	2.1		
	Undecided	2	2.1		
	Agree	52	54.2		
	Strongly Agree	40	41.7		
Accounting manuals need to be rewritten to adress IPSAS terminologies	Strongly Disagree	0	0.0	4.3542	.63211
	Disagree	1	1.0		
	Undecided	8	8.3		
	Agree	30	31.3		
	Strongly Agree	57	59.4		
Average (Valid N(listwise)=96		96	100	3.97	0.89

Source: survey

As in Table 4.3.1c, the mean and standard deviation value for each of the investment cost, subscales were calculated. Accordingly, IPSAS implementation requires additional

investment was (M=4.24 and SD= 0.69). There is Cost of IPSAS implementation is not much more regarding its benefit was (M=3.86 and SD= 1.10), Implementing IPSAS comes with many difficulties in reconciling budget and financial statement information was (M=3.24 and SD= 1.16) and IPSAS implementation requires substantial financial investment in material resources was (M= 3.66 and SD =1.05). IPSAS implementation requires financial investment in human resources (M=4.35 and SD=0.63) and Accounting manuals need to be rewritten to address IPSAS terminologies (M=4.49 and SD=.69). Alani (2019) mentions the challenges on the costs associated with tracking and identifying government tangible assets; difficulties in reconciling budget and financial statement information; consolidation issues in respect of elimination of all interagency transactions and balances. Also, Hussein and Williams (2018) showed that high cost of transition from existing accounting practices to IPSAS represent threats to realizing the full benefits of IPSAS. In general, mean and standard deviation of investment cost subscales were between 3.24 to 4.49 and 0.63 to 1.16 respectively.

IV. Technology and structure

Table 4.3.1d indicated descriptive data (valid N, maximum, minimum, mean, and standard deviations) for the challenges faced in IPSAS implementation regarding technology and infrastructure. The sample size for all technology and infrastructure variables valid (N) was 96 by considering all respondents. In computing of the results, high mean score showed the more frequently faced in challenges regarding technology and infrastructure while low mean score implies less frequently drilled in IPSAS implementation challenges regarding technology and structure

Table 4.3.1d Descriptive Statistics on technology and structure

Attributes	Scale	Frequency	Percent	Mean	Std. Deviation
Adoption of IPSAS require the replacement or adaptation of some existing IT Systems	Strongly Disagree	2	2.1	4.0937	.87152
	Disagree	3	3.1		
	Undecided	11	11.5		
	Agree	48	50.0		
	Strongly Agree	32	33.3		
Adoption of IPSAS require the replacement or adaptation of data structures	Strongly Disagree	2	2.1	4.1250	.82398
	Disagree	3	3.1		
	Undecided	6	6.3		
	Agree	55	57.3		
	Strongly Agree	30	31.3		
Adoption of IPSAS require the replacement or adaptation of chart of accounts	Strongly Disagree	2	2.1	4.2500	.75394
	Disagree	1	1.0		
	Undecided	3	3.1		
	Agree	55	57.3		
	Strongly Agree	35	36.5		
For successful implementation of IPSAS applicable frameworks are needed for organizations	Strongly Disagree	2	2.1	4.3333	.79029
	Disagree	2	2.1		
	Undecided	1	1.0		
	Agree	48	50.0		
	Strongly Agree	43	44.8		
For successful implementation of IPSAS information technology is needed for greater standardization of the reporting process	Strongly Disagree	4	4.2	4.0526	1.03521
	Disagree	6	6.3		
	Undecided	6	6.3		
	Agree	44	45.8		
	Strongly Agree	35	36.5		
	missing system	1	1.0		
IPSAS implementation through the application of techniques gives meaningful judgments and comparisons	Strongly Disagree	1	1.0	4.3333	.80350
	Disagree	2	2.1		
	Undecided	8	8.3		
	Agree	38	39.6		
	Strongly Agree	47	49.0		
Average(Valid listwise ,N=95)		95	100	4.2	0.85

source: survey

As in Table 4.3.1d, the mean and standard deviation value for each of the technology and structure subscales were calculated. Accordingly, the Adoption of IPSAS requires the replacement or adaptation of some existing IT systems was (M=4.09 and SD= 0.87). Adoption of IPSAS requires the replacement or adaptation of data structures was (M=4.12 and SD= 0.82). Adoption of IPSAS require the replacement or adaptation of chart of accounts was (M=4.25 and SD= 0.75). For successful implementation of IPSAS applicable frameworks are needed for organizations was (M= 4.33 and SD =0.79). For successful implementation of IPSAS information technology is needed for greater standardization of the reporting process was (M=4.05 and SD=1.04) and IPSAS implementation through the application of techniques gives meaningful judgments and comparisons were (M=4.33and SD=0.80). Mengistu (2017) suggested that changes in accounting policy, IT system, process, etc. must precede conversion to IPSAS. In general, the mean and standard deviation of technology and structure subscales were between 4.05 to 4.33 and 0.75 to 1.04 respectively.

4.3.2 Descriptive Statistics of Factors to consider in IPSAS implementation

Here important factors to consider while implementing IPSAS to not for profit organizations presented in two categories that are human capability and commitment and system capability and internal capability with possible recommendations.

1. Human capability and commitment

Table 4.3.21 indicated descriptive data (valid N, maximum, minimum, mean, and standard deviations) for the factors to consider in IPSAS implementation towards human capability and commitment. The sample size for all human capability and commitment variables valid (N) was 96 by considering all respondents. In computing of the results, a high mean score showed the more factor to consider in IPSAS implementation towards human capability and commitment while low mean score implies less frequently factor to consider in IPSAS implementation towards human capability and commitment.

Table 4.3.2.a Descriptive Statistics on Human capability and commitment

Attributes	Scale	Frequency	Percent	Mean	Std. Deviation
IPSAS need significant professionals of the finance function	Strongly Disagree	2	2.1	4.1250	.77119
	Disagree	2	2.1		
	Undecided	5	5.2		
	Agree	60	62.5		
	Strongly Agree	27	28.1		
Full IPSAS implementation require capable manpower at top and operational level of the organizations	Strongly Disagree	0	0.0	4.3854	.65486
	Disagree	2	2.1		
	Undecided	3	3.1		
	Agree	47	49.0		
	Strongly Agree	44	45.8		
IPSAS implementation require skilled and committed consultants	Strongly Disagree	0	0.0	4.4583	.67927
	Disagree	2	2.1		
	Undecided	4	4.2		
	Agree	38	39.6		
	Strongly Agree	52	54.2		
Average(Valid listwise ,N=96)		96	100	<u>4.32</u>	<u>0.7</u>

source :survey

As in Table 4.3.2a, the mean and standard deviation value for each of human capability and commitment subscales were calculated. Accordingly, IPSAS need significant professionals of the finance function was (M=4.12 and SD= 0.77) and Full IPSAS implementation require capable labor at the top and operational level of the organizations was (M=4.38 and SD= 0.65). IPSAS implementation also require skilled and committed consultants was (M=4.46 and SD= 0.68). As Bello (2013) specified that Human Capabilities and commitment: IPSAS are a complete transformation/revolution in public accounting; full implementation may require a capable workforce at top and operational. Some organizations including central admin, regions, and a large number of other public sector bodies still use traditional modified cash-based accounting even if cost and management accounting is compulsory (Ocansey,2014 cited by Juhar, 2017).In general, the mean and standard deviation of human capability and commitment subscales were between 4.12 to 4.45 and 0.65 to 0.77 respectively.

2. System capability and internal accountability

Table 4.3.2b indicated descriptive data (valid N, maximum, minimum, mean, and standard deviations) for the factors to consider in IPSAS implementation towards system capability and accountability. The sample size for system capability and accountability variables valid (N)

was 96 by considering all respondents. In computing of the results, high mean score showed the more factor to be considered to consider in IPSAS implementation towards system capability and internal accountability while low mean score implies less frequently factor to be considered to consider in IPSAS implementation towards system capability and internal accountability.

Table 4.3.2 b Descriptive Statistics on system capability and internal accountability

Attributes	Scale	Frequency	Percent	Mean	Deviation
The use of IPSAS is instrumental in providing a platform on which internal reporting practices	Strongly Disagree	1	1.0	3.9792	.78108
	Undecided	24	25.0		
	Agree	46	47.9		
	Strongly Agree	25	26.0		
	Total	96	100.0		
The use of IPSAS is helpful in driving improved financial management practices in the public sector	Undecided	10	10	4.3958	.67245
	Agree	38	40		
	Strongly Agree	48	50		
	Total	96	100		
The use of IPSAS to provide a more holistic understanding of true performance of public sector entities	Disagree	1	1.0		
	Undecided	10	10.4		
	Agree	44	45.8		
	Strongly Agree	41	42.7		
	Total	96	100.0	4.3021	.69766
Valid N (listwise)		96			

source : Survey

As in Table 4.3.2b, the mean and standard deviation value for each of system capability and internal accountability subscales were calculated. Accordingly, the use of IPSAS to provides a more holistic understanding of the true performance of public sector entities (M=4.30 and SD= 0.70). The use of IPSAS is instrumental in providing a platform on which internal reporting practices were (M=3.97 and SD= 0.78). The use of IPSAS is also helpful in driving improved financial management practices in the public sector was (M=4.40 and SD= 0.67).

As Bello (2013), the successful applicant would depend on system capability and internal accountability that refers to the structure for collecting, recording, and summarizing financial data. In general, the mean and standard deviation of system capability and internal accountability subscales were between 3.98 to 4.40 and 0.67 to 0.70 respectively.

With regard to the average, mean scores of the challenges of IPSAS implementation regarding partner engagement, expertise capacity, investment cost, technology, and structure were 3.67, 3.50, 3.97, and 4.20 respectively. This implies that technology and structure was relatively the most challenges in IPSAS implementation, followed by investment cost, partner engagement and expertise capacity respective that Ocansey, 2014 cited by Juhar (2017) mention the

resistance on the system by rejecting to support IPSAS in government schemes and administrative machinery. On the other hand, Diniz (2015), demonstrated that the implementation of IPSAS is a feasible target that the more the public sector takes responsibility for qualifying the standards, the greater the advantages that will result. On the other hand, the standard deviation that measures how determined the data are around the mean: the more concentrated the smaller the standard deviation. And it reflects a large amount of variation in the group that is being studied. Thus in case of the challenges of IPSAS implementation regarding partner engagement, expertise capacity, investment cost, technology, and structure the average standard deviation was 1.42, 1.04, 0.89, and 0.85 respectively. This involves that respondents have focused with close stand-in challenges faced regarding technology and structure that IPSAS require the replacement or adaptation of some existing IT systems and technology, data structures and chart of accounts and even applicable frameworks for organizations, standard reporting process, and application of techniques gives meaningful judgments and comparison. In addition to that, respondents have also close stand-in concerning investment cost that IPSAS requires additional investment and its benefit versus cost to its implementation including material and human resources, but in case of expertise capacity and partner engagement respondents have variation. With regard to the average, mean scores of the factors to consider in the implementation of IPSAS, regarding human capability and commitment were 4.32 and system capability and internal accountability were 4.24 respectively. This implies that human capability and commitment were relatively the most factor to be consider in IPSAS implementation, followed by system capability and internal accountability respectively.

On the other hand, in the case of the factors to consider by making IPSAS implementation system capability and internal accountability the average standard deviation was 0.70 and 0.72 respectively. This implies that respondents have focused on the close stand-in factors to considered in IPSAS implementation that significant professionals, capable labor at the top and operational level of the organizations and expertise and committed consultants. In addition to that professional's awareness in IPSAS contribution to a more holistic understanding of the true performance of public sector entities, in providing a platform on which internal reporting practices and its help in driving improved financial management practices in the public sector. Woldeha (2017) study depicts that, the envisaged benefits of IPSAS are transparency and enhanced internal control.

4.3 Interview analysis

To explore the challenges of IPSAS implementation and factors to consider in IPSAS implementation, the researcher was conducted an unstructured interview with one AABE expert; one IPSAS consultant, one trainer, and seven finance managers from NGO who start to implement IPSAS. The interview data analyzed based on narration.

The importance of registration in AABE towards professional's viewpoint summarized as follows :-

Respondents agree with the relevance of AABE registration with the main reason that only government body that controls and assures standard financial reporting applied or not as a whole country that it has a mandate in the proclamation fully. As AABE (2015) stated that to meet the needs of AABE staff, professionals, reporting entities, Government, and/or other stakeholders taken as a mandatory to remain contemporary and customer-focused which shows its relevance for having coordinated body for professionals.

Accounting firms also indicate that they have to get there license from AABE that they validate for the existence of AABE. Regarding AABE, the informants stated that the market is dominated by non-legal professionals to perform financial reports that AABE registration may settle the dominance of illegality that AABE will monitor by setting code of conduct that the standard will be same nationwide. Accounting firms mention that the professional associations in Ethiopia are not active enough to circulate information but there is a need in finance to update oneself as an individual and as a firm that AABE may fill the communication gap by assisting equitably for career development. This implies that learning and advancement of knowledge will occur in a very simple way.

Accounting firms indicate that the requirements stated by AABE help to produce a standardized financial report to decision-makers based on internationally accepted accounting standards. In case if there is any change, AABE will inform that help organizations to have the same applicable information.

To understand the specialists balanced view the assessment was started by checking their view towards the benefit of implementing IPSAS to not for profit organizations. That are-

- The implementation of IPSAS improves by far the reporting quality and make it more transparent and more accountable compared to previous reporting basis. This is stated by Woldeha (2017) in his indication the envisaged benefits of IPSAS are transparency and accountability of financial reports. Juhar (2017) evidenced that the adoption of

IPSAS enhances the level of accountability through asset management and transparency in information provided in the financial reports.

- According to my key informant from finance heads, having similar financial reporting standards will help to identify the similarities and differences in the information forwarded to the external body through financial statements. This is stated by Hughes (2013) maintains that one of the key qualitative characteristics of public sector financial reporting is that comparability.
- IPSAS believed to contribute to a detailed presentation of the financial report, which helps the user to get full information about the organization. Mhaka (2014) stated that IPSAS improves the quality of financial reports.

Generally, the adoption of IPSASs by governments will improve both the quality and comparability of financial information reports by public sector entities around the world (IFAC, 2019). This implies that respondents understanding of the benefit of IPSAS is that it increases transparency, maintain comparability, and increases the quality of the financial report.

To fully experience, the above-mentioned benefits of implementing IPSAS, Ethiopia in not for profit organizations have faced challenges specified by professionals. Those mentioned below:

- The cost of working on IPSAS implementation needs a huge amount of money that from donor's perspective their concern is to have their own report. Therefore, there is no need to fund other additional activities once they get as per there regulation so getting fund to recruit accountants and/or consultants who have experience on IPSAS implementation is an additional investment. Additionally, informants from NGO finance mention that conducting revaluation for those fixed assets is costly than its advantage. Bello 2013 also states that financial statements on the accrual basis produce only by an accounting system with sophisticated features. Woldeha (2017) mentioned that costs are the key challenges of IPSAS adoption in Ethiopia.
- IPSAS also challenged with the lack of well-trained accountants, consultants, and audit firms to relay on and a lack of motivation to take training. For asking support, there is no clear informed management team about IPSAS, and lack of checklist for enforcement and compliance mechanism but the implementation of IPSAS requires well-trained and equipped personnel. Most of the Public sector and government agencies lack the necessary personnel to adequately carry out the changes in IPSAS as opposed to the financial reporting framework currently existing in the Public Sector (Ocansey, 2014 cited by Juhar (2017)).
- Lack of segregation is the other challenge in IPSAS implementation. IFAC(2019) states

that the accrual IPSASs are based on the International Financial Reporting Standards (IFRSs), issued by the International Accounting Standards Board (IASB) where the requirements of those standards apply to the public sector. Even though, IPSAS deal with public sector-specific financial reporting issues, the consultant on IPSAS in Ethiopia mention that IPSAS is under development in Ethiopia that there is a need to split non-government organizations by their size and complexity. There is also a need to differentiate in the systematic form such as cash basis IPSAS for small size non-government organizations and accrual for big non-government organizations. In addition to that, there is no threshold to separate NGOs in minor or major, local, or international to apply IPSAS that oblige to implement accrual basis IPSAS across the NGO sectors. Towards that, my informant from AABE also indicates that having a benchmark will ease the monitoring purpose to reconcile with IPSAS standards in a very prompt way.

- Lack of harmonization with national standards and organizational financial structure is another challenge for IPSAS implementation. One of my informant from NGO Finance Heads mention that the use of cash basis and accrual basis is by the organization choice. Nevertheless, once the organization reports on cash basis for one year the other years expected to report by accrual basis. NGO Finance Heads mention that maintaining accrual basis IPSAS is difficult because there is no clearly stated system to report on some transactions such as valuing cost of fixed asset and accrual staff leave. In addition to that, the asset valuation method is not compatible with those donated in-kind fixed assets. Hughes (2013) presented that most developing countries will initially assure compliance with Part 1 of the Cash Basis IPSAS before they attempt to comply with the accrual IPSAS. Furthermore, the informants mention that using fair value model is preferable for PPE rather than cost model. They give reason that NGOs do not have a stock market in the county to determine the fair market value of the PPEs. IFAC (2019), IPSASB recognizes the right of governments and national standards to establish accounting standards and guidelines for financial reporting in their jurisdictions. The IPSASB encourages the adoption of IPSASs and the harmonization of national requirements with IPSASs.
- Finance heads in NGO stated that chart of account presentation faced difficulty to align with IPSAS standards for example expense category like office rent expense was recorded as an expense but in IPSAS standards, it is recorded as an asset. Ocansey, 2014 cited by Juhar (2017) indicated that the main challenge in IPSAS is manuals must

incorporate IPSAS terminologies and also conform to local requirement.

- As the Ethiopia government accepted IPSAS as issued by IPSASB, some of the standards such as IPSAS 24 require more detail guidelines taking into local context. IPSAS 33 also require more guideline for NGOs environment that the standard primarily designed to address government financial report. As IFAC (2019), factors suggest that it is not possible to copy the approach taken by one country and apply it directly to another.
- IPSAS Guidelines are not considering the Ethiopian practice for nongovernmental organizations especially charitable organizations. As Woldeha (2017) argued that the lack of proper guidelines from regulatory bodies on the adoption process is one of the key challenges of IPSAS adoption in Ethiopia. Informants discuss that in the previous practices most charitable organizations budget decided annually by their income from donation and use a modified cash basis. The remaining annual budget recorded as payable for donor report purpose in some modifications but this is not acceptable by IPSAS. However, Hussein and Williams (2018) presented that conflict between IPSAS and existing laws that evidenced by.
- As it adopted from IFRS, some of the standards missed in the Ethiopian context that some adopters use IPSAS standard and for other professional decisions they also use IFRS, which is similar to IPSAS. Hughes (2013) stated that the IPSAS are also developed for financial reporting issues that are either not addressed by adapting an IFRS or for which no IFRS has been developed but Woldeha (2017) study depicts that, the envisaged benefits of IPSAS are acceptability of financial reports
- Informants mention that there is a reporting period difference according to the policy and local government requirement. There is a need for the alignment of organization internal financial system including donors request and there is the conversion of transactions for IPSAS implement to full fill government requirement.
- According to my informant from IPSAS consultancy, there is no clear standard to implement IPSAS in the Ethiopian public sector that IPSAS is more suitable for government organizations and non-government organizations having a huge number of fixed assets, staff and income portfolio but NGO in Ethiopia maybe project-based. The other informant from NGO finance states that NGO's have going concern issues that they may not stay more than three years that donors need to clear out all the expenses. sometimes after no-cost extension takes place the project materials will be endorsed to CHSA. Informant from AABE, raise the issue in the same way.

- Be familiar with IPSAS by other non-finance workers is also an encounter to the implementation of IPSAS that they do not exert effort for it. First-time implementer's states that IPSAS is not financed which includes IT experts for software estimates, engineers for building estimates, and other different non-finance experts that need all to be engaged on the work executed. As NGOs, finance heads argue having other non-finance staffs support need backup help from supervisors. Managers need to be aware in the case and willing to give support.
- Information and communication gap is a contest encountered with first time adopters. First-time adopters indicate that most stakeholders who work with AABE are not aware of IPSAS, which creates an information gap. There is also communication gap between AAEB and CHSA.
- Trainers in IPSAS maintain that AABE did not start IPSAS monitoring which create negligence in the implementers to work on it. When Professionals come to take training on IPSAS their resistance to change and there lost motivation towards experiencing IPSAS is also a challenge.

The steps that are taken by AABE for the IPSAS effectiveness on implementation in Non for Profit organizations which is argued by professionals are training, seminar, web site development and adoption of roadmap presented as follows:-

- Training facilitated in AABE to make IPSAS implementation a more accurate way. Progressive capacity building has been undertaken. In addition to that, technical support has held.
- seminar is held in AABE to make IPSAS adoption real and to give awareness in IPSAS implementation
- The Website has developed as per the proclamation accountants and auditors registered posted. Any updates posted on the web site.
- IPSAS adoption Roadmap that shows the phase of implementation of IPSAS

After those steps, AABE expected to meet the deadline it is late beyond the expectation. As all finance heads maintained that many non-for profit organization accountants have taken the training but do not start work on it. On the other hand, to have accounting firms and consultants need consultation with management and donors because it has a budget effect. As Woldeha (2017) tries to indicate that the adoption predictable time is not practicable, the information givers did not finalize their implementation due to gap assessment and asset valuation to implement conversion of transition to IPSAS.

Professionals, especially trainers, consultant, and first-time adopters set recommendation for

the factors that have a role in effective implementation of IPSAS, which discussed as follows:

- It is advisable that, rather than giving training and living the trainees with the expectation to handle the work there is a need of practice-based training that both the professionals' needs to equip themselves and implementers properly trained that firms announce that they are more of tax accounting appliers rather than accounting standards. In addition to that, special training audit firms and consultants will ease the implementation that they have an access to work for different organizations within short time period.
- They prescribe that AABE should held further discussion on the implementation of IPSAS in charitable organizations with civil society to fill the gap.
- From accounting firms, the proposal for the implementation is time taking that they recommend AABE needs to revise its implementation period by then the acquired lesson collected from IFRS implementation will be an input and will create lesson especially for the civil society organization staff and AABE Boards.
- Implementers should use motivation mechanisms and create more suitable work environment to ensure workers' stability. It is advised for organizations that once an accountant start to figure out IPSAS based other organizations attract that person by better salary and /or benefit.
- Management need to work with due diligence by recruiting a professional consultant for first time implementation. To implement IPSAS, firms suggest that the first and foremost governmental organization human resource management need to be equipped with IPSAS knowledge. NGOs' finance heads indicate that the implementation of IPSAS is not difficult, but it requires transformational leadership of the agency, management commitment and follow up. The top management commitment in following-up and monitoring is among the key success factors that should consider in the implementation of IPSAS.
- Users of the general-purpose report should be informed and awareness creation should takes place. By assessing, the performance of reporting entity through the proposed reporting framework (IPSAS), there is a need to make accountability on regulatory and government sectors, the public at large that holding constant seminar will decrease the burden of accountants. On the seminar, it is advisable to get the recommendation from the first implementers that the other organization will execute less effort that the implementation of IPSAS requires awareness of the standard and then the commitment

of all stakeholders.

- AABE should also organize trainings & workshops where different organizations can interact and learn from practices that the visibility of the board will be beyond monitoring the applicability of the standards.
- Public and non-profit organizations are putting their eyes on converting their financial and operational systems based on the requirements and principles embedded in IPSAS as well as procedures imposed by the local law regulated by AABE. As IFAC(2019), states that the policy guidelines and transitional steps that may be required, together with the need for capacity building throughout the change management process, could be common ingredients contributing towards successful IPSAS implementation. To realize IPSAS implementation in Ethiopia, Professionals emphasize that besides issuing the rules & regulations, AABE should come with detailed steps towards common understanding between the participants including the government body that the concept and the framework shall introduced adequately to stakeholders. In addition to that, all stages of top management of both public and non-profit organizations should lend their right hand to ensure the implementation of the system.

The findings of this study show that the challenges faced during IPSAS implementation in NGOs in Ethiopia are lack of segregation on benchmarks to implement, lack of harmonization with national standards and/or regulations and organizational financial structure, lack of familiarity by other staffs and information communication gap. The further contest regarding implementation are also resistance to change and there lost motivation by trainees and workers stability.

The finding also shows that the types of challenges in IPSAS implementation categorized by low partner engagement, less expertise capacity, high investment cost and less capacity in technology and arrangement, cost of implementation, knowledge management.

The finding shows the important factors to consider while implementing IPSAS for not for profit organizations are practice based training that for both implementer organization and AABE registered finance firms, AABE discussion with civil society organizations, execute lesson from IFRS implementation, training and workshop.

The finding also assesses on the recommendations to eliminate difficulties in the implementation of IPSAS is that management team need to work with due diligence, equip staffs with IPSAS knowledge and ensure work stability by setting code of conduct and by holding constant follow-up and monitoring.

Chapter Five

Summary, conclusion and recommendation

This chapter presents summary of findings, conclusions and recommendations of the results. It has three parts; the first part presents conclusions of the study. The second part presents recommendations and finally, the last part presents possible future research areas

5.1 Summary of findings

The majority (68.8 percent) of the respondents are male. On top of this, majority of the respondents have Masters Degree (49 percent) followed by Bachelor's degree (44.8 Percent). certification in the profession majority (78.1 percent) of respondents are ABBE certificate holders.

The average work experience of the respondents were sixteen to twenty (33 percent) followed by eleven to fifteen (28.1 percent) years. This contribute to good indication that their education level and work experience and certification ease the familiarity to enhance IPSAS feasibility.

Challenges faced when implementing IPSAS to not for profit organizations presented here. Those categorized into four types, which are Partner engagement, expertise capacity, investment cost and technology, and infrastructure.

Partner engagement assessed towards formation on a strong partnership between finance and audit, and organizations understandability by key stakeholders like professionals and political office holders showed that challenges faced with 3.67 mean (more frequently faced challenge).

Expertise capacity assessed through Ethiopian government in general and not for profit making organization accountants in particular find it difficult to switching over to IPSAS from the current accounting system challenges faced with difficult switching over to IPSAS from the current accounting system was 3.5 mean (more frequently faced challenge).

Investment cost assessed through IPSAS implementation requires additional investment that may come up with difficulties in reconciling budget and financial statement information. Additionally, the IPSAS implementation requires substantial financial investment in material resources, investment in human resources and accounting manuals need to rewritten to address IPSAS terminologies out way its benefit was mean 3.97 (more frequently faced challenge).

Technology and structure assessed through, Implementing IPSAS require the replacement or adaptation of some existing IT systems, data structures, chart of accounts, and applicable frameworks organizations. Additionally, information technology with greater standardization gives meaningful judgments and comparisons was mean 4.20 (more frequently faced challenge).

Thus from the challenges of IPSAS implementation technology and structure have a led followed by investment cost, partner engagement and expertise capacity respectively that the more employees stay in one system for long period they are likely to resistance to change that affect the implementation of IPSAS. Which supported by interview answers that the major challenges are cost of implementation, Lack of well-trained professional, lack of familiarity with IPSAS implementation by management team of organizations and lack of harmonization with national standards and organizational financial structure followed by information and communication gap between stakeholders. Professionals suggest factors to consider while implementing IPSAS to not for profit organizations categorized into human capability and commitment, and system capability and internal capability.

Human capability and commitment suggested through IPSAS need significant, skilled and committed professionals, and skilled labor at the top and operational level of the organizations was mean 4.32(more frequently factor to consider).System capability and internal capability mentioned with IPSAS provides a more holistic understanding of the true performance of public sector entities that is instrumental in providing a platform on which internal reporting practices to drive improved financial management practices in the public sector was mean 4.24(more frequently factor to consider).

Thus from the factors to consider while implementing to tackle the challenges faced, the suggestion from professionals it that human capability and commitment followed by System capability and internal capability. It is advisable that practice based training for professionals, awareness creation for management team (non-finance staffs), monitoring and follow-up by AABE. Then the implementation will take place in a very compatible way to outweigh country's financial reporting practice.

5.2 Conclusion

IPSAS Financial reporting contributes to the NGO sector to higher standards of accountability to donors and for alignment with best practices that Ethiopia starts a good journey. While with all the benefits, the Ethiopian government especially AABE needs to use its mandate to perform a good job in the monitoring and control sector that may lead to a good learning opportunity as a country to maximize the IPSAS convention. Specialists in the profession states the benefit of IPSAS that it increases transparency, maintain comparability and increase the quality of the financial report

To fully experience, the above-mentioned benefits of implementing IPSAS, Ethiopia in not for profit organizations have faced challenges in view of professionals. Those are less partner engagement, less expertise capacity, high investment cost and less capacity in technology and arrangement, cost of implementation, knowledge management, local standard, time taking, and appropriateness to not for profit sector, understand ability by other non-finance workers, information and communication gap and monitoring and controlling the gap.

The steps that taken by AABE for the IPSAS effectiveness on implementation in not for Profit organizations, which is argued by professionals, are training, seminar, web site development, and adoption of roadmap presented.

After those steps, AABE expected to meet the deadline it is late beyond the expectation. As Woldeha (2017) tries to indicate that the adoption predictable time is not practicable, the information givers did not finalize their implementation due to gap assessment and asset valuation to implement conversion of transition to IPSAS. It also states that Charity organizations, CHSA, AABE, Universities, and professionals need to take the educational and professional responsibilities for qualifying the standards, which leads to effective implementation, and bring the greater advantages (Juhar ,2017)

Professionals especially trainers, consultants, and first-time adopters set recommendations for the factors that have a role in effective implementation of IPSAS, which discussed as follows: practical training, workers stability, management commitment, awareness creation, and law cooperation. The use of common language to bring uniformity across cultures and governments in the Public sector is also key.

5.3 Recommendation

As implementing IPSAS have, a lot of advantage in the country by minimizing the encounters there is a need to work on them. Therefore, it recommended that AABE need to hold Professional Conference, Monitoring evaluation, and learning scheme, and by providing

checklist, the work to execute. Governments considering the adoption and implementation of accounting standards should be clear on the benefits they expect to achieve which facilitated by educating citizens, civil society organizations, media, and other non-government actors (IFAC 2019).

As Alani (2019) mention the challenges that some terminologies used in IPSAS that could not be applied to countries financial reporting system due to some uniqueness. Some terminologies used in the IPSAS may not apply to the country (Ocansey, 2014 cited by Juhar, 2017). Thus, AABE better to see on the adopted IPSAS and check where to amend the terminologies in the Ethiopian context and having a checklist may ease the implementation of IPSAS. As Roje et al. (2010), attention to technical terminologies must takes place. Technical accounting terminology can easily be lost in translation AABE need also to make content with local standards and regulations with the consultation of stakeholders.

Trainers need to train in an attractive way to get the motivation of professionals; Knowledge management by keeping track of pre and after exam should take place that may lead where professionals miss the point to address in IPSAS that as it will tackle to manage change.

Consultants rather than doing the work by themselves it is better to involve accountants in every organization on the practical way of doing IPSAS which will capacitate the capacity of professionals to get the big picture as a country.

Management teams in NGOs need to get the awareness of the proclamation and the need to invest in IPSAS for its benefit for both the organization and the country as a whole. It is preferable to include IPSAS knowledge is a mandatory for finance staffs specifically and other non-finance staffs in general that Mhaka (2014) adoption will also improve donor confidence in the country as IPSAS encourages transparency and comparability.

Last but not list, revision on timetable and try to cope with the indicators recommended. Otherwise, effective and meaningful adoption derailed if any of the milestones and timelines are ignored (Dawit, 2017).

5.4 Recommendation for Future Research

This study was conducted on the challenges of IPSAS implementation in Ethiopia in the case of some implementing NGOs by taking in to consideration time and financial limitation of the researcher. However, it would be quite imperative to extend similar researches in the future regarding all first phase implementers' challenge to IPSAS implementation. I recommend implementing organizations to assess the technical IPSAS implementation in their activities will help the management to understand the status and factors to implement the IPSAS. In

addition, assessing the understanding level of Senior Management of implementing organization towards IPSAS implementation is vital. On the other hand, the knowledge of professionals in every organization like Accountants, Auditors, Consultant and Trainers towards IPSAS and their motivation to apply IPSAS on their daily work is another area of focus for future researchers. Furthermore, based on the stated IPSAS standards, measuring the status of IPSAS implementation on each implementing organization is very important.

Finally, future studies can benefit by including IPSAS implementation and other variables such as organizational learning culture; Knowledge management; leadership styles; organizational structure and organizational performance in their research.

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ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF PUBLIC ADMINISTRATION AND
DEVELOPMENT MANAGEMENT

SURVEY QUESTIONNAIRE

Dear,

I am Hiwot Ayele, a graduate student in the public management and policy at Addis Ababa University. I am undertaking a research entitled: **“Assessment of the implementation of IPSAS in Non for profit organizations ”** Since you are one of the respondents selected for this study, I kindly ask you to provide me genuine answer to the questions listed below. I would like to confirm you that you share me will be kept confidential, anonymous, and only used for the academic purpose.

Thank you in advance for your kind cooperation and dedicating your time.

Sincerely,

PART I
General Information

The following questions concern your position and other personal information. Completion of this information is voluntary and its confidentiality is assured. No individual data will be reported. THANK YOU!

1. What is your Sex?

Male Female

2. What is your Age Group?

Under 26 26 to 35 36 to 45 46 to 55

56 to 65 66 or older

3. What is your highest level of Education?

Some college diploma Bachelor's degree Master's degree

Post-Master's credits Doctorate degree or professional degree

4. Are you certified in the profession?

a) ABBE Certificate b) ACCA or CPA Certificate c) other _____

5. If you are professional, is it important to be registered in Accounting and auditing board of Ethiopia? Yes No why? _____

6. How many years of experience do you have in Finance department? _____

Below 3 3-5 6-10 11-15

16 -20 21 or greater

Part II Research Questions

Please read through each of the following statements and place X in the box that, in your view, best reflects the current adoption and implementation of IPSAS - one response per

S/No	Description	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
1	IPSAS creates strong partnership between Finance and audit					
2	Towards IPSAS implementation, organization's in Ethiopia understood by key stakeholders like auditor generals and accountants generals					
3	Towards IPSAS implementation, organization's in Ethiopia understood by key stakeholders like political office holders and ministries.					
4	Ethiopian government staffs lack the skills, competence and staffing levels needed to implement IPSAS					
5	There is a lack of personnel to adequately carry out Changes in IPSAS as opposed to the financial reporting framework existing in non-profit organizations.					
6	Most non-for profit making organization accountants are not adequately trained as professional accountants and would find it difficult switching over to IPSAS from the current accounting system.					
7	IPSAS implementation requires additional investment					
8	The cost of IPSAS implementation is not much more regarding its benefit					
9	Implementing IPAS comes with a lot of difficulties in reconciling budget and financial statement information					

S/ No	Description	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
10	IPSAS implementation requires substantial financial investment in material resources					
11	IPSAS implementation requires financial investment in human resources					
12	Accounting manuals need to be rewritten; manuals must incorporate IPSAS terminologies and also conform to local requirement.					
13	Adoption of IPSAS require the replacement or adaptation of some existing IT systems					
14	Adoption of IPSAS require the replacement or adaptation of data structures					
15	Adoption of IPSAS require the replacement or adaptation of charts of accounts					
16	For a successful implementation of IPSAS applicable frameworks are needed for organizations					
17	For a successful implementation of IPSAS information technology is needed for greater standardization of the reporting processes					
18	IPSAS implementation through the application of techniques gives meaningful judgments and comparisons					
19	IPSAS need significant professionals of the finance function					
20	Full implementation require capable manpower at top and operational level of the organizations.					
21	IPSAS implementation require skilled and committed consultants					
22	The use of IPSAS is in providing a more holistic understanding of the true performance of public sector entities.					
23	The use of IPSAS is instrumental in providing a platform on which internal reporting practices					
24	The use of IPSAS is helpful in driving improved financial management practices in the public sector					

If you have comment regarding IPSAS adoption and implementation, please provide here

Interview Questions other than AABE

- 1) Do you have any familiarity with the implementation of IPSAS challenges?
- 2) Would you mention the steps taken in AABE to make IPSAS implementation easy?
- 3) What are the factors that have role in effective implementation of IPSAS?
- 4) Is there any drawback in implementation of IPSAS?

Interview Questions with AABE expert

1. What is your position in AABE?
2. Do you have any familiarity with the adoption of IPSAS challenges?
3. Would you mention the steps taken in AABE to make IPSAS implementation easy?
4. What are the status of IPSAS implementation?
5. What are the factors that have role in effective implementation of IPSAS?
6. Is there any drawback in implementation of IPSAS?