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BENEFITS AND DIFFICULTIES OF ADOPTING IPSAS ON NON-GOVERNMENTAL ORGANIZATION IN ETHIOPIA

BY

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Statement of Declaration

I **Fikirte Shimelis Kassa** hereby declare that this thesis is my original work and that it has not been submitted by any other person for an award of a degree in any other university/institution.

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List of Acronyms

- ACCA :Association of Certified chartered Accountant
- AABE :Accounting and Auditing Board of Ethiopia
- ACSO: Authority for Civil Society Organizations
- FASB: Financial Accounting Standard Board
- FDRE: Federal Democratic Republic of Ethiopia
- IPSAS : International Public Sector Accounting Standard
- IFRS: International Financial Reporting Standards
- IAS : International Accounting Standards
- INGOS: International non-governmental organizations

Abstract

The general topic of this study states that the benefit and difficulties of adopting IPSAS on NGO in Ethiopia. This study specifically observed on the problem of the statement that lack of awareness and knowledge for first identifying and understanding the benefit and difficulties of adopting IPSAS which makes difficult to run smoothly the process of adoption of IPSAS on NGO in Ethiopia. The objective of the study was to enhance the readiness and create awareness of NGO in Ethiopia for the smooth adoption of IPSAS. The researcher collected data from primary and secondary sources, using questionnaires, document review and interview. The researcher has employed close ended questionnaire to gather data, based on this 44 participants' (Director, finance managers and finance officers) who understood IPSAS's objectives and were responsible for the adoption process. The selection was from Addis Ababa non-governmental organization and AABE by using purposive sampling. 33 of the population were responded and the researcher used a questionnaire based on likert scale to collect data. It was analyzed by use of tabulating, percent, mean, frequencies count and validity test by using SPSS version 20. This study has focused on identifying the benefits and difficulties of adopting IPSAS on eleven thematic areas namely transparency, accountability, comparability, decision-making, reliability, skill gap, implementation cost, and resistance, complex and comprehensiveness, technology and infrastructure. The findings of the study shows that, majority of respondents have strongly agreed on first identifying the benefit and difficulties of IPSAS and have awareness and readiness on them in order to speed up the adoption of IPSAS for NGO in Ethiopia.

Key words: *IPSAS, Accountability, Transparency, adoption, Non-Government Organization*

CHAPTER ONE

1.1. Introduction

IPSAS developed by International Public Sector Accounting Standards Board (IPSASB). International Federation of Accountants (IFAC) supports IPSAS. The IFAC, which was built in 1977 with the idea of supporting international harmonisation of accounting, has launched a Public Sector Committee (PSC), in 1986. This committee was expecting to publish studies and research papers on PSA. In 1996, the so-called 'Standards Project' that points for defining and issuing the IPSAS was built up. Lastly, in 2004, the Public Sector Committee has changed the title to IPSASB. IPSASB (2016)

The IPSASB created 42 IPSAS beginning in 1997. The IPSASB begins by highlighting the development of high-quality accounting standards for use by public benefit giving service businesses. It intends to raise the standard of public financial reporting on a global scale, in line with IFAC's goal. The IPSASB aims to enhance public enterprises' financial reporting and engineering. Additionally, it organizes a gathering of national and worldwide public accounting standards. IPSAS: history, dissemination, and use (2019)

The board also strengthens the transparency and accountability of public sector budgets and improves the quality and uniformity of practice globally Muller & Berger (2012). Therefore, the ultimate goal of high quality financial reporting is to establish trust and guarantee compliance with reporting requirements, which may present challenges for making the reporting publicly available, the regulator's ability to conduct investigations, the regulator's organization and availability of resources, the market's discipline, and the suitability of the standards.

IPSAS compliance ensures that public entities' financial reporting presents a "true and fair portrayal" of the financial condition. Therefore, the use of IPSAS increases government accountability and openness in the administration of public resources. The standard of financial management is improved. It improves the standard of financial administration, makes dealing with financiers easier, and makes communicating with the general public simpler. International Public Sector Accounting Standards Board, (2013); South Asian Federation of Accountants, (2013) IPSAS ensure comparability of financial reporting with other countries, encourage foreign investors to make investments in the country, and are very helpful in raising capital from the international markets (2006)

The increasing interest in public sector accountability has also led to a management theory called New Public Management (NPM). This theory requires a change in management practices of the public sector towards more private sector practices, with accountability focusing on results instead of processes. Phetphairin and Judy,(2011). According to its advocates the introduction of private sector methods and incentive structures into the public sector increases the efficiency of the public sector, thus making governments more financially accountable.

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) .

AABE introduced on the proclamation to follow the status and update, appropriate financial report, to assist the organization board to develop financial 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.

1.2. Background of the Study

Ethiopia believes that adopting international reporting standards will boost financial reporting's transparency, comparability, level of confidence, cost effectiveness, and proactive risk management AABE, (2016). In order to ensure that Civil Society Organizations are prepared to adopt and apply the standards as envisaged, it is crucial to assess their readiness for conversion to IPSAS for the public sector.

Many organizations neglected to conduct initial preparedness and risk assessments because they underestimated the substantial efforts and resources that would be needed. Strong senior management engagement, committed intra-departmental task teams, and the adoption of a project management methodology are necessary for a successful transition to IPSAS. Hiwot (2020).

There is a high danger that management inaction would result in missed opportunities for Without management action, there is a big chance that chances to realize full benefits won't be taken. A functioning organization-wide ERP system (Umoja), as well as adequate processes and procedures in a variety of areas, particularly those related to asset and inventory management, are also necessary for benefits realization. These key enablers are primarily related to generating the information required to meet IPSAS.

Communication is crucial for the reform components since it helps spread ideas and guiding concepts while also resolving any issues that may develop throughout the implementation process. With the deployment of IPSAS, communication, coordination, and consultation are statistically significant. Furthermore, according to Gomes et al. (2019), in nations like Spain and Portugal, an independent local standard-setting committee produced a set of IPSAS norms, and a report about them was delivered to the finance minister. Consequently, the requirement for a neutral oversight body exists.

Adoption of IPSAS was seen as a crucial step in transforming how the Organization is managed and as having the potential to bring about further gains in accountability, efficiency, and effectiveness. In this regard, IPSAS will make the information already provided clearer and easier to access, increase cost visibility, and improve the presentation of the Organization's financial status and performance. To make the adoption process simple and straightforward, it is important to first recognize and comprehend the advantages and challenges of adopting IPSAS for Non-Governmental Organizations.

1.2.1. Civil servant organization in Ethiopia

Civil servant organization or Non-Governmental organizations in Ethiopia (NGOs) have a long history of services in Ethiopia. Their involvement in the economic and social life of the country began in early 20th century. NGOs in Ethiopia have been participated into the development of the country. There are two types of NGOS one is indigenous and the other is international.

This study is concerned with identifying IPSAS benefit and challenges in order to smooth adoption of IPSAS for NGOs in Ethiopia. They are distinctive from other organization by (i) Service being the main objective (ii) Absence of profit motive, (iii) Public support, (v) accountability to the resource providers by stewardship function through appropriate accounting control system such as fund accounting and budgeting.

1.2.2. Accounting features of Non-Government organization in Ethiopia

- Board of directors' governance: Just like in a business corporation, elected or appointed trustees or directors oversee charitable organizations.
- Allocation of expenses (including depreciation) and revenues to the appropriate accounting period is a standard feature of charitable organizations. Cost expiration or expenses, rather than expenditures, are recorded in the statement of operations of most charities.
- Application of the accrual basis of accounting: Charities use the same accrual basis of accounting as commercial firms. Contrarily, the majority of charitable organizations keep their books using the cash or modified cash method of accounting.

Modern accounting techniques have been used for more than a century in Ethiopia. However, there weren't any Accounting and Auditing Standards at the time for the country level Mihret et al., (2012). The growing accounting history writing, according to Mihret and Bobe (2014), reveals how the skill of accounting and models for professional organization of accountants have been transported to developing nations like Ethiopia in the context of imperial connections.

According to Mihret et al. (2012) and Mihret and Bobe (2014), Ethiopian accounting practice, education, and professional certification were all marked by a lack of an overarching stated frame of reference as of 2011. As a result, accounting and auditing standards needed to be made mandatory as national standards. Mengistu Bogale, (2020).

Only a few years ago, the Accounting and Auditing Board of Ethiopia (AABE) was founded through Proclamation 847/2014 and Regulation 332/2014 to regulate the accountancy profession in Ethiopia, mandating that IFRS be adopted as the country's reporting standard (2014). The Ethiopian government has issued FINANCIAL REPORTING PROCLAMATION No. 847/2014, requiring Charities and Societies organizations to adopt the International Public Sector Accounting Standard (IPSAS). Juhar Halid, a Sunni (2017). The government's implementation of IPSAS will improve the quality and comparability of financial information supplied by non-governmental organizations.

So that to get this financial reporting improvement for Ethiopian NGO's first identify the benefits and challenges in order to adopting IPSAS smoothly. So that having awareness and knowledge about the process and procedures, Management and staff support, and Information system and communication and training will be required in order to capture new information to build capacity of people and many people will be involved in learning about the new information needs and system changes as well as the implications and significance of the information reported. All this needs to be communicated efficiently as this major change is rolled out within the organization to adopt this change.

1.3. Organization of the paper

The organization of the study categorized in to five chapters. The first chapter explained the introduction of the study, background of the study, organization of the paper, problem of statement, objective of the study, scope of the study and significance of the study as well as limitations of the study. The second chapter covers theoretical and empirical literature review and research gap and justification of the research project. The third chapter outlines the methodology and design of the study. The fourth chapter indicates the data analysis and discussion of the result and Interview, and finally the fifth chapter includes the summary, conclusion and recommendation of the study.

1.4. Statement of the Problem

Ademola et al. (2020) found out lack of IPSAS knowledge and awareness impedes IPSAS implementation. They encouraged for more courses and training for civil servants geared towards changing their mind-set and perception Ahmad & Pangat, (2015). According to Ouda (2016), the experience of New Zealand Accountancy society played essential role in creating appropriate

platform for IPSAS reforms within the government sector. This then suggests that professional accounting bodies have a major role to play in accounting reforms.

In the case of Finland, Association of Accountants did not support the introduction of IPSAS due to lack of awareness, preparedness and readiness on the part of Professional Board. Thus, Society of Public Accountants did not show any interest towards IPSAS policy which accounted for the failed or delayed process. The cost that accompanies the implementation of IPSAS is inevitable; which includes training cost and producing up to date manuals, given the lean financial resources of the government in developing countries and this may act as a challenge Angahar & Gwar, (2019).

Amar & Hassan (2019), in a study on the major barriers to IPSAS implementation in Romania expressed that lack of training on IPSAS related programs will affect the willingness and desire of public sector accountants in the use of IPSAS policies. Amor & Ayadi (2019) pointed that there is a significant and positive association with regulatory bodies, legal regulators and IPSAS adoption. Government sector is necessary as much as training of personnel or certified staff, information system development in migrating to full IPSAS such as the case in Tanzania ACCA, (2018).

Training of highly competent public sector accountants is paramount to addressing financial measurement and recognition as it is critical to the implementation success of IPSAS financial accounting standards and policies. According to IFAC (2019), the successful implementation of IPSAS in Canada, Malaysia etc. was as result of adequate training section given to implementers. The pre-requisite condition to IPSAS policy is the readiness of professional bodies and the involvement of standard setter expertise in the process. Yensu & Agyemang (2018) suggested that regulatory institutions in Ghana is yet to do more in training and providing seminars in public institutions in implementation process of IPSAS adoption in the public sectors of Ghana. Coupled with this support is the mandatory requirement of professional institutions to facilitate training, seminars, and workshops for public sector accountants on a regular basis Adhikari, (2015); World Bank, (2011). Ademola et al., (2020) & Salia et al., 2018 concluded that lack of staff readiness will hinder smooth accounting standards reform. Hamisi (2012) studied various factors that affect IPSAS implementation in Kenya where he noted that inadequate training of staff (academic and professionals) as a critical factor.

So that to tackle this weakness as The Association of Chartered Certified Accountants October (2017) states that The level of awareness and understanding of the IPSAS framework varies significantly across jurisdictions, as does the level of stakeholder engagement in its adoption.

In most NGO's in Ethiopia lack of awareness and knowledge for first identifying and understanding the benefit and difficulties of adopting IPSAS has an impact on the speed of adopting IPSAS and make difficult to run smoothly the process of adoption.

1.5. Research questions

According to the statement of the problem here is the research question

- What makes the adoption of IPSAS slow as expected?
- What are the benefits and difficulties in adopting IPSAS
- Does awareness and knowing of the benefit of adopting IPSAS makes easy the adoption process of IPSAS.
- Does lack of first understanding the challenges of adopting IPSAS makes difficult the adopting process of IPSAS
- Are there effects that have awareness and knowledge about the benefit and challenges of adopting IPSAS to make Smoothen the adoption process?

1.6. Objective

1.6.1. General

The general objective of the study is to speed up the adoption of IPSAS by first understand and having knowledge the benefits and difficulties of adopting IPSAS by making smooth and easy adoption.

1.6.2. Specific

- To assess the dalayance of adopting IPSAS in non-government organization
- To identify the benefits of adopting IPSAS contribute to smoothen the adoption process.
- To recognize first the challenges of adopting IPSAS lead to run easily the process of adoption.
- To examine the benefits and challenges of adopting IPSAS have an effect for smooth and easy adoption.

1.7. Significance of the study

This study will benefit non-governmental organization in Ethiopia to increase the speed of adopting IPSAS by creating awareness by first identifying and understanding its difficulties and benefit in order to make the management and concerned body to adopt IPSAS easily. So that this study will increase level of confidence and improve decision-making power of the management in Ethiopian Non-Government Organization. Moreover, to assist and build the capacity of non-government organization in Ethiopia and stakeholders to find the techniques and shifting plan for smooth running to the adoption of IPSAS.

1.8. Scope of the study

The scope of this study was delimited to assess professionals view towards the knowledge and awareness of first identifying the benefit and difficulties in the adoption of IPSAS for not for profit organization in Ethiopia specially in Addis Ababa- NGOs- as per Ethiopian law under AABE that the research conducted on the view of already adopt and on the process. The target population of the study is 44 of which, 33 respondents participated. In addition, from these only two respondents NGOs adopt IPSAS the remaining are on the way to adopting IPSAS. According to the research question listed above this study focused on identifying the benefit and difficulties which includes transparency, accountability, comparability, decision making, reliability, skill gap, implementation cost, resistance, complexity and comprehensiveness, technology and infrastructure of adopting IPSAS in order to smoothen for the process of IPSAS adoption. Because of these study NGOs primarily focus on those benefits and difficulties to use their time, money, and efforts efficiently to adopt IPSAS. The detailed study of technical procedures is beyond the scope of this study.

1.9. Limitation of the study

Since the implementation of IPSAS is new in Ethiopia so that some of the limitations encounter in the study is knowhow and understanding of IPSAS, professional's availability on the work to give their full professional insight towards the process, and their attitude to the financial reporting affect their response.

And also the main limitation of this study during the research work was not willing to fill the questionnaire on time though they have knowledge or not about IPSAS. This creates time constraint. Even though some respondents may not open their doors to disclose the information and were not happy to respond on time, however, the researcher by now and then trial successfully collect the questionnair using purposive sampling methods to get the result.

CHAPTER TWO

2.1. LITERATURE AND RESEARCH REVIEW

This chapter discuss on a theoretical and empirical review of related literature concerning the benefit and difficulties on the adoption of IPSAS in Ethiopian service giving organizations.

2.2. Theoretical reviews

2.2.1. IPSAS

Accounting standards compilation IPSAS is a set of standards created by the IPSASB for the preparation and presentation of financial statements for service companies around the world. By improving the general purpose financial reporting standards used by service sector businesses, IPSAS hopes to increase accountability and openness in government decision-making and resource allocation.

Organizations use 42 accounting standards that are part of IPSAS. Governmental or non-governmental commercial companies are not covered. When the accrual method of accounting is used to create the financial statements, the following things are included

- Statement of financial position
- Statement of financial performance,
- cash flow statement,
- statement of changes in equity and net assets, and
- Notes to the financial statements are all included.

IPSAS adoption & Auditors for IPSAS to be successful, there is the need for full support from Auditors. Full IPSAS requires technical recognition and disclosure of key considerable concepts such as asset valuation and other related complex concepts which will demand for the Auditors expectation IFAC (2005). It therefore requires auditors to be involved in the IPSAS process from the very beginning. The state needs to have enough processes in place to address IPSAS by public institutions and to deal accordingly with subsequent violators for others to follow Ademola et al., (2020). Harun (2014) also concluded that the state such as Indonesia Audit Board were the very key stakeholders in the approach to full IPSAS adoption. Accorging to Ouda, (2016) Public Financial Management Reform program had evolved the risk performance audit of supreme standards governing audit standards in executing of audit process.

Another study further found that the Controller and Auditors general does wholly ensure compliance with IPSAS Hamisi, (2012). Collaboration between auditors and accounting bodies aid in IPSAS adoption process Ugwumadu, (2014). IPSAS adoption & Internal Management Support for IPSAS premised on the fiscal events rather than on receipts and payments. In a sense that a shift to IPSAS as basis for financial accounting and management requires a major cultural shift in the mind-set and attitude of management and those charged in government. For this to materialize, there is the need for change management processes and culture that would work, for example in training, financial management, awareness creation efforts, institutional and process reforms PWC Belgium,(2020).

Lack of interest from bureaucrats as a result of low pressure from management and those charged in governance, lack of public consciousness of the importance of government financial reforms results in slow IPSAS adoption and implementation Harun, (2012).

Hamisi (2012) acknowledged that management changes factor would be a major ingredient in ensuring smooth integration to IPSAS reforms. It is well to note that not every administrative machinery or system will support IPSAS Sanni, (2017). He also indicated that poor focus and administrative direction will hinder IPSAS adoption and implementation. Alternatively, there are resistance from public personnel on such reform due to increased demands for the gathering of knowledge and burdensome paper requirements Curristine et al., (2007). IPSAS process is a very difficult process and demands a long chain of management culture Nangonzi, (2019). Except for others such a change must not only be simulated by accountants, but also managers and key players in the public institution United Nations, JIU (2010). Such a change in the government sector is typically seen as intricate process.

Change resistance is eminent in all organizations. Such resistance needs to be identified, control and dealt with for a change to succeed which are mostly characterized by misunderstanding of change process, reform not communicated clearly which erupts to misconceptions in most institutions. Again, Ouda (2014) mentioned that early adopters' experiences have shown that there was cordial continuous relationship with process management and those charged in governance. The reform process involves a full cultural change in management understanding and use of financial information and handling. Thus, management change process is seen as roadmap to fruitful IPSAS adoption. Angahar & Gwar (2019), referred that the adoption of IPSAS will face resistance due to the effect of fear of the unknown. For a reform to achieve success, the institution needs to accept the change that it brings. Ouda (2005) in addressing the internal issues in the

public sector stated that internal conflicts and bureaucracy in the system of the public sector in most developing countries are as a result change management process. Non introduction or conversant of a reform or standard will mean massive resistance to such reform Alesani et al., (2012). This will require a cultural change with the government at the MDA's level as well interdepartmental level to commit to such accounting reform Tickell, (2010). The public sector accounting reform will only succeed based on complete management and political change cultural, attitude and perception Chan, (2013).

The study by Amar & Hassan (2019) on major challenges in IPSAS implementation in Romania also indicated the majority of government institutions are resistant to the change required by IPSAS adoption. Ha4: Increase acceptance by institutional management & those charged in governance will mean high level of adoption to IPSAS policies within their institutions.

The differences in culture setting, structural components have much influence on financial accounting reforms and its corresponding system Christiaens et. al., (2015); Benito et. al, (2007); Pina et al., (2009) there are internal and external forces likely to influence the smooth-running processes in adoption and implementation of such financial reform such as IPSAS.

2.2.2. Adoption and use of IPSAS around the World

At the global level, many countries and international organizations have already adopted or are adopting IPSAS, such as the European Union and the Council of Europe, the North Atlantic Treaty Organization (NATO), the Organization for Economic Co-Operation and Development (OECD), the World Bank, and the United Nations (UN).

Many nations and international organizations, including the European Union and Council of Europe, NATO, the Organization for Economic Co-operation and Development (OECD), the World Bank, and the United Nations, have already accepted or are in the process of adopting IPSAS (UN).

Since IPSAS are the Anglo-American Model of Public Sector Accounting's international adaption, it is assumed that the United States (US), Australia, Canada, New Zealand, and the United Kingdom have all embraced IPSAS. Despite differences, these nations adhere to for accrual accounting Toudas et al.(2013). The application of accounting independence of use and the adoption of IPSAS are related in emerging nations.

According to a study by Adhikari and Mellemvick (2010), most South Asian nations implement standards to achieve accounting independence. These nations attempt to adapt rather than fully accept the standards. The adoption of unified "International Public Sector Accounting Standards," (IPSAS), and "International Financial Reporting standard (IFRS)," which improve comparability and best practices globally, has made the world speak one accounting language today, regardless of different financial reporting requirements or financial characteristics. Governmental stewardship is said to be ensured by elements such as transparency and comparability. UNIDO, (2006).

Comparability enabled users of financial statements to reach unbiased conclusions in relation to the adoption of IPSAS for cross-country and cross-entity use. IPSAS were created based on IFRSs. They limit managers' options for treatment by defining the accounting treatment and measurement of a particular phenomenon. Mhakar, (2014). This boosts the economic effectiveness of the public sector as well as the significance of strategic plans and reports.

Public financial management can be improved by implementing international public sector accounting standards (IPSAS) for financial reporting (2013). IPSAS has evolved into the global standard for the development of public sector accounting systems all over the world due to the diversity of public financial information systems and the requirement for harmonization in public sector accounting systems. Christian (2015).

Lower and middle-income nations, particularly in Asia and Africa, have experienced a succession of crises that have resulted in substantial public debt accumulation.

This can be traced in part to inept handling of public monies.

The majority of these countries use a cash-based financial accounting system, which results in significant differences between organizations and even within the same company, making them incomparable. Adopting and implementing IPSASs will give a method to ensure public sector consistency and comparability.

Public sector organizations are tasked with the provision of services to the general public in any given country and they should ensure equal distribution of resources. They are owned by the governments hence are public entities financed by taxes from other sectors Kara, (2012). Accounting procedures in these entities entails collection, recording, grouping and summarizing of financial reports and statements of all financial events taking place in these institutions. The

financial reports and statements are then communicated in a transparent and accountable manner to the public and other associated consumers Kara, (2012).

2.3. Empirical Review

2.3.1. Non-Government Organization

Non-Government Organizations (NGOs) are dependent on funds from a variety of sources, comprising membership fees, donation from individuals, donors, foundations, corporations, government grants and service delivery Dupuy, Ron, & Prakash,(2015). These organizations are obliged to account for funds that they receive. Usually funds are provided to not-for-profits for a particular purpose, which the organizations need to account along with utilizing their resources effectively.

The primary goal of not-for-profit organizations is not profit rather to meet some socially desirable need Gross, McCarthy, & Shelmon, (2005). Thus the not-for-profit should exhibit stewardship of the donated resources and must show that the provided funds were used as per the agreement Blackbaud, (2011).

Non-Government Organization includes a wide range of organizations, but they all share a responsibility to be accountable to the various stakeholders, including beneficiaries, funders, the government, and regulators Connolly, Hyndman, & McConville, (2013). Reports on finances reflect this Blackbaud, (2011). Financial reporting is a crucial component of not-for-profit organizations' accountability, according to (Morgan), who backed up this claim. In order to meet the financial information needs of stakeholders, donors, and regulatory bodies as well as to monitor the financial and material resources charities mobilize for the realization of their goals, charities use financial reporting frameworks and accounting standards to produce financial reports. Additionally, these organizations have been criticized for lacking transparency and accountability in their financial operations, which some contend is a factor in the declining public confidence in their sincerity and effectiveness. Ryan & Irvine, (2012).

According to Chan (2006), accounting has a role in warranting respect of legal and contractual obligation, financial management, and encouraging transparency and accountability. Countries use accounting standards for different sectors to frame how financial reports are prepared and presented to information users. Thus, countries like UK (UK SORP), USA (FASB Topic 958) and

Australia has recognized that there are specific needs for accounting standard for not-for-profit sector and developed their own standard. Others consider sector neutral accounting standards or adopt/adapted international accounting standards such as IFRS and IPSAS for public sector Roje, Vašiček, & Vašiček, (2010); Laswad & Redmayne, (2015). Although, there are discussions on the need of having a specific standard, there is no specific international accounting standard for not-for-profits at the moment. Crawford et al, (2014).

2.3.2. Standards use for NGOs in other countries

Non-governmental Organizations (NGOs) are self-governing and autonomous not-for-profit organizations that have as their objective improvement of economic and/or social conditions of target. The majority of NGOs' funding comes from a variety of sources. Donors want more openness and accountability in how NGOs utilize and manage the assets and resources they give them. Donors contribute more when organizations are transparent; according to research. By applying the IPSAS, NGOs can generate better and more transparent financial reports. Implementation of joint international development projects requires comparable and similar financial accounting standards.

Adoption of IPSAS by all Tanzanian non-governmental organizations and groups is getting increasingly difficult. However, the public advantages associated with its adoption, as well as the continuous need for open and high-quality financial reporting from a wide range of stakeholders, outweigh these challenges. If the majority of non-government organizations and associations implement IPSAS, they will be in a better position to meet donor and other stakeholders' financial reporting requirements. Because of its mission, history, and clout N. Eliakim (2021) So being able to explain how the organization is set up is one of the most significant tasks, and openness in non-profit organizations offers value to the primary stakeholders.

2.3.3. Financial Reporting of NGOs in Ethiopia

In Ethiopia, non-governmental organizations have growing from time to time. The growth has not only been in terms of the number of NGOs, but also in terms of the financial resources that these NGOs are in charge of. In 2009, all NGOs operating in the nation were reregistered in accordance with Proclamation No. 621/2009, and the government established the Charities and Societies Agency (CHSA) to oversee NGOs' operations and to make it easier for them to contribute to the socioeconomic development of the nation. Habtu (2015). However, it has since been discovered

that in order to conduct the previous process in a transparent, accountable, and participatory manner, it is necessary to enact legislation that will fully implement the freedom of association in EFDRE Ethiopia as well as human rights instruments for the full exercise of other rights recognized by Organization Of Civil Societies Proclamation No. 1113/2019. Federal Negarit Gazeta (2019)

The Authority for Civil Society Organization and the administrative body in this sector and keeps tab on NGO's programs, activities as well as the amount of funds that they have. NGOs are required to submit annual reports together with audited accounts. The financial reporting standards used as a basis of carrying out independent financial audits of NGOs are those established by the Authority (operational procedure, rules and reporting requirements). NGOs are also required to manage their funds in line with donors requirement and expected to report the projects and financial performance to the grant makers.

2.3.4. Major benefits and challenges of adopting IPSAS

The cash and modified cash bases of accounting are easy to understand maintain and administer but do not provide the total picture of an Organization's resources and obligations. Only the full accrual basis of accounting provides such information. Full accrual accounting permits organizations to manage their total resources since the accounting system identifies how much the entity owns and how much it owes (its full financial position). In so doing, accrual accounting provides a greater degree of accountability and transparency over the use of funds provided by Member States and donors. By fully reporting expenses associated with liabilities as they are incurred, accrual accounting provides more complete information that allows an Organization to fully cost its services. This has a flow-on impact for service delivery as organizations consider more cost-effective ways of delivering services.

Accrual accounting provides information necessary to help management make important investment decisions. It provides an Organization with the opportunity to demonstrate effective management of its investments and is useful in evaluating its' performance in terms of services costs and efficiency. It allows users of the financial statements to evaluate the Organization's ongoing ability to finance its activities and meet its liabilities and commitments. Entities that report their financial position, performance and cash flows on a full accrual basis have increased incentive to manage these resources effectively and to show improvements in financial

management on an annual basis. Accrual accounting provides many benefits but these do not come without costs.

Accrual accounting relies more heavily on the use of estimates and judgments and therefore requires greater training and experience. Accrual accounting systems are more complex than cash accounting systems and require a more highly trained workforce to manage and significant resources to implement. Accrual accounting requires the collection of new types of information and this involves more people all of whom must understand what they are collecting and why. This wealth of new information needs to be interpreted and understood by financial and program managers in order to be used to improve management and performance. In subsequent courses, managers will be given training on how to understand and use the improved information provided by IPSAS. The greater transparency in the financial statements provided by IPSAS is a double-edged sword. By highlighting issues that were previously invisible, it is likely to increase pressure on organizations to address those issues (i.e. the funding of long-term employee benefit liabilities). Evangelos, Ioannis , Stergios (2020)

While IPSAS are designed to apply to the GPFS, the Preface to IPSAS encourages the use of IPSAS in the preparation of ‘special purpose financial statements’. Thus, it is important to consider the information needs of these other financial reports and incorporate them into information system changes that are made to support IPSAS implementation. Stakeholders need to understand that organizations may prepare reports on other basis that are different from IPSAS and they may need to understand the difference.

To the extent that reported information is different, organizations need to be aware that IPSAS adoption may raise issues of reconciling that information with information in financial reports. At this point we know that IPSAS adoption is the goal. The units that follow trace the path to get there by highlighting the main features of IPSAS implementation in the United Nations system and the criteria key to success.

The possibility for efficient management of public finances is one of the many advantages of implementing IPSAS. These advantages include tighter budgetary oversight, financial statement openness, accountability in governance, performance evaluation and monitoring, and the avoidance of decisions that may harm efficiency or intergenerational justice. Ball, (2015). The absence of public accounting standards, however, comes at a high cost to public authorities since

it indicates a lack of accurate data, bad judgment, and waste of public resources, all of which have an impact on the economy. Mardas, (2015).

2.3.5. Benefits of IPSAS

Countries, organizations and businesses are becoming interrelated due to globalization. This initiates an effort to have a commonly accepted international accounting standard and framework to produce reports which are comparable and of quality across jurisdictions. Ahmad & Khan (2010) says that, adopting a single global accounting language will ensure relevance, completeness, understandability, reliability, timeliness, neutrality, verifiability, consistency, comparability and transparency of financial statements and these bring about a qualitative change in the accounting information reports which will strengthen the confidence and empower investors and other users of accounting information around the world.

The qualitative characteristics of IPSAS on its conceptual framework incorporate the above items. According to PwC (2013), the prominent benefits of adopting IPSAS are greater transparency and accountability. Governments and other public sector entities are accountable to those that provide them with resources, and to those that depend on them to use those resources to deliver services during the reporting period and over the longer term IPSASB, (2016).

According to Barrett (2004), accountability is a relationship founded on a requirement to prove, assess, and take responsibility for performance, taking into account the results achieved and the means used as per the expectations. Charities need stakeholder's trust to ensure their long-term sustainability. But the sector was hit by publicized scandals of malpractice and mismanagement which stained public trust and confidence Yasmin, Haniffa, & Hudaib, (2013) and alleged with creative accounting techniques to mislead contributors led to the need for accountability Khumawala & Gordon, (1997).

Financial reporting is an important aspect of charities' accountability. IPSAS offers increased recognition, measurement, presentation and disclosure requirements in relation to transactions and events in general purpose financial statement Ijeoma & Oghoghomeh, (2014) which helps charities to have better financial management and gain public trust. More disclosure will make the charities' work more visible to the public. Not-for-profits needs to open up to public scrutiny if they expect public trust and thereby ensure the continuation of their operations (Ryan & Irvine, 2012). IPSAS enabled this with its heightened transparency which according to

PriceWaterHouseCoopers (2009) simplifies relations with financiers and smoothen interaction with the general public. IPSAS provide a more comprehensive and coherent financial information to enhance transparency and internal control which makes the financial statements more comparable over time and between organization Bellanca & Vandernoot, (2013). Christiaens, Vanhee, Manes-Rossi, Aversano, & Cauwenberge (2014) shares the belief that IPSAS will improve (inter)national comparability of financial data and permit financial statement consolidation. According to Ames (2013), an international set of accounting standards reduces disparities in accounting practice while enhancing comparability for readers of financial statements. This is ideal, especially for businesses that operate across multiple jurisdictions. According to Deloitte (2015) and Ijeoma & Oghoghomeh (2014), IPSAS improve comparability by harmonizing statements across national boundaries and promote better credibility by applying best practices from throughout the world.

IPSAS strives to raise the standard of general purpose financial reporting by public sector organizations and resource allocation decision-making, which results in more accurate evaluations of the decisions made by organizations. (Ernst and Young, 2013; Bellanca & Vandernoot, (2014). This was reinforced by Diniz et al (2015) saying that IPSAS offers better decision-making, greater comparability of statements, reduction of possible fraud and increased credibility of information. On the same token Obara & Nangih (2017) and WHO (2013) stated that, IPSAS adoption strengthen internal controls, boosts financial and resource stewardship and increased efficiency in decision making and good governance.

Generally speaking, IPSAS adoption imply improved internal control and transparency with respect to all assets and liabilities; more comprehensive and consistent information about costs and income; integration of non-expendable equipment into the accounting system, with better accuracy and completeness; improved consistency and comparability of financial statements over time and across organizations and best accounting practices through the application of credible and independent international accounting standards Biraud, (2010).

The numerous benefits of adopting IPSAS suggested by supporters do not make it free from challenges. It must also be noted that to optimize the professed benefits, full adoption and compliance with the IPSAS framework is obligatory Atuilik, Adafula, & Asare,(2016).

2.3.6. Challenges of adopting IPSAS

IPSAS adoption is a multifaceted and full range change management process. Alongside its various benefits, it necessitates some challenges which attract resistance. Contrary to its stated benefits there are countries which do not welcome IPSAS. Several jurisdictions choose not to apply IPSAS because they are afraid that they would lose their standard setting authority and because IPSAS are still relatively unknown Christiaens et al, (2014)

IPSAS is also time and money consuming. It demands extra time and effort of practitioners and verifiers at the same time it demands managers to have strong IPSAS knowledge to comprehend and critically examine financial information produced using IPSAS Adamu & Ahmed, (2014). Cost is the other challenge. The complex financial reporting requirements of IPSAS give rise to increased cost in terms of developing manuals, education and training of staff, research, technology and consultancy. Other obstacles to adopting IPSAS include the lack of trained experts who are familiar with international standards, a lack of interest from individuals concerned, and opposition to change. (2012);PriceWaterHouseCoopers; (2009). In a research conducted in Iraq by Alshujairi, the difficulties of large implementation costs, a lack of skilled and trained employees, and the absence of an IT-accounting system were all validated. Atuilik, Adafula, and Asare (2016) added to this by stating that the lack of necessary technical capability for IPSAS in Africa causes adopters to be unprepared for the change and to resist it out of a fear of the unknown.

Both the cash basis of accounting and the accrual basis of accounting are covered by IPSAS. However, because of its qualities that increase accountability, accrual basis of accounting is being favored PwC, (2013). Deloitte (2015) confirmed that the information contained in IPSAS accrual accounts is considered useful for both accountability and decision-making purposes. However, given the importance of complying with rules and regulations, it was initially thought that a cash-based accounting system would be more appropriate for the public sector Tudor & Mutiu (2006). Aggestam, (2010). Aggestam, (2010). Also, the costs and benefits of transformation are not always well understood in transition countries. Roje, Vašiček, & Vašiček, (2010). IPSAS requires financial statements to include comparisons between budgeted and actual amounts. Budgets are prepared on a cash basis, whereas financial statements are prepared on an accrual basis. This creates an incompatibility WHO, (2013).

Another point rose as a challenge by Ernst and Young (2015) is that, IPSAS is a principles-based framework and does not offer strict set of rules that preparers need to be abided by. It gives room

for the professional judgment of the preparer, with only some degree of explanation of the principles in the standard to guide them. This lack of support for these judgments makes it possible for new types of technical audit qualifications.

As seen from the literature, IPSAS has enormous benefits and at the same time various challenges. Okoughenu & Domma (2016), advocated that the benefits IPSAS prevail over the challenges of adopting it. Similarly Diniz, Silva, Santos, & Martins (2015), stated that the cost-benefit analysis of IPSAS showed that IPSAS will bring better results than the investments made. On the contrary, some stakeholders are afraid that the imminent cost of implementing IPSAS could outweigh the benefits Christiaens & Neyt, (2015)

2.3.7.UN strategy plan on IPSAS adoption

According to the study of Gérard Biraud, (2016) The United Nations system has a strategy for IPSAS adoption that involves three main elements. Often when you have major change in an Organization, concerns, rumors and misconceptions arise. This unit attempts to dispel the rumors, clear up the misconceptions and alleviate the concerns by explaining what you need to know about IPSAS implementation in the United Nations System. As you work through this unit of the course, take the opportunity to consider what path to IPSAS implementation your Organization has chosen and where you are in the implementation process. The three aspects of IPSAS adoption

There are three elements to the United Nations System IPSAS adoption strategy.

- (1) Phased implementation allows some organizations to move towards IPSAS adoption more quickly than others.
- (2) Progressive roll-out allows organizations to move gradually towards full adoption by spreading the implementation effort and adopting specific IPSAS requirements early. Thus, your Organization may have fully or partially adopted IPSAS requirements while others will still be working on it. The flexibility of this strategy allows each Organization to choose the approach that best meets its needs.
- (3) The final element of the strategy involves implementation at two levels with organizations working on IPSAS issues and making implementation happen at the organizational level while also working with other organizations across the United Nations System to address issues at the system-wide level.

Phased implementation allows organizations who are ready to move ahead with IPSAS adoption more quickly. The first phase of adoption is by a small group of pilot organizations or 'Early Adopters' who will fully adopt IPSAS no later than 2009. That group includes the World Food Program (WFP), the World Health Organization (WHO) and the International Civil Aviation Organization (ICAO). Some remaining organizations or 'Fast Followers' aim to adopt IPSAS effective 2010, while the rest plan to adopt IPSAS later. That group includes the United Nations. It is very important to know your Organization's IPSAS implementation timetable. Progressive implementation allows organizations to rollout IPSAS requirements in a stepwise fashion. For example, some organizations [very unlikely] may decide to report expenses in the Statement of Financial Performance on delivery rather than at the time a purchase order is approved. Still others may decide to report some employee benefits (i.e. After Service Health Insurance) as a liability on the Statement of Financial Position and related expenses in the Statement of Financial Performance. Progressive implementation is an option that may be occurring within the Organization. Gérard Biraud, (2016)

Each phase's content will vary depending on the country, however each phase must always be divided into milestones. The milestones are then divided into specific actions with specified deadlines and responsibilities.

The definition of a phase isn't spelled out in stone. What's crucial is that each stage must have a distinct objective, and achieving that objective must be done before going on to the next.

Countries would be wise to start with the cash-based IPSAS for general government budgetary divisions that are currently on a cash basis. Start using the accrual-based IPSAS for other units that are already on an accrual basis. It is important to keep in mind that even where various entities are a consolidated cash flow statement for all controlled businesses, which is the only necessary general purpose financial statement under the cash based IPSAS.

The activities that are occurring at the individual Organization level are key to successful implementation. Most important is the need to gain governing body approval for IPSAS adoption with the necessary funding for implementation. Once approval is received, a project team and project governance structure needs to be established. One of the early responsibilities of the project team is to develop a detailed implementation plan against which progress toward implementation of IPSAS can be monitored. Detailed procedures will need to be developed, training provided, and relevant changes to information technology (IT) and Financial Regulations

and Rules enacted. A System-wide IPSAS Team supports all organizations as they adopt and implement IPSAS. The System-wide Team assists United Nations system organizations in their implementation of IPSAS. This assistance includes draft guidance, accounting policies and recommended accounting practices to support System-wide IPSAS compliance and consistency. The System-wide Team monitors organizations' progress toward IPSAS adoption and reports on this progress semi-annually to the HLCM. The System-wide Team reports to a Steering Committee and is accountable to the Task Force on Accounting Standards. The Task Force on Accounting Standards (comprised of accounting managers from United Nations system organizations) reviews the draft guidance, accounting policies and recommended accounting practices developed by the System-wide Team. Accounting policies and recommended accounting practices agreed by the Task Force are approved by the Finance and Budget Network.

The Task Force also discusses IPSAS implementation progress and issues to share experiences and develop common solutions to problems. Since the early 1990s, United Nations system organizations have applied the same accounting standards – UNSAS. Now the decision has been made to move forward together and adopt IPSAS. The United Nations System is a diverse group of organizations, committed to consistent, high quality financial reporting. They are also quite independent. United Nations system organizations are widespread geographically and cover issues that are diverse –health, agriculture, aviation, peacekeeping, needs of children and refugees, etc. However, these organizations do work together cooperatively and aim to apply common, consistent practices, including common financial reporting practices. IPSAS implementation is a truly a system-wide initiative. Gérard Biraud, (2016)

2.3.8. IPSAS Adoption and Implementation

IPSAS adoption and implementation have numerous advantages. For instance experiences from countries such as Abu Dhabi, Albania, Australia, Azerbaijan, Bangladesh, Brazil, Canada, Cayman Islands, Cyprus, Costa Rica, East Timor, Solomon Islands, Tanzania, Uruguay and Uganda which adopted and implemented the standard witnessed numerous benefits such as enhanced financial transparency and credibility; improvement in assets management and qualitative financial reporting for making good decisions. Moreover, it boosts international relations with ease of access to international loans and grants Malahleha, (2013).

IPSAS adoption is regarded as a major public accountability reform which enhances transparency and accountability Anderson, (2009).Furthermore, Bergmann (2011) asserted that IPSAS implementation enhances accountability and oversight control over public finances; improves transparency in government and non-government accounting and financial reporting thereby positively influencing government's cost of financing; better recognition of risks and opportunities which in turn reduces the likelihood of unexpected surprises and reduces default risks. Mhaka (2014) revealed that the challenges facing cash-based accounting would be overcome by IPSAS adoption.

Moreover, Atuilik (2016) and Ademola et al., (2017) reported significant and negative association between IPSAS adoption and the level of perceived corruption. This suggests that IPSAS adoption by governments is related closely to reduction in the perception of corruption. Tickell (2010) also observed that the quest for increased accountability necessitated many countries to adopt IPSAS. Chan (2003) asserted that IPSAS impacts significantly on governments accounting policies that are not IPSAS based.

Ijeoma &Oghoghomeh (2014) found that IPSAS implementation have tremendous benefits like increasing level of accountability, providing information for decision making thus helping to enhance the service delivery quality thereby strengthening good governance and relations between the government and the governed. IPSAS focuses on specific issues relating to government in financial reporting, providing adequate guidance for all types of government transactions or interventions. Additionally, Udeh & Sopekan (2015) found out that IPSAS adoption improves financial reporting quality of government owned entities in Nigeria.

Moreover, Alan and Susan (2007) postulated that IPSAS adoption guides the preparation and presentation of financial reports to ensure that they are presentable to global users. Based on this premise, Adama& Ahmed (2014) affirmed that IPSAS is an acceptable development that enhances global best practices, create room for accountability and increase credibility rating in Nigeria.

2.3.9. Preparation Guidelines for Organizational to adopt IPSAS

According to Tesfaye Wedajeneh (2020) Implementing IPSAS is an enormous and important task. For that reason, it must be implemented in a structured, orderly and deliberate manner.

The first steps in IPSAS implementation after obtaining the necessary approvals is the preparation of implementation strategy and setting up of project management structures. Whichever comes

first will depend on the approach adopted. The absence of good project management structures and a quality implementation strategy are early warning signs that IPSAS implementation is in real and present danger.

Project based IPSAS implementation with appropriate funding ensures that adequate structures and resources are put in place; that project scope is clearly defined and that there is a dedicated project team whose mandate is to deliver IPSAS.

It is the responsibility of the IPSAS professional project manager to ensure that the project is delivered on schedule, at minimal cost and in accordance with the implementation strategy. The implementation strategy will detail the sequence of steps that will be taken, in line with the chosen project management methodology, to actualize IPSAS from start to finish. Delineation of different implementation phases, milestones, timelines, responsibilities, and project governance structures, amongst others, may form part of the IPSAS implementation strategy paper.

For the avoidance of doubt, it must be stated that an implementation strategy is not the same as a timetable of events or a periodic update of project status. Strategy documents are usually written by persons of sound technical competence and excellent writing skills. They are easily recognizable by their structure, presentation, technical depth and content. IPSAS implementation should have only one primary goal: to deliver IPSAS compliant general purpose financial statements. Any other goal should be deemed secondary.

Ad hoc, unstructured and “on-the-fly” implementation is a serious project risk that must be avoided. Tesfaye Wedajeneh (2020)

2.3.10. Knowing Organizational Chart of Accounts

Tesfaye Wedajeneh (2020) In an automated environment, the Chart of Accounts (COA) provides the foundation upon which data tracking and reporting are built. In many countries, IFMIS is implemented to serve as a common ICT tool for all PFM processes. For this reason, the COA must be seen as a cross cutting activity that serves the purpose of all the PFM processes rather than IPSAS alone. It is therefore not advisable to assign COA design responsibilities exclusively to any of the PFM reform components.

If, for instance, the IPSAS implementation team is assigned the sole responsibility of COA design, the tendency is to focus on IPSAS requirements at the detriment of other components. Membership of the COA design team must therefore be representative of the various PFM reform activities and components.

The COA is designed top down: from the general purpose financial statements (starting with the Statement of Financial Position) through the notes, sub-notes and details. This ensures that the reporting needs are fully met in line with structured query language (SQL) design and reporting principles.

Failure to follow SQL principles in COA design will make it impossible to map individual transactions to the general purpose financial statements, notes and sub-notes. This failure is largely responsible for the inability of many IFMIS applications to generate standard reports in the desired formats.

In order to support IPSAS compliant GPFS, the COA must take into account all IPSAS reporting requirements. To ensure that the COA fully supports IPSAS reporting requirements, a checklist of all IPSAS reporting requirements should be made and their relationships to transaction data established. Revenue, Expenses, Assets and Liabilities are grouped into related classes that are progressively granulated for detailed data tracking and reporting.

Entities are classified starting from the Public Sector, General government (central, state and local governments) down to individual economic entities. In doing this, care is taken to ensure that IPSAS required entity control relationships are maintained in order to comply with IPSAS segment reporting and consolidation requirements.

In keeping with SQL principles, values that are calculated from other records should not be assigned codes. Such items include balancing items like cash balances, profit or loss on disposal of assets, depreciation and impairment of non-financial assets.⁵

It is often assumed that the inclusion of non-financial assets and inventories in the COA automatically makes it IPSAS accrual compliant. This is a wrong assumption. Without question, the most important difference between cash and accrual basis of accounting lies in the timing of recognition of economic events. Most times, timing differences are addressed through the recognition of accruals and prepayments as well as accounts payables and accounts receivables.

2.3.11. Pay close attention to the expense

According to Tesfaye Wedajeneh (2020), adopting IPSAS is an expensive process. How much is a decent cost, exactly? To put it another way, even if it is acknowledged that IPSAS has many advantages, should a nation spend a fortune to reap those advantages? No is the obvious response. Here are a few explanations for why IPSAS implementation costs play a significant role.

First off, it is quite challenging to quantify the advantages of IPSAS. Second, high costs could discourage organizations from implementing IPSAS. Third, it increases threats to sustainability. Last but not least, if the IPSAS implementation proves to be a costly undertaking, it runs the risk of opening doors for corruption and undermining the purpose of accountability; one of its most persuasive and widely publicized advantages.

The appropriate planning and estimation of costs are essential for IPSAS implementation. The political leadership or governing board of the entity must be provided with all pertinent information, including the total estimated cost of implementation, as part of the first proposal when choosing whether a nation or an entity should adopt IPSAS.

2.3.12. The role of auditors

Tesfaye Wedajeneh (2020) Auditors make the final call on whether a general purpose financial statement is IPSAS compliant through their audit opinion. They must therefore be part of the implementation process. They need to understand IPSAS in order to be in the right position to tell when a GPFS is IPSAS compliant.

It is noted that the IPSAS implementation process in many developing countries is undertaken with the active involvement of the Supreme Audit Institutions (SAIs). However, in many countries like Nigeria, semi-autonomous and extra-budgetary units are statutorily audited by private sector auditors - not the SAI.

A readiness assessment of the private sector audit community in performing their roles under IPSAS should be undertaken and steps taken to fill any identified capacity and integrity gaps.

In concluding this section, Ernst and Young has compiled and published a very useful checklist that can be used to determine whether general purpose financial statements are IPSAS compliant. Auditors will find the checklist very useful in assessing financial statements' compliance with IPSAS.

Amongst the few PFM experts who have summoned the courage to criticize IPSAS, the most common concerns have centered on ease of implementation, cost of implementation and understandability of IPSAS financial statements. It is recommended that those charged with implementing IPSAS pay sufficient attention to those concerns well in advance and decide proactively how to address them in the course of implementation. Tesfaye Wedajeneh (2020)

2.3.13. Benefits of Adopting IPSAS

According to Deaconu, Cristina and Crina (2009), the main advantages of IPSAS with respect to accrual accounting include accountability and more efficient control, improvement of users decision making process, financial reporting efficiency, better performance, compatibility, managerial and financial efficiency and public institutions governance.

Similarly, the AABE (Accounting and Auditing Board of Ethiopia) that was setup with the mandate of ensuring adoption of IPSAS in Ethiopia advanced the under listed benefits of IPSAS:

- The specific requirements and guidelines offered in each standard have improved the uniformity and comparability of financial statements.
- Promotes the flow of foreign direct investment, which improves cross-border investment;
- Provides cost information to better support results-based management; Increases the effectiveness of the Freedom of Information Act's implementation.
- Promote the Public-Private Partnership policy, which is heavily reliant on the public sector's accountability and openness;
- By exposing all transactions that have occurred, IPSAS is expected to improve the reliability, transparency, and comparability of public sector financial reporting.
- Improve the allocation and administration of public resources by providing better data.
- Assist in demonstrating the true value of public assets by recognizing them at fair market value.
- As a result of the correlation of income and expenses, as well as the use of contemporary accounting technologies, lead to logical financial management.
- Allow for comparisons with the organizations' financial statements.
- Increase asset and cash management efficiency.
- Contribute to the social well-being of citizens. Improve the accuracy of rating agencies' and other users' assessments of public financial accounts.
- Improve donor comprehension and acceptability.
- Facilitate the flow of foreign aid and assistance

As a result, the impact of political decisions will be reduced. Knowing both the financial state of an entity and the financial implications of that situation aids decision-makers in making better financial decisions about the company and its activities. It also aids in the attraction of

investments that have the potential to benefit the larger economy in terms of job creation, prosperity, and social advancement. ACCA, (2017).

2.3.14. Difficulties on Adoption of IPSAS

Professional organizations frequently serve as important stakeholders and provide updated information on any accounting improvements Jackson & Lapsley, (2003). The procedure is unproductive due to failure to communicate about the adoption of IPSAS, its complexity, and a lack of functional separation between professional bodies and government accountants Adhikari et. al, (2019). These professional organizations must play a crucial supporting role in promoting and advancing IPSAS reforms (Amar & Hassan, 2019).

a. The absence of assistance from public servants

The implementation of IPSAS will encounter resistance since it is a novel idea, and people are afraid of the unknown. Officials in the government who are used to the cash foundation of accounting in the public sector might be hesitant to use the new strategy. Governmental organizations might therefore implement IPSAS more slowly than non-government organizations.

b. Problems Adapting to Change- The application of new standards, concepts, laws, and terminology would be required by the acceptance of IPSAS, creating difficulties for its implementation.

c. Cost The implementation of IPSAS is expensive; this includes the price of hiring new accountants and publishing new accounting manuals, which could be difficult given the government's restricted funding.

d. A lack of abilities- The majority of accountants in the service sector are not sufficiently trained, which makes the switch from the current accounting system to IPSAS challenging.

Greece's First Adoption of IPSAS and Its Benefits To provide a seamless transition to the new reality, careful planning and preparation are required for the successful implementation of IPSAS. Along with political will and legal changes, new governance norms and procedures are needed. Covering installation expenses, personnel training, and the replacement of old information systems is critical ACCA, (2017).

2.3.15. First Implementation and Benefits of IPSAS in Greece

Successful implementation of IPSAS requires proper preparation and detailed planning, so that the transition to the new reality can take place smoothly. Political will and legal changes are required as well as new governance regulations and practices. It is essential to cover implementation costs, staff training, and replacement of existing information systems ACCA, (2017).

According to PWC (2013) it takes an average of three years for an entity to adopt accrual basis accounting in accordance with IPSAS. As pointed out by Laswad and Redmayne (2015), the long time required is due to the fact that change is more than an accounting exercise but a transformation of the public entity. The basic requirements for the implementation of IPSAS are as follows Lumiotis, (2014):

- Their translation into Greek.
- The acceptance by the government and by public BODIES in general that their implementation is to serve the public interest.
- The training of government personnel who will be required to apply IPSAS.
- Staffing of Public Sector Entities with sufficient and appropriate staff with knowledge, expertise and experience in accounting and standards' implementation.
- The inventory of all assets and liabilities and the creation of a fixed asset register where the fixed assets will be tracked in detail.
- The adoption of modern internal control systems that will contribute to the efficient operation of the public sector services and the proper preparation of financial statements.
- The adoption of modern information systems that will contribute to the accounting organization of the entities and the provision of timely and reliable information to the management.
- Auditing of the financial statements by external auditors so that they can be more transparent and reliable.
- The financial support to cover the costs of their first implementation.
- Transparency has been enhanced (through the TRANSPARENCY program) as well as the regular, timely and reliable information on the state of the implementation of the budget of the General Government bodies.

- The digital upgrade of processes and information systems has been promoted in order to meet the new needs of public e-government in relation to monitoring budgetary magnitudes (e.g. SYZEFXIS program, electronic evaluation system, electronic document transfer, digital signatures).
- The audit procedure was strengthened, and the current system of financial audits was reformed, being adapted to international practice and auditing standards.

The advantages and benefits of the implementation of IPSAS in Greece, according to the Press Release of the Hellenic Accounting and Auditing Standards Oversight Board (ELTE) are expected to be significant. IPSAS are anticipated to:

- Improve the reliability, transparency and comparability of public sector financial statements by displaying all transactions that have taken place.
- Ensure the accounting independence of accounting periods.
- Provide better information on the allocation and management of public resources.
- Reduce the running costs of public administration.
- Help to depict the real assets of public entities by recognizing them at fair value.
- Lead to rational financial management with the correlation of income and expenses and the use of modern accounting tools.
- Allow comparisons with the financial statements of private sector companies.
- Improve asset management and cash management.
- Enhance the confidence of citizens and markets.
- Increase the reliability of the assessments of rating agencies and other users of public financial statements.
- Facilitate the future accounting consolidation of public financial statements with public sector companies applying IFRS.
- Lead to a reduction in the impact of political decisions.

Knowing both an entity's financial position and its financial implications helps decision-makers make better financial judgments about the entity and its activities. It also helps to attract public sector investments that potentially create benefits for the wider economy in terms of employment, prosperity and social improvement ACCA, (2017).

2.3.16. Set of 16 Best Practices for Implementing a Smooth Transition to IPSAS:

Set of 16 Best Practices for Implementing an Easy Transition to IPSAS, Section 2.3.16:

1: According to Hiwot Ayele's research (2020) Create a steering committee for the interdepartmental IPSAS project, or something similar, whose job it is to make sure senior management is aware of the objectives and vision guiding the switch to IPSAS. Staff members with expertise in the pre-design, design, and implementation of ERP systems should be included in the committee, which should have a multi-year mandate.

2. Perform a thorough examination of the discrepancies between the requirements and effects of each IPSAS standard and the current business processes, procedures, financial reporting, and functionality designed in accordance with UNSAS.

3. Reevaluate the initial IPSAS adoption approach and make any necessary adjustments in the event that there is a significant change in the project environment.

4: Use tested project planning techniques a clear set of strategic objectives, deliverables, timetables, milestones, and implementation strategies, as well as monitoring procedures.

5: Create a plan for generating opening balances that are in compliance with IPSAS for the targeted implementation date (the first day of the first year of compliance), as well as the closing balance for the day before, based on the previous accounting standard (UNSAS), but easily comprehensible in terms of IPSAS for the opening balance of the targeted year.

6: Regularly inform the governing bodies of the progress being made in the implementation of IPSAS in order to ensure their continued participation in the change process. You should also ask them to adopt any necessary decisions, particularly those pertaining to the allocation of resources for the project and the necessary changes to financial regulations.

Determine and budget for the additional human resources needed in the administrative, budgetary, and financial domains to ensure that IPSAS compliance is maintained in the future and that the transition to IPSAS is implemented effectively.

8: Ensure that financial resources are made available for either hiring external specialists or, if practical, training internal experts in accounting, business, and change management.

9: As part of the initial gap analysis, carefully examine existing (legacy) information systems for compatibility and synergy with IPSAS standards. Also, understand the modifications that an ERP system must make in order to accommodate IPSAS.

- 10: Use all available communication, training, and documentation channels to raise awareness of the IPSAS transition. Personal interactions, speeches, and other forms of communication can help and testimonies from persons involved in successful cases outside the entity, retreats, practical exercises and other training materials comparing present and new accounting policies.
11. Use specific documentation (manuals) and training to make sure that current and prospective employees, in particular managers, supply chain and financial workers, are completely aware of the new procedures and standards.
12. Use techniques and practices for risk assessment, management, and mitigation that are in line with the project's goals as you implement the project.
13. To prevent unpleasant surprises, plan and produce interim financial statements for external auditor(s) scrutiny long before the scheduled implementation date.
14. As soon as it is practical, establish and maintain a bilateral communication between the organization and its external auditor(s) on the transition to IPSAS to help ensure that both external and internal auditors have a thorough grasp of the new system and its influence on control processes IPSAS would require migration to accrual-based accounting.
15. To guarantee the accuracy of the data, continuously test internal controls while an IPSAS project is still in the planning stages of execution.
16. As the system is being finished, make sure a thorough and independent validation and verification is carried out.

Taking into account all of these best practices, they are all intended to improve accountability, effectiveness, and efficiency during the transition of every institution within the UN system to the implementation of IPSAS. As cited by Hiwot Ayele (2020)

2.3.17. IPSAS adoption process

The adoption process will require not only the will of the organization but also the commitment from the people involved in the process following acceptance of the importance of the standard and its benefits by the management. It is not focused only on a specific item but entails significant investment in people, information systems, project management, communications, training and testing (UNDP & UNPF, 2007). Knowledge and awareness, as stated by Tanjeh (2016), are among the main determining factors of IPSAS acceptance. Similarly Ijeoma & Oghoghme, 2014; Mhaka, (2014) asserts that awareness on the transition to IPSAS via all available channels of communication; training and documentation are among best practice for smooth transition.

Project management is also an approach which can make IPSAS adoption cost-effective and successful. It creates an opportunity to get the required support from top management; to set up a sound governance structure; to design and follow communication and training plans; to devise new accounting policies; and align business processes in a timely manner Aggestam, (2010). Correspondingly, adoption, according to Alemi & Pasricha (2016), involves policy decision to adopt, planning and making all necessary resources available to handle all the changes in system, procedures, and operation from the implementer side.

It was acknowledged by Ijeoma & Oghoghomeh (2014) and Ernst and Young (2015) that, the key success factors for adopting IPSAS are continued political/executive support and ownership; commitment of stakeholders; technical knowhow and competence; public awareness and communications; computerized information systems; sufficient funding and suitable legal framework. By the same token PwC (2013) suggested that, “a well-designed project and effective change management strategy, which considers people and systems requirements, are crucial for successful implementation.” Furthermore, better understanding of IPSAS and engagement by everyone involved in the process and change motivated from top to bottom and vice versa guarantee success in IPSAS conversion IPSASB, (2014); Ernst and Young, (2015).

Learning and experience sharing mechanisms between countries, organizations or professionals who already have the knowledge about the adoption process will help those who starts the process of adoption. To support this Ernst and Young (2016) shared a lesson learnt report on first time adoption of IPSAS. Few of them are planning and dealing with the conversion project carefully; devoting time in gap analysis and developing a realistic roadmap; foreseeing the key challenges around a successful conversion and clarifying IPSAS benefits to each stakeholder in order to obtain buy-in of all groups concerned, especially to have political commitment.

In line with what is stated above, AABE planned a three years transition to adoption encompassing developing a guideline to give direction on how to adopt; identifying gaps in existing laws and conflicting requirements between laws and organizing successive workshops and trainings to create awareness and deliver basic skills AABE, (2016).

International accounting standards, or IPSAS, is ones that apply to the public sector, which includes not-for-profit organizations. It offers top-notch, independently generated accounting standards that represent best practices for governmental and nonprofit organizations, are supported by governments, professional accounting bodies, and international development

organizations, and are supported by strict due process WHO, (2013). Similar to this, according to AU (2013), IPSAS intends to raise the caliber of general purpose financial reporting by public sector organizations. By boosting disclosure and reporting, these organizations will be better able to examine how resources are allocated, promoting transparency and accountability. IPSAS have been embraced by governments, jurisdictions, and international organizations and more are planning to do the same. Brazil, Cambodia, China, Colombia, Costa Rica, Indonesia, Japan, Kenya, New Zealand, Nigeria, Panama, Peru, South Africa, Thailand, Portugal, Spain, Switzerland, Vietnam are some of the governments which adopt or have plans to adopt IPSAS. The European Commission, The North Atlantic Treaty Organization (NATO), The Organization for Economic Co-operation and Development (OECD) and The United Nations system are among those listed under the international institutions adopting IPSAS. IPSASB, (2016).

The identified knowledge gap in this research indicates that IPSAS adoption is a multifaceted and full range change management process. Alongside its various benefits, it necessitates some challenges which attract resistance. Contrary to its stated benefits there are countries which do not welcome IPSAS. Several jurisdictions choose not to apply IPSAS because they are afraid that they would lose their standard setting authority and because IPSAS are still relatively unknown Christiaens et al, (2014)

IPSAS is also time and money consuming. It demands extra time and effort of practitioners and verifiers at the same time it demands managers to have strong IPSAS knowledge to comprehend and critically examine financial information produced using IPSAS Adamu & Ahmed, (2014). Cost is the other challenge. The complex financial reporting requirements of IPSAS give rise to increased cost in terms of developing manuals, education and training of staff, research, technology and consultancy. Other obstacles to adopting IPSAS include the lack of trained experts who are familiar with international standards, a lack of interest from individuals concerned, and opposition to change. (2012);PriceWaterHouseCoopers; (2009). In a research conducted in Iraq by Alshujairi, the difficulties of large implementation costs, a lack of skilled and trained employees, and the absence of an IT-accounting system were all validated. Atuilik, Adafula, and Asare (2016) added to this by stating that the lack of necessary technical capability for IPSAS in Africa causes adopters to be unprepared for the change and to resist it out of a fear of the unknown.

CHAPTER THREE

3. RESEARCH METHODOLOGY

The research approach employed in this study was discussed in this chapter. This part presents the study area, research design, data gathering techniques, data sources, population and sampling approach, data collection and tools, and data analysis techniques.

3.1. Study Area

In this study, the researcher visited to government and non-profit offices in Addis Ababa. This study was completed by reviewing academic papers on the first implementation of IPSAS, as well as by surveying and speaking with the director of AABE and its financial officers and manager. The questions in the questionnaire, which was divided into four sections, were valuable in determining the value of raising awareness of NGO's in Ethiopia.

3.2. Research Design

In this study, a descriptive survey approach was used to assess if NGO's were aware of and prepared to adopt IPSAS smoothly by first identifying and comprehending the advantages and difficulties of doing so. According to Polit & Hungler (1999), the goal of descriptive research is to describe, explain, and validate findings. To do this, data from a preset population is collected and the responses of the respondents are illustrated. As a result, the research questions and interview were appropriate for this kind of study and helped to get information from population members.

3.3. Data collection methods

The professional accountants and management of the organization were the primary subjects of this study, which was conducted in Addis Abeba, Ethiopia. To get the needed information, both primary (questionnaire and interview) and secondary (books, articles, and proclamation review) sources were used.

3.4. Source of Data

The majority of the data used by the researcher was primary data, or information gathered by the researcher directly from the field through observation, questionnaires, and interviews. My study used a survey methodology, and questionnaires were created. After that, a sample from

the entire population was chosen, and finance managers and financial officers were asked to complete the survey. In addition, secondary data was collected based on books, journal articles, newspapers, reports, websites, and other pertinent materials that were used to support the study's empirical findings.

3.5. Population and Sampling

The study's intended audience was non-governmental organizations operating in Addis Abeba that might adopt IPSASs or not. According to AABE's report researcher found NGO's working in Addis Ababa of which 44 respondents was selected for the investigation. Wherever they were available, the respondents interacted via phone, email, or in-person interactions. 33 surveys were completed and returned as a result of this. Non-probability sampling, also known as purposive sampling, was used for this research project. Purposive sampling is locating and choosing individuals or groups of individuals who have particular expertise in or experience with an interest topic. People who could adopt or participate in the implementation of IPSAS did so. Purposive sampling was used for this research process due in large part to time constraints and its ease of usage.

3.6. Sampling Techniques

Purposive or judgment sampling was the method of selection that the researcher employed. Representative sample can be generated by exercising sound judgment. When one specific group is the focus, as was the case with the non-governmental organizations operating in Addis Ababa, the purposeful sampling method is effective. Therefore, a small number of Non-Governmental Organizations serves as the main source of data for research design. Additionally, stratified sampling was used in the study.

3.7. Data Collection Instruments

The tools researcher used was descriptive statistics as a way of examining the frequency, percent, mean and standard deviation in this study. It needs to determine the respondents' perception on first understanding and knowing the benefit and challenge on IPSAS adoption in order to smoothen IPSAS adoption process in NGO Ethiopia. Likert Scale here used as one of the

analysis method to present the respondents' perception. To protect the respondents' privacy, this study employed primary data that was gathered using a questionnaire. In order to simplify the adoption process in NGO in Ethiopia, the questionnaire included structured questions pertaining to the study that first understands and has knowledge about the advantages and challenges of adopting IPSAS. The questionnaires were created using an interval scale, and respondents were asked to indicate how much they agreed or disagreed with each item. The financial staff members received the questionnaires. In order to facilitate the implementation of IPSAS by a chosen group of NGOs operating in Ethiopia, the response is anticipated to help and to have a better grasp of identifying the benefits and challenges of adopting IPSAS.

The question contain three parts: Part one express demographic information from the respondent profile, Part two it consist of independent variables which is contains the benefit of IPSAS. Part three consist of challenges of adopting IPSAS and finally it test dependent variable towards of the model perception of respondents" on smooth and easy adoption of IPSAS for NGO in Ethiopia. These designed primarily to provide information for answering the research question. The strength/intensity of an attitude can be quantified using a Likert scale. The information is gathered using a five-point Likert scale with scores of strongly agreed (SA; or 5), agree (A; or 4), neutral (N; or 3), not agreed (D; or 2), and strongly not agreed (SA; or 2). (SD; or 1). A score of 5 or 4 indicates that the item is expected to have a considerable effect; a score of 3 or 2 indicates that the item is assumed to have a reasonably significant effect, and a score of 1 indicates that the item is assumed to be trivial and will be ignored.

Additionally, interviews with individuals working in AABE have been conducted. Research findings and available literature on each study variable were reviewed in order to collect secondary data. The research tool conducted content validation to guarantee that the instrument's core assesses the variables examined in the study.

3.8. Methods of Data Analysis

Both qualitative and quantitative data analysis were used in this study. Frequency, mean, and standard deviation were utilized in the analysis to find some of the determining factors that can suggest the obstacles of adopting IPSAS and the crucial factors to take into consideration in its

adoption using SPSS version 20 software. The gathered data is shown using graphs, tables, and/or mathematical techniques. The research's result and suggested actions are then presented.

3.9. Reliability and Validity

Instrument consistency is measured by an instrument's reliability. "Cronbach's alpha," which is used to calculate the reliability of homogeneous tests, is the most used indicator of internal consistency reliability (test that measures one construct). A reliability coefficient with a value of 0 indicates no reliability and a value of 1 indicates perfect reliability when determining reliability empirically. When test items are connected with one another, it is highly valuable. In literature, a minimum acceptable coefficient is 0.7. Pagge & Leontitsis (2007).

3.10. Ethical Considerations

This section explored the ethical decisions made during the research study process. Research ethics, according to Creswell (2012), should be a top priority rather than an afterthought when planning future studies. As a result, when gathering data, ethical concerns such informed permission, risk of harm, voluntary involvement, and privacy have been taken into account.

CHAPTER FOUR

4. Discussion and data presentation

4.1 Introduction

Data analysis and interpretation section was the core of the study portrays the demographic characteristics of sample respondents, identifying first the benefit of IPSAS in NGO in Ethiopia, having knowledge about the difficulties of adopting IPSAS on non-government organization in Ethiopia.

4.2. Response Rate

For this research data collection instruments were close ended questionnaires and interview. Questionnaires are distributed to finance officers and head of finances at the non-government organization in Ethiopia. For sampled employees 44 questionnaires were distributed and only 33 questionnaires were collected. Therefore, greater parts from distributed questionnaires were collected.

4.3. Research Reliability Test

Reliability is concerned with the ability of an instrument to measure consistently. The number of test items, item interrelatedness and dimensionality affect the value of alpha. There are different reports about the acceptable values of alpha, ranging from 0.70 to 0.95. Therefore, to ensure the reliability of questionnaires instruments reliability test was check for questionnaires.

As shown in table 4.1 below, the reliability test score on the first identifying and understanding the benefit and challenge on the adoption process of IPSAS especially in NGO in Ethiopia was 0.851. Therefore, the reliability test was good consistence and good reliable and insures the proceeding of the study.

Table 4.1

		N	%
Cases	Valid	33	100.0
	Excluded	0	.0
	Total	33	100.0

a. Listwise deletion based on all variables in the procedure.

Cronbach's Alpha	N of Items
.851	33

4.2 Demographic Discussion

The study attempted to determine the features of the respondents' profile by collecting data on Gender, Age, Educational level, and Experience of respondents in their organization, discussed below in the following tables.

4.2.1 Gender

From Table 4.2 the total respondent was 33 of which 73% Female, and 27% Male, it indicates that the participants' number of Female in NGO is greater than that of Male.

Table 4.2

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	9	27.3	27.3	27.3
	Female	24	72.7	72.7	100.0
	Total	33	100.0	100.0	

Source: Survey

4.2.2. Age

From table 4.3, When we compare the age of respondents 58% of respondent was below 36 year old whereas 33% of respondent is between 36 and 45 year of old age and 9% of respondent was above age of 46. This implied that most of the respondent 58% within the age of 26 to 35, so in this research most of the age group as compare to the three age group has greater number than that of the given range.

Table 4.3

Age				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
26 – 35 year	19	57.6	57.6	57.6
36 -45 years	11	33.3	33.3	90.9
46 years and above	3	9.1	9.1	100.0
Total	33	100.0	100.0	

Source: Survey

4.2.3. Educational Level

In addition to the above data, here table 4.4, showed us educational qualifications show that 91% of respondents have a BA in Accounting and Finance, 6% have a Master's Degree, and 3% are members of management working in a non-profit organization. The majority of those who responded have a bachelor's degree than master's degree.

As a result, increased educational levels leads to a better understanding of IPSAS in NGOs. So that, most organization should encourage their employees to obtain additional professional credentials.

Table 4.4

		Qualification			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Bachelor Degree in accounting and Finance	30	90.9	90.9	90.9
	Master's Degree	2	6.1	6.1	97.0
	Other	1	3.0	3.0	100.0
	Total	33	100.0	100.0	

Source: Survey

4.2.4. Experience

Furthermore, when it comes to NGO experience table 4.5, employees with less than four years are represented by 21%, those with four to eight years are represented by 58%, and those with more than eight years are represented by 21%, indicating that experienced employees are more familiar with the IPSAS adoption process than those without.

Table 4.5

		Experience			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 4 year	7	21.2	21.2	21.2
	b/n 4 year and 8 year	19	57.6	57.6	78.8
	More than 8 year	7	21.2	21.2	100.0
	Total	33	100.0	100.0	

Source: Survey

4.3 Descriptive Statistics Results

The descriptive statistics used as a way of examining the frequency, percent, mean and standard deviation in this study. It needs to determine the respondents' perception on first understanding and knowing the benefit and challenge on IPSAS adoption in order to smoothen IPSAS adoption process in NGO Ethiopia. Likert Scale here used as one of the analysis method to present the respondents' perception according to the following table

Table 4.6

Description	Value	Range
Strongly disagree	1	1-1.8
Disagree	2	1.81-2.60
Neutral	3	2.61-3.40
Agree	4	3.41-4.20
Strongly Agree	5	4.21-5.00

Here according to Table 4.6, to analyze the Means significances, the five-point likert scale with 0.8 interval used. From 1 to 1.8, it means strongly disagree; from 1.81 to 2.60, it means disagree; from 2.61 to 3.40, it means neutral; from 3.41 to 4.20, it means agree and from 4.21 to 5.00, it means strongly agree.

The Tables shown below indicated descriptive data (statement, Scale, Frequency, Percent, mean, and standard deviations) for the identifying of benefits and challenges in adopting IPSAS to make smoothen the adoption of IPSAS in NGO in Ethiopia. The sample size for all benefits and challenges variables valid (N) was 33 by considering all respondents. In computing of the results, low mean score showed the low understanding the benefit and challenge of adopting IPSAS while high mean score implies more understanding the benefit of adopting IPSAS.

4.3.1 Descriptive Statistics on the benefit of adopting IPSAS

Some of the benefits of adopting IPSAS for NGO in Ethiopia presented below. The responses of the participants on the given statements shown in the table below presented on the understanding of the benefit of adopting IPSAS with concerned five categorized benefits which are Transparency, Accountability, Comparability, Decision making and Reliability.

Table 4.7 Descriptive Statistics on the benefit of adopting IPSAS

Statement	Scale	Frequency	Percent	Mean	Std. Deviation
Transparency Adoption of IPSAS makes Financial Statement obvious and easy to understand for others to see what actions are performed in NGO	Neutral	3	9.1	4.61	.659
	Agree	7	21.2		
	Strongly Agree	23	69.7		
	Total	33	100.0		
Transparency empowers the people in NGO works with, enhances collaboration among stakeholders and in turn acts as a catalyst for	Agree	9	27.3	4.73	.452
	Strongly Agree	24	72.7		
	Total	33	100.0		

additional resources from donors.					
Do you think transparency is a tool that builds trust and adds real value?	Neutral	2	6.1	4.61	0.609
	Agree	9	27.3		
	Strongly Agree	22	66.7		
	Total	33	100.0		
Accountability				4.64	0.489
Adoption of IPSAS in NGO improves accountability which means responsible for ones decisions or actions and giving explanations when asked to do so.	Agree	12	36.4		
	Strongly Agree	21	63.6		
	Total	33	100.0		
IPSAS implementation demands professionals to act consistently with the ethical standards and the values, policies, strategies, expectations and outcomes of non-profit organization.	Agree	11	33.3	4.67	0.479
	Strongly Agree	22	66.7		
	Total	33	100.0		
Adoption of IPSAS enhances an obligation or willingness to accept responsibility or to account for the responsible actions. So this leads to facilitate the adoption process of IPSAS	Neutral	1	3.0	4.52	0.566
	Agree	14	42.4		
	Strongly Agree	18	54.5		
	Total	33	100.0		
Comparability					
Adoption of IPSAS develops the comparability of financial statements over different accounting periods by using the application of similar accountancy policies over a period of time.	Neutral	6	18.2	4.27	0.761
	Agree	12	36.4		
	Strongly Agree	15	45.5		
	Total	33	100.0		
Comparability in adoption IPSAS in NGO, is one of the primary reasons for developing accounting standards. IPSAS adoption exerted significant and positive relationships with financial reporting quality, credibility and comparability of financial statement	Disagree	1	3.0	4.24	0.751
	Neutral	3	9.1		
	Agree	16	48.5		
	Strongly Agree	13	39.4		
	Total	33	100.0		
In adoption of IPSAS comparability helps to of users to identify and understand similarities of, and differences between, items	Neutral	5	15.2	4.21	0.696
	Agree	16	48.5		
	Strongly Agree	12	36.4		
	Total	33	100.0		
Decision making					
Adoption of IPSAS in NGO enhances the process of making choices by identifying a decision, gathering information, and assessing alternative resolutions.	Neutral	2	6.1	4.55	0.617
	Agree	11	33.3		
	Strongly Agree	20	60.6		
	Total	33	100.0		
Adoption of IPSAS facilitates the process in which NGO' that allow managers, donors and analysts to understand the company's health and make informed decisions.	Neutral	1	3.0	4.61	0.556
	Agree	11	33.3		
	Strongly Agree	21	63.6		
	Total	33	100.0		
Using a step-by-step decision-making process can help NGO manager make more deliberate, thoughtful decisions by organizing relevant information and defining alternatives through adoption of IPSAS	Agree	11	33.3	4.67	0.479
	Strongly Agree	22	66.7		
	Total	33	100.0		
Reliability					
Adoption of IPSAS facilitates to ensure that all NGO transactions, events, and activities presented in the financial statements makes reliable through check, verify, and review the objective evidence.	Neutral	7	21.2	4.12	0.74
	Agree	15	45.5		
	Strongly Agree	11	33.3		
	Total	33	100.0		
In the adoption of IPSAS first understanding of the benefit of reliability helps to make easy	Neutral	8	24.2	3.97	0.684
	Agree	18	54.5		

process for the adoption.	Strongly Agree	7	21.2		
	Total	33	100.0		
If the information is not reliable, you are risking that any NGO decision based on these financial statements will be incorrect or mislead.	Neutral	5	15.2	4.27	0.719
	Agree	14	42.4		
	Strongly Agree	14	42.4		
	Total	33	100.0		
Average				4.45	0.62

Source: survey

I. Transparency

Accordingly, the mean ($M=4.61$ and $SD=.66$) provided by the respondents suggested that the majority of respondents strongly agreed with the assertions that openness is a tool that develops trust and adds actual value. Transparency strengthens stakeholder participation, empowers the individuals an NGO works with, and in turn serves as a catalyst for more funding from donors. ($M = 4.73$, $SD = .45$) Adoption of IPSAS also makes financial statements clear and simple to comprehend for others, allowing them to observe the activities taken by an NGO ($M=4.61$ and $SD=.61$).

McCarthy (2007) Transparency, according to non-governmental organizations, is crucial because contributors and citizens alike have a right to know exactly how their money is being used. Financial transparency, according to Murphy and Sagar (2009), is demonstrated by reporting entities accurately and completely disclosing all transactions in accordance with generally accepted accounting principles and by regulatory authorities having access to all the information they may need from the published financial statements. According to McCarthy (2007), accountability is the foundation of transparency because it is publicly demonstrated. The consequence of the aforementioned arguments is that accountability and transparency are mutually exclusive concepts since managers of public finances must submit to citizens' demands in order to be held accountable, the two are thus closely linked and inseparable. Accountability and transparency are therefore twin concepts which are fundamentally a key part of good governance.

II. Accountability

The mean shown above gave by the respondents implied that most of the participants strongly agreed with the statements that adoption of IPSAS in NGO improves accountability which means responsible for ones decisions or actions and giving explanations when asked to do so. ($M=4.64$

and $SD=.49$). Adoption of IPSAS enhances an obligation or willingness to accept responsibility or to account for the responsible actions. So this leads to facilitate the adoption process of IPSAS ($M=4.67$ and $SD=.48$). IPSAS implementation demands professionals to act consistently with the ethical standards and the values, policies, strategies, expectations and outcomes of non-profit organization. ($M=4.52$ and $SD=.57$).

Adegite (2010) defines accountability as the duty of the appointed officer to show that a particular task has been completed in accordance with established standards and guidelines and that the reports presented reflect real performance fairly and accurately in regard to required responsibilities and plans. On the other hand, Rondinelli (2007) holds that accountability happens if public accountability exists for government decision-makers, civil society organizations, commercial sector players, and institutional stakeholders.

According to Ofoegbu (2014), accountability is the act of taking responsibility for one's choices and/or acts and offering justifications when necessary. Thus, it is anticipated that public sector financial accountability will be more visible to the general public to satisfy a necessary but not sufficient condition of good governance. Accountability is closely related to transparency.

III. Comparability

The mean shown above gave by the respondents implied that most of the participants strongly agreed with the statements that adoption of IPSAS develops the comparability of financial statements over different accounting periods by using the application of similar accountancy policies over a period of time. . ($M=4.27$ and $SD=.76$). Comparability in adoption IPSAS in NGO, is one of the primary reasons for developing accounting standards. IPSAS adoption exerted significant and positive relationships with financial reporting quality, credibility and comparability of financial statement. ($M=4.24$ and $SD=.75$). In adoption of IPSAS comparability helps to users to identify and understand similarities of, and differences between, items. ($M=4.21$ and $SD=.70$)

Hussein and Williams (2019) When readers can distinguish between the similarities and differences between the information in financial statements and the information in other reports, the information is said to be comparable. Users must be informed of the policies used in the compilation of financial statements, changes to those policies, and the impact of those changes, which is an important implication of the comparability feature. Financial statements must display

the relevant data for prior periods since users want to compare an entity's performance across time.

Through uniformity, IPSAS terminology improves public sector institutions' ability to compare their operations internationally. Since many donors use the standards to report, the adoption of IPSAS also relieves them of additional reporting duties. ACCA, (2017)

IV. Decision making

The mean shown above gave by the respondents implied that most of the participants strongly agreed with the statements that Adoption of IPSAS in NGO enhances the process of making choices by identifying a decision, gathering information, and assessing alternative resolutions. (M=4.55 and SD=.62). Adoption of IPSAS facilitates the process in which NGO' that allow managers, donors and analysts to understand the company's health and make informed decisions. (M=4.61 and SD=.56). Using a step-by-step decision-making process can help NGO manager make more deliberate, thoughtful decisions by organizing relevant information and defining alternatives through adoption of IPSAS (M=4.67 and SD=.48). Respondents felt that by having better information, IPSASs improve decision-making by providing accurate, timely, relevant, and trustworthy financial data.

IPSAS strives to raise the standard of general purpose financial reporting by public sector organizations and resource allocation decision-making, which results in more accurate evaluations of the decisions made by organizations Ernst and Young, (2013); Bellanca & Vandernoot, (2014). This was supported by Diniz et al. (2015) who claimed that IPSAS provides better decision-making, more statement comparability, a decrease in potential fraud, and increased information credibility. Obara & Nangih (2017) and WHO (2013) concurred, noting that the use of IPSAS strengthens internal controls, promotes resource and financial stewardship, and improves decision-making and good governance.

V. Reliability

The mean shown above gave by the respondents implied that most of the participants strongly agreed with the statements that Adoption of IPSAS facilitates to ensure that all NGO transactions, events, and activities presented in the financial statements makes reliable through check, verify, and review the objective evidence. (M=4.12 and SD=.74) In the adoption of IPSAS first

understanding of the benefit of reliability helps to make easy process for the adoption. (M=3.97 and SD=.68) If the information is not reliable, you are risking that any NGO decision based on these financial statements will be incorrect or mislead. (M=4.27 and SD=.72)

Ijeoma (2014) focused on the advantages of (IPSAS) on the reliability, credibility, and integrity of financial reporting in state government administration in Nigeria. He came to the conclusion that the adoption of IPSAS will increase the state government's financial management's reliability, credibility, and integrity in Nigeria's public sector. Users could rely on reliable information to faithfully represent what it significant to express or could reasonably be expected to represent since it is free from material mistake and prejudice.

4.3.2. Descriptive Statistics on the challenge of adopting IPSAS

In addition to outlining the benefits expected from the application of IPSAS, this report identifies and addresses a number of risks that executive heads should consider in order to ensure a successful transition to IPSAS. ACCA (2017) despite these strong benefits, there is a wide variation in the rate of progress made with IPSAS adoption. Progress remains slower than is desirable. Specific, complex and consistent implementation challenges have faced adopting organization, which need to be overcome.

Table 4.8

Statements	Scale	Frequency	Percent	Mean	Std. Deviation
Skill gap In adoption of IPSAS a skills gap is one of the challenges that mismatch the right skill for the jobs available.	Disagree	1	3.0	4.39	.827
	Neutral	4	12.1		
	Agree	9	27.3		
	Strongly Agree	19	57.6		
	Total	33	100.0		
Because of skills gap employee might not be able to perform the complete job. Skill gap presents an opportunity for the company and the employee to identify the missing skills.	Neutral	3	9.1	4.52	0.667
	Agree	10	30.3		
	Strongly Agree	20	60.6		
	Total	33	100.0		
Skills gap in adoption of IPSAS creates difference between the skills required for a job and the skills employee actually possesses.	Disagree	1	3.0	4.15	0.87
	Neutral	7	21.2		
	Agree	11	33.3		
	Strongly Agree	14	42.4		
	Total	33	100.0		
Implementation cost				4.18	0.635
Implementation Costs in adoption of IPSAS is one of the challenge that first identify to for the implementation of IPSAS.	Neutral	4	12.1		
	Agree	19	57.6		
	Strongly Agree	10	30.3		

	Total	33	100.0		
Launch the adoption of IPSAS needs costs for planning, and implementation so that makes an organization ready for its adoption of the Standards.	Neutral	5	15.2	4.06	0.609
	Agree	21	63.6		
	Strongly Agree	7	21.2		
	Total	33	100.0		
The transition to IPSAS imposed significant AIS, staff training and development, and financial statement adjustment.	Neutral	6	18.2	4.03	0.637
	Agree	20	60.6		
	Strongly Agree	7	21.2		
	Total	33	100.0		
Resistance				3.97	0.77
First identifying that the quality of professionals to understand the standard and weak proper interpretation helps an organization to adopt IPSAS.	Neutral	10	30.3		
	Agree	14	42.4		
	Strongly Agree	9	27.3		
	Total	33	100.0		
The culture of resistance to adopt IPSAS specially by aged peoples may be the challenges to conversion and interpretation of the standards	Neutral	10	30.3	3.85	0.667
	Agree	18	54.5		
	Strongly Agree	5	15.2		
	Total	33	100.0		
Complex & Comprehensiveness				4.12	0.893
In adoption of IPSAS including all financial and non-financial activities makes complex the adoption process	Disagree	2	6.1		
	Neutral	5	15.2		
	Agree	13	39.4		
	Strongly Agree	13	39.4		
	Total	33	100.0		
lack of adequate implementation guidance hinders the adoption process	Neutral	5	15.2	4.33	0.736
	Agree	12	36.4		
	Strongly Agree	16	48.5		
	Total	33	100.0		
Lack of availability of competent specialist, high level of training cost requirements, less familiarity with the IT, lack of proper instructions from regulatory bodies and problem of proper plan, are challenges of NGO to adopt IPSAS.	Disagree	1	3.0	4.42	0.751
	Neutral	2	6.1		
	Agree	12	36.4		
	Strongly Agree	18	54.5		
	Total	33	100.0		
Technology and infrastructure				4.03	0.467
It is one of the challenge of adopting IPSAS in NGO understand how technology outsourcing arrangements and systems to facilitate the adoption works	Neutral	3	9.1		
	Agree	26	78.8		
	Strongly Agree	4	12.1		
	Total	33	100.0		
In the process of adopting IPSAS lack of personnel training in IT hinders the process of adopting the standards.	Neutral	3	9.1	4.18	0.584
	Agree	21	63.6		
	Strongly Agree	9	27.3		
	Total	33	100.0		

Average

4.17 0.70

Source: survey

A. Skill Gap

The mean indicated in the table 4.8 implied that most of the participants strongly agreed with in adoption of IPSAS a skills gap is one of the challenges that mismatch the right skill for the jobs available. (M=4.39 and SD=.827) Because of skills gap employee might not be able to perform the complete job. Skill gap presents an opportunity for the company and the employee to identify the missing skills. (M=4.52 and SD=0.667) Skills gap in adoption of IPSAS creates difference between the skills required for a job and the skills employee actually possesses. (M=4.15 and SD=.87)

ACCA (2017) Public sector organizations may not have the skills, competence and staffing levels needed; adopting IPSAS has been a challenge in many countries. Implementation requires a program of training to raise skills and there will be additional pressures to recruit and retain IPSAS-focused and skilled staff.

Iyoha & Jimoh (2011) also reported that education and training of accountants affects IPSAS implementation significantly. The skills challenge goes beyond a lack of core IPSAS knowledge and understanding; other challenges will include the translation of standards and guidance materials. Skill gaps include some reporting areas, particularly in the narrative reporting accompanying the financial statements to clarify what the financial data is telling the users. IPSAS adoption not only requires a paradigm shift in skills, but also a change in finance culture and mindset to exploit the opportunities presented by professional accountants to drive value. In addition to the technical skills required, there are country specific language challenges that need to be addressed. The overall accountancy capacity within a country will impact on its ability to recruit and retain qualified staff within government, and implementation will require up-skilling. This may lead to staff leaving the organization, but can also be viewed as an opportunity to develop existing staff.

B. Implementation Cost

As can be observed from table 4.8, the item to which respondents showed tendency to disagreement. So the mean shown above gave by the respondents implied that most of the participants strongly agreed with the transition to IPSAS imposed significant AIS, staff training and development, and financial statement adjustment. (M=4.18 and SD=0.635) Launch the adoption of IPSAS needs costs for planning, and implementation so that makes an organization ready for its adoption of the Standards. (M=4.06 and SD=0.609) Implementation Costs in

adoption of IPSAS is one of the challenges that first identify to for the implementation of IPSAS. (M=4.03 and SD=0.637)

Delloite & Touch (2011) buttressed this assertion that for IPSAS to be implemented, costs such as research, training, technology, and consultancy should be well catered for. Moreover, Mohammed & Allawi (2014) confirmed that costs significantly affect IPSAS implementation. In the same vein, Ouda (2004) reported that many countries are unable to implement IPSAS because of inadequate finances on their part. The costs of implementation (both financial and resource based) should not be under-estimated from both a finance and audit perspective. Costs will be incurred for training, the use of specialized external consultants, IT upgrades and the development of appropriate guidance and translation tools. Adequate financial resources should also be devoted to targeted stakeholder engagement and for other engagement and awareness activities. (ACCA 2017). Alshujairi (2014) found out that, big costs of implementation, scarcity of highly qualified professionals and trained human resources and unsatisfactory government accounting information technology system are challenges of IPSAS adoption in Iraq.

C. Resistance

The mean indicated above gave by the respondents implied that most of the participants agreed with The culture of resistance to adopt IPSAS specially by aged peoples may be the challenges to conversion and interpretation of the standards (M=3.85 and SD=0.667) and First identifying that the quality of professionals to understand the standard and weak proper interpretation helps an organization to adopt IPSAS. (M=3.97 and SD=0.77)

The adoption of IPSAS just like any new concept will encounter resistance because of the fear of the unknown. Government officials who are used to the cash basis of accounting in the public sector may not be willing to embrace the new system. Consequently, Ministries, Departments and Agencies of Government may progress slowly in adopting IPSAS.

Difficulties Associated with Change The implementation of IPSAS would result in use of new standards, new principles, new rules and new terminologies which will give rise to difficulties and act as a challenge in its adoption. Paul Aondona Angahar1 & Stephen (2019)

Al-Htaybat (2017) also stated that more legal and political intervention by the government results in resistance to the extent of denying economic benefits and observing only the short term burden as a cost (both in money terms as well as psychologically). The resistance by auditors and accountants to introduce the IPSASs guidelines in an organization has also resulted in the

unsuccessful deployment of the standards in most countries Kalulu, (2015) Ahmad & z Nasserredine, (2019).

D. Complex and Comprehensiveness

As can be observed from table 4.8, in adoption of IPSAS including all financial and non-financial activities makes complex the adoption process (M=4.12 and SD=0.89) lack of adequate implementation guidance hinders the adoption process (M=4.33 and SD=0.74) Lack of availability of competent specialist, high level of training cost requirements, less familiarity with the IT, lack of proper instructions from regulatory bodies and problem of proper plan, are challenges of NGO to adopt IPSAS. (M=4.42 and SD=0.75)

Montesinos, 2004; Grossi and a\Soverchia, (2011); Alesani et al., (2012) stated that the operational complexity, the nature of the resources that they control and their areas of responsibility, make them significant cases for evaluating the achievements and obstacles in the adoption process. The complex financial reporting requirements of IPSAS give rise to increased cost in terms of developing manuals, education and training of staff, research, technology and consultancy. Besides, availability of qualified expertise who are familiar with the international standards; readiness from those involved and resistance to change are considered to be the challenges in adopting IPSAS PrinceWaterHouseCoopers, (2012); PriceWaterHouseCoopers, (2009).

E. Technology and Infrastructure

As we can see from the table 4.8, we can understand that most participants were agreed on the process of adopting IPSAS lack of personnel training in IT hinders the process of adopting the standards. (M=4.03 and SD=0.467) It is one of the challenge of adopting IPSAS in NGO understand how technology outsourcing arrangements and systems to facilitate the adoption works (M=4.18 and SD=0.584)

According to Mirosea, Boolaky, and Signh (2017), decisions on information technology support are required to support accrual-based accounting. In addition, restructuring of the organization, determination of the pilot implementation sites, and a thorough execution plan have not be adequately designed and initiated to support the process thus making it a challenge for the

accounting function to adopt IPSAS. Existing technology will not necessarily support implementation. This can be costly and will require expert advice and consultancy to support configuration, training of users and transfer to business as usual. Adoption is likely to require the replacement or adaptation of some existing IT systems, data structures and charts of accounts. Reporting systems and structures may need to be updated as part of the transition process. ACCA, (2017)

4.3.3. Smooth process of IPSAS adoption

Regarding the analysis of the knowing and understanding the benefit and challenge of adopting IPSAS on NGO in Ethiopia, it clear that most of the respondents were strongly agreed that before starting the IPSAS adopting process the participants agreed that organization should first identifying and understanding IPSAS benefits and difficulties in order to smoothen the adoption process.

Table 4.9

Statements	Scale	Frequency	Percent	Mean	Std. Deviation
First identifying or understanding the benefits of adopting IPSAS helps an organization to adopt and implement the standards easily	Neutral	1	3.0	4.64	0.549
	Agree	10	30.3		
	Strongly Agree	22	66.7		
	Total	33	100.0		
Initially identifying transparencies that provides a better understanding of financial performance in order to facilitate the adoption process	Agree	17	51.5	4.48	0.508
	Strongly Agree	16	48.5		
	Total	33	100.0		
First understanding the challenges of IPSAS makes ready an organization to easily adopt and implement the standards	Neutral	2	6.1	4.39	0.609
	Agree	16	48.5		
	Strongly Agree	15	45.5		
	Total	33	100.0		
Knowing the challenges of IPSAS before adoption the standards helps NGO to prepare adequate budget to facilitate the adoption process.	Disagree	1	3.0	4.42	0.708
	Neutral	1	3.0		
	Agree	14	42.4		
	Strongly Agree	17	51.5		
	Total	33	100.0		
Identifying skill gaps is essential for the companies to ensure that the workforce is well trained, knowledgeable & better equipped to implement the standards.	Agree	13	39.4	4.61	0.496
	Strongly Agree	20	60.6		
	Total	33	100.0		
Average				4.5	0.57

The above table 4.9 indicates that most respondents were strongly agreed that first identifying or understanding the benefits of adopting IPSAS helps an organization to adopt and implement the standards easily (M=4.64 and SD=0.549), initially identifying transparencies that provides a better understanding of financial performance in order to facilitate the adoption process (M=4.48 and SD=0.508), first understanding the challenges of IPSAS makes ready an organization to easily adopt and implement the standards (M=4.39 and SD=0.609), knowing the challenges of IPSAS before adoption the standards helps NGO to prepare adequate budget to facilitate the adoption process. (M=4.42 and SD=0.708) and identifying skill gaps is essential for the companies to ensure that the workforce is well trained, knowledgeable & better equipped to implement the standards. (M=4.61 and SD=0.496). There for the average value also indicates that (M=4.5 and SD=0.57) many respondents strongly agreed on understanding and having knowledge about the benefit and difficulties of adopting IPSAS in order to adopt smoothly.

4.4. Interview analysis

To understand and having knowledge about the benefit and difficulties of adopting IPSAS in order to smoothen adoption process, the researcher was conducted an unstructured interview with AABE expert; the interview data analyzed based on narration.

Most Non-profit organizations tried to convert their financial reporting method based on the requirements and principles set 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 adoption of IPSASs, according to AABE respondents, enhances the quality and comparability of financial information reports by public sector organizations globally, according to IFAC (2019). This suggests that respondents' perceptions of IPSAS'

advantages are that they improve accountability, transparency, comparability, and financial report quality.

- Additionally, there were issues with IPSAS preparedness in an organization, which was advantageous for the quick and simple deployment of IPSAS. Below are a few of the difficulties:
- The shortage of qualified accountants, consultants, and audit firms, as well as a lack of interest in attending training, pose challenges for IPSAS. There is no management team that is fully aware on IPSAS, and there is no system in place to enforce compliance with IPSAS. So 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).
- The other is that it costs a lot of money to implement IPSAS, and from the perspective of donors, having their own report is what they are most concerned about. Therefore, once they comply with their regulations, there is no need to fund other extra activities in order to secure funding for the hiring of accountants and/or consultants with plan to execute IPSAS, which requires a separate investment. Additionally, revaluing those fixed assets is more expensive than it is advantageous, according to ABEE informants. Costs were cited by Woldeha (2017) as the main obstacles to IPSAS adoption in Ethiopia.
- The information and communication gap is a problem that first-time adopters face. Most stakeholders who engage with AABE, according to first-time adopters, are unaware of IPSAS, which creates an information gap. There is also communication gap between AABE and Society and Civil Servant Organization.

Nowadays, AABE tried to prepare Training to make IPSAS implementation a more accurate way. Progressive capacity building has been undertaken. In addition to that, technical support has held, Seminar also held to make IPSAS adoption real and to give awareness. In addition, Monitoring and evaluating organization for the effectiveness of adopting IPSAS.

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.

The finding shows that the types of challenges in IPSAS adoption categorized by, less skill capacity, high investment on cost and less capacity in technology and infrastructure, and compressive and complexity. So that adoption of 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 IPSAS 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 attentiveness and make themselves ready and aware, equip staffs with IPSAS knowledge and ensure work stability by setting code of conduct by make certain constant follow-up and monitoring.

CHAPTER FIVE

5. SUMMARY, CONCLUSION AND RECOMMENDATIONS

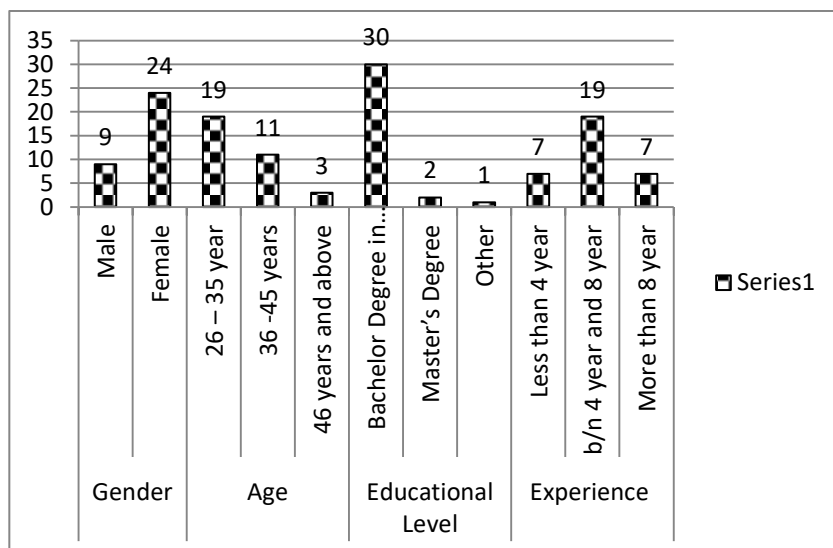
5.1. Introduction

The purpose of the study was to ascertain on first identifying and understanding the benefit and difficulties of adopting IPSAS in Ethiopian NGO. This creates awareness and readiness by understanding about IPSAS benefit and difficulties in order to make IPSAS adoption smooth. And this will be taken to alleviate the challenges to be encountered in adopting IPSAS. This chapter includes the summary of findings, conclusions and recommendations based on the study findings. Situation of IPSAS adoption process and its benefit and challenge and this would give a good indication for their responses.

5.2 Conclusion

In general most respondents are able to show the importance of readiness and awareness before adopting IPSAS by identifying and understanding the benefits and challenges of adopting IPSAS for Non-Government Organization in Ethiopia. The table presented below showed the summary of demographic study of respondents.

Figure 1, Demographic Variables



The Majority of the respondents are Female (24 out of 33) between the ages of 26 to 35. On top of this, majority of the respondents have Bachelor Degree (30 out of 33). And most of the respondents have work experience between 4 and 8 years (19 out of 33). This contributes to good indication that their education level and work experience and certification ease to have awareness and readiness of the organization to adopt IPSAS Smoothly.

As the response indicated that majority of the respondents strongly agreed with first knowing and understanding the benefits and difficulties of adopting IPSAS in order to make the organization ready and aware how and why to adopt IPSAS in non-government organization in Ethiopia.

“conversion to the international reporting standards leads to greater transparency, Accountability, comparability, increased level of reliability in financial reporting, cost efficiency, proactive risk management and for good decision making” AABE, (2016). Conversion to IPSAS for the public sector is inevitable and therefore it is necessary to check the readiness of civil servant organization and give them the necessary support to be able to adopt and implement the standards as expected. At the same time, IPSAS adoption and implementation is not expected to be free from problem. Implementation is beyond an accounting exercise and requires system change.

As AABE (2016) explained public awareness, cost of implementation, education for the accounting professionals and management and the synchronization of IPSAS with the existing laws among the expected challenges in Ethiopia, appealing to assess issues that charities perceive that would hinder full enjoyment of IPSAS. IPSAS is also time and money consuming. It demands extra time and effort of practitioners and verifiers at the same time it demands managers to have strong IPSAS knowledge to comprehend and critically examine financial information produced using IPSAS Adamu & Ahmed, (2014). The complex financial reporting requirements of IPSAS give rise to increased cost in terms of developing manuals, education and training of staff, research, technology and consultancy. Besides, availability of qualified expertise who are familiar with the international standards; readiness from those involved and resistance to change are considered to be the challenges in adopting IPSAS. PrinceWaterHouseCoopers, (2012).

Big costs of implementation, shortage of qualified and trained personnel and unavailability of IT-accounting system were confirmed as a challenge in a study conducted this by saying adequate technical capacity in IPSAS lacks in public sector which as a result make adopter not ready for the transition and resist the transition for fear of the unknown.

Depending on the organizations' initial readiness for IPSAS requirements, the transition to IPSAS has been a major undertaking for most organizations as it is impacting accounting, financial reporting and associated information technology systems and should lead to a new approach to planning, decision-making, budgeting and financial reporting. It is expected that the reporting of assets, liabilities, revenue and expenses in accordance with independent international

standards will significantly improve the quality, comparability and credibility of financial statements of the organization. Underestimation of organizations concerted efforts and resources that would be required and failed to undertake initial preparedness and risk assessments. This leads to difficult the IPSAS adoption process.

5.3. Recommendation

So that non-governmental organization working in Ethiopia, better to understand and identify first the benefits and challenges of adopting IPSAS to smoothen its adoption process. According to the analysis the benefits of adopting IPSAS (Transparency, Accountability, Comparability, Decision making and Reliability) and the difficulties to adopt IPSAS (Skill gap, Implementation cost, Complexity and comprehensiveness, Technology and Infrastructure and Resistance) considered important aspects in adopting process of IPSAS in the non- government organization in Ethiopia.

The study helps to answer the research questions that first identifying, understanding and recognizing the IPSAS benefits and difficulties before adoption leads to smoothen the IPSAS adoption process for NGO's in Ethiopia. In this case adopting IPSAS for non-government organization professionally should consider what role they can play in before adoption to increasing awareness of the need for first identifying and understanding the benefit and challenges in adopting and implementing IPSAS to generate reliable and comparable financial reports in non-government organization in Ethiopia. So that the application of IPSAS facilitates governments and other public sector entities being more accountable to their citizens, and so enhances global fiscal stability, sustainability, and accountability.

Management teams in NGOs need to get the awareness and knowledge on IPSAS benefit and difficulties in order to make the adoption process easy. So the need to invest in IPSAS for the benefits for both the organization and the country as a whole preferable to include IPSAS knowledge as a mandatory for finance staffs specifically and other non-finance staffs in general that IPSAS adoption will also improve donor confidence in the country as IPSAS encourages transparency and comparability. Mhaka (2014)

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5.4. APPENDIX (SURVEY INSTRUMENT)

Dear Sir/Madam

I would like to invite you to respond in this survey that organized for Masters Research Thesis at Addis Ababa University Faculty of Business and Economics in Department of Accounting and Finance. This questionnaire is part of my research project entitled “Benefit and difficulties on adopting IPSAS on non-government organization in Ethiopia” specifically the study aims first to identify the benefit and difficulties of adopting IPSAS in order to make smooth the process of adopting and implementation IPSAS in non-government organization in Ethiopia.

Your involvement in this research is voluntary and you are free to decide not to participate in the research by returning the incomplete questionnaire. However, if you complete the questionnaire and return it to me, it will be understood that you have agreed to participate in this survey and consent to publication of the results of this research with the understanding that anonymity will be preserved. Your participation is of great assistance to this study. This survey will take a maximum of 30 minutes to complete. I would be so much grateful if you would complete the questionnaire and return it to me once you have finished by using appropriate channel.

Returning back the questionnaire is completely without name or any details in any part of it. Complete secrecy is assured in this survey. No questions are asked which would identify you as an individual. All responses will be aggregated for analysis only, and the findings will not be reported in any way that could lead to the identification of individuals. Thank you for your kind co-operation and assistance.

Yours sincerely

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PART I: DEMOGRAPHIC INFORMATION

Please **CIRCLE/ SHADE** the option that best describes your answer.

1. Your gender? 1. Male 2. Female
2. Your age? 1) 20 – 25 years 2) 26 – 35 year 3) 36 -45 years 4) 46 years and above
3. Your academic qualification?
 1. Certificate in accounting
 2. Diploma in accounting
 3. Bachelor Degree in accounting and Finance
 4. Master’s Degree
 5. Other
5. For how long have you served with NGOs?
 1. Less than 4 year
 2. b/n 4 year and 8 year
 3. More than 8 year

Part II: BENEFITS OF ADOPTING IPSAS IN NGO

Below is a series of description of the benefit of adopting IPSAS. Please **CIRCLE/SHADE** how strongly you agree or disagree with each of the following statements on a scale of 1 to 5, as indicated below, Strongly Agree (SA=5), Agree (A=4), Neutral (N=3), Disagree (D=2), and Strongly Disagree (SD=1)

Descriptions	SA	A	N	D	SD
Transparency					
Adoption of IPSAS makes Financial Statement obvious and easy to understand for others to see what actions are performed in NGO	5	4	3	2	1
Transparency empowers the people in NGO works with, enhances collaboration among stakeholders and in turn acts as a catalyst for additional resources from donors.	5	4	3	2	1
Do you think transparency is a tool that builds trust and adds real value? So understanding of its benefit contributes to adopt IPSAS easily.	5	4	3	2	1
Accountability					
Adoption of IPSAS in NGO improves accountability which means responsible for ones decisions or actions and giving explanations when asked to do so.	5	4	3	2	1

IPSAS implementation demands professionals to act consistently with the ethical standards and the values, policies, strategies, expectations and outcomes of non-profit organization.	5	4	3	2	1
Adoption of IPSAS enhances an obligation or willingness to accept responsibility or to account for the responsible actions. So this leads to facilitate the adoption process of IPSAS	5	4	3	2	1
Comparability					
Adoption of IPSAS develops the comparability of financial statements over different accounting periods by using the application of similar accountancy policies over a period of time.	5	4	3	2	1
Comparability in adoption IPSAS in NGO, is one of the primary reasons for developing accounting standards. IPSAS adoption exerted significant and positive relationships with financial reporting quality, credibility and comparability of financial statements.	5	4	3	2	1
In adoption of IPSAS comparability helps to of users to identify and understand similarities of, and differences between, items	5	4	3	2	1
Decision making					
Adoption of IPSAS in NGO enhances the process of making choices by identifying a decision, gathering information, and assessing alternative resolutions.	5	4	3	2	1
Adoption of IPSAS facilitates the process in which NGO' that allow managers, donors and analysts to understand the company's health and make informed decisions.	5	4	3	2	1
Using a step-by-step decision-making process can help NGO manager make more deliberate, thoughtful decisions by organizing relevant information and defining alternatives through adoption of IPSAS	5	4	3	2	1
Reliability					
Adoption of IPSAS facilitates to ensure that all NGO transactions, events, and activities presented in the financial statements makes reliable through check, verify, and review the objective evidence.	5	4	3	2	1
In the adoption of IPSAS first understanding of the benefit of reliability helps to make easy process for the adoption.	5	4	3	2	1
If the information is not reliable, you are risking that any NGO decision based on these financial statements will be incorrect or mislead.	5	4	3	2	1

PART III: Challenge of Adopting IPSAS

Please express your feelings and opinions by indicating your preferred statement regarding the challenge of adopting IPSAS. Please CIRCLE/SHADE how strongly you agree or disagree with each of the following statements on a scale of 1 to 5, as indicated below, Strongly Agree (SA=5), Agree (A=4), Neutral (N=3), Disagree (D=2), and Strongly Disagree (SD=1)

Descriptions	SA	A	N	D	SD
Skill gap					
In adoption of IPSAS a skills gap is one of the challenge that mismatch the right skill for the jobs available.	5	4	3	2	1
Because of skills gap employee might not be able to perform the complete job. Skill gap presents an opportunity for the company and the employee to identify the missing skills.	5	4	3	2	1
Skills gap in adoption of IPSAS creates difference between the skills required for a job and the skills employee actually possesses.	5	4	3	2	1
Implementation cost					
Implementation Costs in adoption of IPSAS is one of the challenge that first identify to for the implementation of IPSAS.	5	4	3	2	1
Launch the adoption of IPSAS needs costs for planning, and implementation so that makes an organization ready for its adoption of the Standards.	5	4	3	2	1
The transition to IPSAS imposed significant AIS, staff training and development, and financial statement adjustment.	5	4	3	2	1
Resistance					
First identifying that the quality of professionals to understand the standard and weak proper interpretation helps an organization to adopt IPSAS.	5	4	3	2	1

The culture of resistance to adopt IPSAS specially by aged peoples may be the challenges to conversion and interpretation of the standards	5	4	3	2	1
Complex & comprehensiveness					

In adoption of IPSAS including all financial and non-financial activities makes complex the adoption process	5	4	3	2	1
lack of adequate implementation guidance hinders the adoption process	5	4	3	2	1
Lack of availability of competent specialist, high level of training cost requirements, less familiarity with the IT, lack of proper instructions from regulatory bodies and problem of proper plan, are challenges of NGO to adopt IPSAS.	5	4	3	2	1
Technology and infrastructure					
It is one of the challenge of adopting IPSAS in NGO understand how technology outsourcing arrangements and systems to facilitate the adoption works	5	4	3	2	1
In the process of adopting IPSAS lack of personnel training in IT hinders the process of adopting the standards.	5	4	3	2	1

PART IV: Smoothen IPSAS adoption process

Please express your feelings and opinions by indicating your preferred statement regarding to **Smoothen IPSAS adoption process**. Please CIRCLE/SHADE how strongly you agree or disagree with each of the following statements on a scale of 1 to 5, as indicated below, Strongly Agree (SA=5), Agree (A=4), Neutral (N=3), Disagree (D=2), and Strongly Disagree (SD=1)

Smoothen IPSAS adoption process	SA	A	N	D	SD
1. First identifying or understanding the benefits of adopting IPSAS helps an organization to adopt and implement the standards easily	5	4	3	2	1
2. Initially identifying transparencies that provides a better understanding of financial performance in order to facilitate the adoption process	5	4	3	2	1
3. First understanding the challenges of IPSAS makes ready an organization to easily adopt and implement the standards	5	4	3	2	1
4. Knowing the challenges of IPSAS before adoption the standards helps NGO to prepare adequate budget to facilitate the adoption process.	5	4	3	2	1
5. Identifying skill gaps is essential for the companies to ensure that the workforce is well trained, knowledgeable & better equipped to implement the standards.	5	4	3	2	1

Interview Questions with AABE expert

1. What is your position in AABE?
2. Do you have an idea how the adoption of IPSAS make easy on NGO in Ethiopia.
3. Do you think that first understanding and having knowledge about the benefit and difficulties of adopting IPSAS in order to smooth the adoption process?
4. Do you have any familiarity with the adoption of IPSAS Benefits?
5. Do you have information about the adoption of IPSAS difficulties?
6. Would you mention the steps taken in AABE to make IPSAS adoption easy?
7. What is the current situation on IPSAS adoption in Ethiopian NGO?

