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FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

RESEARCH\ PROJECT

The Impact of output related incentives on financial reporting quality : A case of BSi Steel
Zimbabwe.

BY

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This dissertation is submitted in partial fulfilment of the requirements of the Bachelor of
Commerce (Honours) Degree in Accounting at MSU, Gweru, Zimbabwe, 2017

APPROVAL FORM

The undersigned certify that they have supervised Tsitsidzashe Makubaza, registration number R136467F through her research on the topic entitled ‘**The impact of output related incentives on financial reporting quality**’. The dissertation, was submitted in partial fulfilment of the requirements of the Bachelor of Commerce Accounting Honours Degree (HACC) undertaken at Midlands State University.

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DEDICATIONS

I dedicate my work to my brothers, sisters and most importantly to my ever-loving mother Mrs S. Chinobva for her love, inspiration and support throughout this journey.

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Chapter One

1.0 Introduction

Many authors have written about output related incentives and financial reporting quality with the dominant issue being the effect of the output related incentives on financial reporting quality. It is said that output related incentives have a negative effect on financial reporting quality, and this notion is supported by (Baik et al (2015), Isidro and Raonic (2011), Irfanullah Financial Training (2014), Ng et al (2014), Forbes et al (2012) and The Institute of Internal Auditors (2011). They say that in the presence of an incentive program, employees regardless of their level in the company they have a motivation to manipulate transaction in their favor in order to get the incentives. Nevertheless, other authors say that other factors such as poor employee quality, low employee trust, and excessive enforcement of rules and policies at the workplace, poor corporate governance and earnings management actually affect financial reporting quality. This is supported by (Call et al (2011), Garret et al (2016), Ewert and Wagenhofer (2015), Sahlman (2011), Huffman and Western (2015) and Bassemir and Farkas (2016). Their argument is that poor employee quality increases the chances of employee violation of policies, low employee trust exhibits untrustworthiness of management and that excessive enforcement of rules causes slacking on those charged in monitoring controls thereby reducing the quality of financial reporting. They go on to say that, earnings management is biased reporting because they say it is misclassification of special items. My research gap is on the extent to which output related incentives affect financial reporting quality and what should be done to improve financial reporting quality in such settings.

1.1 Background of the study

BSi Steel Zimbabwe is a steel merchant company with its head office in South Africa. In September 2012 the top management in South Africa decided to set quarterly targets for the Zimbabwe branch so as to grow its market share, in which an incentive is to be received when the targets are reached (Branch manager's Memo dated 25 September 2012). The headquarters sets a certain gross profit target and an incentive is given to all the employees of BSi Steel Zimbabwe if they reach either 75% or 100% or 120% of the gross profit target. If they reach 75% of the gross profit target then they get an incentive of 75% of their salary and so forth (Branch Manager's Memo dated 4 June 2013).

Ever since 2013 the company has noted that the accounts department has been discovering errors, some material others immaterial but material when aggregated especially right after the end of the quarterly reporting period when the incentives will already be declared (Branch Manager’s performance report dated 3 February 2016). Seventy-five percent of these errors will be material to reaching the quarterly targets. The errors will be in the form of invoice items cancelled but the corresponding credit note not processed, unpaid invoices in in-house accounts and misallocated payments (Finance Manager’s report dated 2 October 2015). Below is a table (Table 1.1) showing the impact of errors discovered after the reporting period on its contribution to reaching set targets from the 3rd quarter of 2014 to the 2nd quarter of 2016.

Table 1.1 Errors that have been discovered at BSi Zimbabwe

Year	Set target gross profit	Aggregated errors found	% contribution of errors on target
3 rd quarter 2014	\$150,000	\$6,825.28	5%
4 th quarter 2014	\$250,000	\$12,639.45	5%
1 st quarter 2015	–	\$2,345.38	–
2 nd quarter 2015	–	\$ 2,527.76	–
3 rd quarter 2015	\$250,000	\$ 16,374.54	7%
4 th quarter 2015	\$300,000	\$ 55,235.12	18%
1 st quarter 2016	\$300,000	\$13,365.55	4%
2 nd quarter 2016	\$500,000	\$22,356.43	4%

Extracted from Finance Manager’s reports 2014-2016

As evident from the information above the errors when aggregated are fairly material in that they contribute between 4-7% of the various set targets, with the errors in the 4th quarter of 2015 largely contributed by an unusual transaction. It is also plain from the tables that in the quarter

when targets were not set the errors were not as substantial as when targets are set. In 2014 the errors contribution to set targets were at 5%, because it was the time the errors started to be noticeable and in the first half of 2015 (first and second quarter) they were nil because no targets were set. In the second half of 2015 (3rd and 4th Quarter) the percentage contribution of errors on targets rose to 7 and 18 percent respectively. This was mainly because little attention was given to the supervision of in-house accounts because there was a new credit controller who was still getting to know the organisation. In 2016 the errors contribution to set targets dropped to 4% because there was close monitoring and new controls had been put in place.

From the evidence above it is plain that output related incentives have largely affected the quality of the financial reports as they will not be faithfully represented in that they will be containing errors, incomplete and inclined to a particular position. The frequency of the occurrence of these accounting errors raised the concerns of the group's financial director as he said that care must be taken when recording transactions (Financial Director's annual report 2014). In an attempt to avoid the occurrence of these errors, the accounting department of the Zimbabwe branch now ends up sending financial statement a day or two late as they will be trying to look out for errors and correct them. This has ended up compromising the quality of the reports, as they will not be available on time to the group's management.

1.2 Statement of the problem

BSi Steel Zimbabwe has managed to grow its market share and has become a household name in the steel industry. The company has been doing very well in the last few years, this has greatly been contributed by the output related incentives program put in by the headquarters. However, this program has imposed a threat to financial reporting quality. To what extent does output related incentives affect financial reporting quality and what can be done to improve the quality of financial reporting?

1.3 Main research question

To what extent does output related incentives affect the quality of financial reporting and what can be done to improve the quality of financial reporting when there is such a program?

1.4 Research objectives

- To establish the accounting shenanigans used by managers to reach set targets and get output related incentives.
- To investigate the threats imposed by output related incentives on financial reporting quality.
- To investigate ways to reduce threats imposed by output related incentives on financial reporting quality.
- To establish the best practice in implementing output related incentives
- To establish the relationship between output related incentives and financial reporting quality.

Sub research questions.

- What are the accounting shenanigans used by managers to reach set targets and get output related incentives?
- What are the threats imposed by output related incentives on financial reporting quality?
- What can be done to reduce the threats imposed by output related incentives on financial reporting quality?
- What is the best practice in implementing output related incentives?
- What is the relationship between output related incentives and financial reporting quality?

1.5 Delimit of the study

The study will be carried out at BSi Steel Zimbabwe at the Harare branch, in relation to financial information from January 2014 to June 2016. The study will be done in the accounts department.

1.6 Justification.

This research will contribute greatly to the body of knowledge in that though literature in financial reporting has been growing rapidly, little has been said on output related incentives and financial reporting quality. This research will make a great contribution in this area.

1.7 Assumptions to the research

- The controls and policies of the organisation will not change during the course of the research.
- The organisation will remain as a going concern for the time under which the study will be carried out.
- The external environment, which is the political, economic, social and legal environment, will remain unchanged during the time the research will be undertaken.

1.8 Limitations to the study

- Limited access to financial data because of the restrictive policy of the organisation on the access of files and other information, which might be relevant for the study.
- Respondents may be hesitant to bring out information that they may regard as confidential in their opinion; nevertheless, reassurance will be given that the information will exclusively be used for academic purposes and it will not be disclosed to anyone.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter is about what other authors have written concerning output related incentives and financial reporting quality.

2.1. The accounting shenanigans used by managers to reach set targets and get output related incentives.

Output related incentives motivate employees to work hard and press towards achieving the goal. Sometimes employees and managers get too desperate to get the incentives, or targets may be unreachable and too unrealistic forcing managers to use accounting shenanigans so that they reach set targets. According to Black (2014) incentives encourage managers to act in ways unethical to the accounting practice in a bid to reach set targets. He says that managers are motivated to lie, and cheat, and also falsify financial results in order to get incentives. He says management overrides, transaction manipulation, improper revenue recognition and hiding expenses are some of the shenanigans used by managers to reach set targets. Feng et al (2011) classified the accounting shenanigans as transaction manipulation, creative accounting and management override and collusion.

2.1.1 Transaction Manipulation

Top management may instigate manipulation of financial statements or financial statement element in a bid to fatten their pockets through incentives and compensations. They can do anything in order to reach set targets, and they can do anything in their power which may not represent a true and fair view of the situation on the ground, Tao and Greenwood (2016). According to Mamo and Aliaj (2014) manipulation of financial statement is the distortion of, and or misstatement of financial information thereby falsifying the entity's true financial affairs. Mamo and Aliaj (2014) postulated that managers are in a position to manipulate information as they have privileges in accessing information and a responsibility of securing the information and them being a watchdog to the entity's resources they can abuse their office. Walker (2011) in support of the assertion added on to say that manipulation of financial information includes

capitalization of expenses, intentional omission of financial items such as debts, fake accounting entries, making up of numbers and intentional understating or overstating numbers. Ozdagoglu et al (2017) supported Mamo and Aliaj and added on to cite that, manipulation of financial information also includes period shifting, tempering with accounting estimates, doctoring documents and falsifying work reports. Holthausen et al (2014) and Klassen and Mawani (2014) in support of Mamo and Aliaj (2014) had similar views as they were of the opinion that transaction manipulation is a shenanigan used all over the world by managers in order to beat targets.

On the contrary other authors do not agree that managers manipulate financial information so as to reach targets and get incentives. According to Feng et al (2011) finance managers do not manipulate financial information so that they may get financial compensations but rather they yield to the pressures and tensions from CEOs and shareholders who will be demanding that certain targets be reached. Their argument is that the instant financial compensations gained by financial managers from manipulated financial reports is limited compared to the legal consequences that they face in the event that they are caught. They say that it is not beneficial for managers to manipulate their own financial reports as they are the watchdogs of the company's resources unless there is external pressure from their superiors. Tilden and Janes (2011) supported Feng et al (2011) by postulating that management manipulates financial reports in reaction to poor performance in recessionary periods. Their argument is that in the recessionary periods management has a need to falsify their reports so that they may be able to stay afloat in such trying times, and this is mostly done through earnings management. Still on the same note Sun (2012) added to the discussion by highlighting that manipulation of transaction by managers is not done for personal gains but rather to attract investors and pay the lowest taxes possible. Gao and Shrieves (2011) and Tiscini and Donato (2011) also concurred as they were of the view that managers strive to keep the company afloat at all costs even though sometimes the means may not be the best solutions. They went on to say that manipulation is done sometimes in good faith and not for selfish reasons.

Erick et al (2014), Jones (2011) and Umuru (2011) were unclear on which side they took. These authors were of the views that manipulation of transactions by managers is done for selfish reasons such as receiving compensation whilst on the other hand the authors stated that managers

manipulate transactions so as to enable the company to survive in these harsh economic environment.

As deduced from the above arguments management manipulates financial information. There is still need to investigate on what factors motivate them to do so, and to what extend output related incentives and reaching target motivate them to manipulate financial information.

2.1.2 Creative accounting

According to Yadav (2013) creative accounting is when accountants follow the rules and regulations of accounting requirements but somehow deviate from them to misrepresent financial information, but still remaining within the rules. According to the author this technique is a shenanigan used to reach targets. Omnat et al (2011) supported this notion and postulated that creative accounting is when the accountants use their knowledge in the accounting field to influence reported figures of the business and get desired results. Omnat et al (2011) added by stipulating that in creative accounting management will be using loopholes in the accounting framework to their advantage so that they bring out the desired image of the company they want to portray. Wokukwa (2015) in support stipulated that creative accounting is a technic used by managers to reach targets and get compensation incentives. Wokukwa (2015) observed that management have freedom to choose from a set of generally acceptable accounting principles (GAAP) and it is expected of them that they choose policies that allow them to achieve their objectives. The author argued that this financial shenanigan used by managers arose because the boards responsible for financial reporting standards have not kept up with the ever-changing business environment thereby allowing for the use of professional judgment. Jones (2011) concurred with this observation and stated that creative accounting is deceiving and detrimental, as management can abuse the use of these accounting alternatives to beat or meet targets and award themselves incentives. The author added on to explain the loopholes in the accounting framework which give rise to creative accounting and they classified them as the flexibility in accounting standards, the use of estimates and professional judgments and the timing of genuine transactions. Bhasin (2015) agreed with Jones (2011) on the classification above and explained that International Financial Reporting Standards give alternatives in recording accounting transactions for instance the valuation of non-current assets, which can be valued at either depreciated historic costs or at revaluation value. Management can also abuse their professional

judgment to influence financial reports for instance in the calculation of depreciation and provision for doubtful debts.

However, other authors disagree on the assertion that creative accounting is an unethical practice used by managers to reach their interests. According to Diana (2013) creative accounting is the use of management discretion to use certain alternative methods in recording different accounting transactions. The author appreciated that the alternative methods are there to encourage firms to bring out the true and fair view of the entity's affairs. Duru and Tsitinids (2013) added on in support of Diane (2013) by postulating that creative accounting is seen in bad light but it must be considered as an innovation that solves a lot of problems in the finance administration. Still on that same note the Anti-Fraud collaboration (2014) highlighted that the aim of the conceptual framework is to depict the true and fair view of an entity, and IFRSs allow for a departure from the standards if the departure gives a faithful representation of entity provided they disclose the departure and the reasons thereof. Balaciu et al (2013) and Tassadaq and Malik (2015) though they being neutral agree with Diane (2013) and they stipulated that creative accounting is not only a shenanigan used by managers to manipulate financial information but it is also a life- saving rope used by management. Their argument was that creative accounting is neither legal nor illegal but it is just that the over use of it results in managers manipulating financial information and companies getting into scandals. They said it is not bad for firms to exercise some flexibility in its accounting treatments but it becomes dangerous and unethical when it is used by managers, to manipulate financial statements to get rewards.

Creative accounting is a legitimate way of influencing the outcome of financial transactions. It can either be used in good faith or be abused to mislead users. However there is need to research on where the line can be drawn between the good and bad use of creative accounting.

2.1.3 Management override and collusion.

According to American Institute of Certified Public Accountants (2016) management tend to override controls when they are driven by the pressure to meet set targets and get incentives. Management tend override controls because they have the opportunity to do so as they are responsible for the planning , organizing ,leading and control of the organization's activities. In support to the assertion, The Fraud resistant organisation (2013) postulated that most of the fraud

in companies are perpetrated by management through overrides and collusion, and that this is because of weak internal controls, reckless dishonesty and excessive pressure from shareholders to meet targets. Internal controls are defined as procedures and activities designed to provide reasonable assurance that activities are going according to plan, according to the Local Government Management Guide (2013). Management override is when management go against the controls that they put in place to pursue interests that conflict the interests of the organization. According The Office of the New York State Comptroller (2011) management can override controls to meet set targets by accessing information and manipulating it to create the desired result because of their unique position. Abbott et al (2015) further explained the point by stating that management are privileged to have easy access to information and they can abuse their power and work against the company policies for selfish reasons.. The author gave an example of that management can make fake journal entries and them being the overseer of the entity's resources there is no one who can question them except for those charged with governance.

Nevertheless Sertima (2015) though being neutral argued that management do not override controls so that they can influence financial reports. The author centered the argument on that sometimes management may override controls so that they can respond efficiently to urgent issues that may arise within the organisation. Minnesota Management and Budget (2013) supported Sertima (2015) by highlighting that following procedures may slow critical decision making therefore overriding controls become necessary. The Risk Oversight (2011) also concurred with the argument and stipulated that management override is unacceptable but sometimes is needed in critical times. Singer (2012) being torn between the ideas brought out the view that management override though not being a good practice it can be used for the greater good of the organisation.

From the above arguments the authors are putting blame on management disregard to controls., but remain silent on the insufficiency on controls that is taken advantage of.

2.2 Threats imposed by output related incentives on financial reporting quality.

Output related incentives impose great threat to the quality of financial reports. According to Wu et al (2011) the quality of financial reports largely depends on the incentives of the preparer and that financial reporting practice is sensitive to the incentives of the employees especially managers and the auditors. According to Burns and Kedia (2011), Isidro and Marques (2011)

and Armstrong et al (2016) output related incentives impose the threats of misreporting, fraud, non-compliance with GAAP and delay in presentation of financial statements.

2.2.1 Misreporting / Falsification of financial statements.

According to Burns and Kledia (2011) incentive payouts, salary and bonuses have a material impact on the tendency of management to misreport financial information thereby reducing the quality of financial reports. The authors argued that there is information asymmetry between managers and shareholders with managers having more knowledge on what will be happening on the ground. Graham et al (2015) supported Burns and Kledia (2011) by stipulating that managers are the preparers of financial reports thereby they take advantage of the knowledge gap between them and shareholders and misreport to their advantage so that they get more from the incentive program. Still on the same note Banner and Sprinkle (2012) hypothesized that if the incentive payout is significantly dependent on the firm's performance then there is a greater motivation to misreport financial information. Armstrong et al (2016) supported the above notion and suggested that managers are the most informed followed by directors then shareholders, but the problem is that they have conflicting interests especially in the presence of compensation plans. The authors argued that it is unexpected of management to report truthful information that is disadvantageous to their interests thereby motivating them to misreport. Larcker (2011) and Miettinen (2015) concurred with Armstrong et al (2016) and highlighted that when there is an incentive program there a high chances of misreporting information.

Nevertheless Cardinaels and Jia (2012) disagreed with the view that output related incentives affect the quality of financial reporting quality. The authors posited that the quality of financial reporting does not hinge on incentive of managers but rather on the fact that the financial information or reports are being audited or not. Their argument is that when financial reports are unaudited, it gives preparers an incentive to misreport as they are under the impression that they will not get caught. Donnelly et al (2012) and Tarik (2011) being neutral, supported Cardinaels and Jia (2012) and postulated that incentive programs increase the chances of misreporting but they highlighted that audits play an important role in preventing and detecting misreports. Erick et al (2014) agreed that an incentive program does affect FRQ but rather seeks to improve it. The authors suggested that management and employees who are not properly incentivized may not have the motivation to provide due diligence in the services that they provide and those in the

finance department will not make sound decisions in their reports. Zarim et al (2016) and Candrilli (2016) in support of Erick et al (2014) argued that financial reporting quality might be threatened because of the absence of an incentive program as the managers will not exercise due diligence in making decisions related to financial reporting.

Misreporting can benefit a company in the short run but eventually the falsification will resurface and affect the organisation in the long term. What is the logic behind misreporting if the act will eventually be exposed.

2.2.2 Non-compliance with GAAP and IFRS

According to Isidiro and Marques (2011) compensation contracts, especially those linked to firm performance are associated with non-compliance with GAAP and IFRS. According to the authors, this threatens the quality of financial reporting, as there will not be in accordance with the accounting principles. Isidiro and Marques (2011) based their argument on that figures prepared contrary to GAAP are greater or higher compared to figures prepared in accordance with GAAP, so some managers may take advantage of this and use it to manipulate the financial statements so as to increase their compensation incentives. Koh (2014) and Armstrong et al (2016) agreed with the assertion above and stipulated that managers may use non-GAAP compliant figures to mislead investors so that they get incentives. This then results in poor quality financial reports as they will not faithfully report what they purport to represent. Black et al (2016) supports this assertion and posited that managers with short term bonus incentive tend to focus on short term objectives at the expense of long term objectives causing them to ignore compliance with GAAP threatening the quality of financial reports. Gibbs (2014) concurred with Black et al (2016) and highlighted that incentive programs sacrifice long term goals of the company.

Nevertheless Isidro and Helen (2013) suggest that non GAAP compliance is not a threat to financial reporting quality as the conceptual framework allows for companies to deviate from the IFRSs provided that the deviation gives true and fair view of the situation on the ground. The author argues that deviating from GAAP allows the firm to convey the faithful representation of financial reports, which is relevant to the firm and its industry. The author therefore argued that non GAAP compliance increases the quality of financial reports as the firm can present tailor made financial reports relevant to the firm and its industry. Ball et al (2012) and Cohen (2013) in

concurrence with Isidiro and Helen (2013) brought out the view that non GAAP compliance enables the company to reflect its true performance as not all organizational settings are able to adopt GAAP. Duru and Tsitinids (2013) and Palea (2013) though they were uncertain, they mentioned that deviating from GAAP is very much allowed and there is nothing wrong with it, but abuse of the technique to mislead the users of the information is unacceptable.

The arguments above are silent on the factors that are considered by management when using their discretion to deviate from GAAP.

2.2.3 Accounting fraud

Output related incentives, also threatens the quality of financial reports as they provide an opportunity for managers to commit fraud and embezzle large sums of money from the company. According to Erickson et al (2014), management can use output related incentive compensations to camouflage their illegal acts against the entity. The author went on to explain that management can do this by manipulating accounting figures and undertaking corrupt activities to reap off shareholders of their hard earned monies. The United States Accountability Office (2012) supported Erickson et al (2014) by stipulating that management can intentionally decide to steal from the company by awarding themselves luxurious compensation packages or even use the organisation to do illegal activities that enriches themselves. Health Capital Topics (2011) and ICAEW Financial Reporting Faculty (2016) postulated that the organisation can be put on the forefront to cover up for their fraudulent activities that allows them to reach targets. This therefore threatens the integrity of financial reporting. Still on the same note Davison (2011) highlighted that compensation incentives influence the decision to commit fraud and has led to the collapse of big companies as top management used these packages to defraud and steal from their companies. The author argues that management can use its discretion to influence financial reports and award themselves big incentive packages without anyone questioning them as they will be misleading the investors.

Ferrero (2014) disagreed with this allegation and postulated that management discretion plays a significant role in on the preparation of financial reports but the business does not operate in a vacuum but it undertakes its activities in an institutional environment, which then influences the behavior of management. The author posited that the level of corruption in a country or business environment influences the behavior of the organisation, so companies that operate in such

activities are likely to produce low quality financial reports as there are higher incentives for fraudulent activities. According to Ferrero (2014) output related incentives do not influence managers to commit fraud and reduce quality of financial reports but rather it's the environment that prompts them to do so. Davidson (2014) and Graham et al (2015) were of the same view with Ferrero (2014) and stipulated that the external environment that the organisation operates in plays a big part in influencing employee's behavior. Dou (2014) added to the assertion by affirming that some shareholders have significant influence on the quality of financial reports as they can threaten their withdrawal of funds from the company thereby forcing management to engage in suboptimal activities such as fraud so as to retain shareholders.

Fich and Shivdasani (2015) and Tiscini and Donato (2011) being neutral were of the opinion that output related incentives impose a threat of fraud especially if the targets are unreachable causing employees to engage in fraudulent activities. On the other hand the authors are of the view that there are other factors in the external business environment that cause fraudulent activities.

From the arguments above fraudulent activities occur with different intention. Are there fraudulent activities carried out in good faith. If yes will the fraud still be bad thing.

2.2.4 Delay of presentation of financial reports.

According to Lehtinen (2013) output related incentives tend to influence the reporting behavior which is the timing of presenting financial reports. Lehitnen (2013) argued that if there is an incentive compensation scheme management can withhold the reporting of recent development in the firm especially bad news. Hosseini et al (2016) and Kapoor (2016) in support to Lehitnen (2013) argued that management may delay to report adjusting events that may affect their incentives that may arise between the end of the reporting period and the time financial reports are authorized for issue such as insolvency of a huge debtor, obsolete inventory and impaired assets. According to the authors this results in poor quality financial reports as the reports will be incomplete and will not be provided in a timely fashion for decision making. Still on the same note Armstrong et al (2012) and Rahman and Moniruzzaman (2013) went on to say that management are quick to report favorable news that may positively affect their incentives even to the extent of adjusting non-adjusting events which threatens financial reporting quality and they delay in reporting unfavorable news.

Nevertheless Cohen (2013) and Gao and Shrieves (2011) disagreed to the assertion and argued that output related incentives do not affect the timing of presentation of financial reports but rather, some information may not come to the knowledge of managers on time. Gillaninia et al (2013) and Sun (2012) though they acknowledged that incentive programs influence the timing of presentation of financial reports the authors also mentioned that some information may appear or materialize later during the accounting period and stakeholders may quickly be suspicious of the incentive program. Palea (2013) also supported Gao and Shrieves (2011) and postulated that sometimes the delay in presentation of financial statements is not caused by incentive programs but rather by unprofessionalism of personnel.

2.3 Ways to reduce threats imposed by output related incentives on financial reporting quality.

Suwanda (2015), Chi-Chi and Friday (2016), Carcelo et al 2013 and Larcker (2011) brought forward the view that employing skilled human resources, sound corporate governance auditing of financial statements and organizational operations reduce threats to FRQ imposed by output related incentives.

2.3.1. Employing skilled human resources.

According to Suwanda (2015) the quality of the human resources plays an important role in providing quality financial reports. The author posits that the reliability of financial information and interpretation of financial phenomena relies on the knowledge and skill of the accounting personnel. The author suggests that if the organization employs skilled employees and management it will be easier for them to interpret and apply IFRSs thereby reducing the likelihood of misreporting financial information. The author adds on to say that IFRSs needs one to fully comprehend so that they can accurately apply them and faithfully represent the financial information. Deloitte Financial Magazine (2015) supported by stipulating that the attainment of financial reporting quality relies on skilled human resource. Deloitte observed that a company with skilled human resources has less financial statement restatements. In addition to that the author observed that employees who belong to a global or national association or body is likely to provide due diligence and abide to the code of ethics of that profession. They are likely to behave in ways that discredits the board. Call et al (2016) found that high quality employees are those with high relevant educational qualifications as well as the relevant experience in the field.

The author added on to say that high quality employees improve the financial reporting quality in two ways, which are, they can offer exceptional advice to executives on their reporting choices and they can identify and uncover fraud more often. Call et al argued that high quality employees are able to quickly identify abnormal transactions thereby reducing incidents of misreporting as employees have the best access to information.

On the contrary according to the Association of certified fraud examiners (2011) do not agree that high quality human resources mitigates the threats imposed by output related incentives on financial reporting quality. The author found out that even highly qualified employees with vast experience can be in a position to compromise the quality of financial reporting given the incentive to do so. The author highlighted that highly qualified employees are in a better position to manipulate financial reports and conceal their tracks as they will be knowledgeable of the loopholes in IFRSs to use.

The information above shows that highly skilled employees pose the same risk to FRQ and those with less skills. The authors are silent on the preference organisations either they prefer the skilled or unskilled.

2.3.2 Sound Corporate governance.

According to Institute Of Internal Auditors (2011) defined corporate governance as the way a company is managed or governed to ensure that the organisation runs properly, goals are achieved, and funds are managed with high standards. In addition, the author stated that effective governance process is the foundation on which business risk, which affects financial reporting quality is managed. Chi-Chi and Friday (2016) in support of Institute Of Internal Auditors stipulated that corporate governance helps reduce management opportunistic behavior and mismanagement of resource because of the composition and diversity of expertise among members. According to the King 3 Report (2009) the composition of the board has to be made up with the majority being non-executive directors and the chairman being a non-executive. This allows the board to make independent decisions and mitigate conflict of interest. Afiah and Rahmatika (2014) added on to say that the fact that board of directors are responsible for putting up a remuneration committee which enables the implementation of the appropriate output related incentive program and an audit committee also ensures that management will enact sound internal controls and adopt acceptable accounting practices. Suleiman et al (2015) supported Chi-

Chi and Friday's assertions by highlighting that the accounting scandals that have occurred all over the world that resulted in the collapse of huge companies was caused by misconduct of management because there was no corporate governance to oversee the management.

However Norwani et al (2011) disagrees to the view that corporate governance reduces threats to financial reporting quality imposed by output related incentives. The authors argued that financial reporting quality is actually dependent on the operations and behavior of those in the financial reporting environment that is the employees and preparers of the financial statements. In addition, they went on to highlight that corporate governance can be subject to corporate governance failure which arises by lack of enforcement of regulations they set and monitoring of management. According to Norwani et al (2011) corporate governance failure is the cause of the recently publicized accounting scandals. Meeampol et al (2013) and Chalaki et al (2012) supported the notion and postulated that the presence of corporate governance does not ensure increase in the quality of financial reporting but can also reduce it. The authors argued that weak corporate governance characterized by negligence, has boosted management opportunistic behaviors, mismanagement and misappropriation of resource thereby reducing FRQ. Delloitte (2015) and Klai and Omri (2011) concurred with Norwani et al (2011) and brought out the view that corporate governance is dependent on the effectiveness and efficiency of the members for it to bring out the required results.

Hong et al (2015) and Kantundu and Samalia (2015) were the neutral authors who agreed that corporate governance is essential in reducing the threats imposed by incentive programs but they also highlighted that guarantee cannot be put because it can be subject to inefficiencies and failures.

There is need to investigate on how organizations can ensure that they get good corporate governance since the authors did not pay attention to the issue.

2.3.3 Establishing an audit committee

According to EY Magazine (2011) the audit committee put in place by the board has an oversight role of financial reporting risk, oversight of internal controls and fraud risk factors. Carcello et al 2013 supported the assertion and highlighted that the presence of an audit committee reduces the chances of misreporting which increases FRQ. The authors argued that

the audit committee is made up of experts and financial literate members who can ensure that sound decisions concerning financial reporting are made. Tarik (2011) added on to the discussion and suggested, that the audit committee is made of independent members and is responsible for putting in place the internal audit function and nominate the external auditor. Hussin and Abdullah (2011) supported the idea that an audit committee helps in increasing FRQ and showed that accounting shenanigans being used world- wide by managers and CEOs to mislead investors are an indication that an audit committee is of paramount importance in organisations.

On the contrary, Felo et al (2013) is not of the view that the establishment of an audit committee increases FRQ. According to Felo et al this is because the effectiveness of the audit committee is determined in their ability to make necessary measures in response to concerns or complaints that they may receive either within or outside the company or its own initiative relating to accounting practices and internal controls. Bauwhede (2011) and Miettinen (2015) in support of Felo et al (2013) added on to say the audit committee must be able to respond to issues concerning integrated reporting, internal controls, external and internal audit process, corporate law and risk management. Failure to respond may result in management and employees taking advantage of their unawareness. Rahm (2013) agreed with Felo et al and highlighted that for the audit committee to be able to make an impact in FRQ and avoid misreporting, it has to be alert of its business environment as well as the activities going on within the organisation. Kantundu and Samalia (2015) though being neutral highlighted that the audit committee has to be committed in undertaking its duties for it to be effective.

The authors cited above did not highlight on the factors that affect effectiveness of the audit committee. There is need to research on the ways to increase audit committee effectiveness.

2.3.4. Undertaking of audits.

According to Larcker (2011) undertaking an external audit increases the financial reporting quality as the auditor expresses an opinion on whether the financial statements are prepared in accordance with the applicable financial reporting regulations. The author argued that this allows the board and remuneration committee to construct the appropriate compensation packages and accurately award output related incentives with an assurance that targets have been reached. The American Accounting Association (2013) supported Lacker by stipulating that external audits can also discover intentional and unintentional misstatements made by management thereby

increasing FRQ. The author added that the auditor can also discover fraud though it is not the main purpose of an audit. Abbott et al (2015) added to the assertion and stipulated that an internal audit function can also reduce the threats imposed by output related incentives on FRQ. The authors argued that the internal audit function provides stakeholders with critical information pertaining to the company's risk such as those associated with financial risk and internal controls, thereby reducing information asymmetry which can be used by managers to mislead investors. Still on that note Umuru (2016) suggested that internal audit function evaluates and improves the effectiveness of risk management and internal controls as it gives an assurance that they have put in place the appropriate controls given the risks of the business. Felo et al (2013) and Ardiana (2015)

On the contrary Donnelly et al (2012), Davison et al (2011) and Obakukzjo (2015) are against the idea that an external audit increase FRQ by reducing misstatements. The authors postulated that an external audit cannot provide 100% assurance due to the inherent limitations of an audit so the auditor express in inappropriate opinion as the procedures may not be able to detect misstatements. Miettinene (2015) and Carcello et al (2014) contributed to the topic and found that internal audit function and external audit can be unable to increase FRQ if its independence is compromised. The authors brought out the view that the independents of both the internal and external auditors determines if audits will be effective.

Noubbigh and Mamoghli (2015) were neutral in that they acknowledged that audits can be subject to failure but they are important as they have the potential to increase FRQ.

Both internal and external audits give reasonable assurance , what can be done by an organisation to supplement audits and cover the gap left by audits.

2.3.5 Whistleblowing

According to Dehn (2012) whistleblowing endorses transparency, good corporate governance and maintains public trust of financial statements. The author postulated that whistle blowing is pertinent to all organisations whether a business or public body as they are all faced with the same risk of illegal dealings and they may actually be sheltering corrupt people in their organisations. Perks and Smith (2013) supported the assertion by stipulating that whistleblowing safeguards against the negative impacts imposed by multinational companies when they engage

in unethical practices in a bid to earn more revenue. Haryanto et al (2012) agreed with Dehn (2012) and brought out the view that whistleblowing is a form of control and classified it under management control thereby reducing the threats imposed by output related incentives on financial reporting quality.

Nevertheless Bjorkelo and Macko (2012) do not agree with the view that whistleblowing is a mechanism used to block the threats imposed by output related incentives on FRQ. They say that reporting illegal activities such as corruption is a control but the problem is that whistleblowers are stigmatized therefore it makes this system ineffective as people are afraid of whistleblowing because of the fear of stigmatization. Hwang (2013) in support of Bjorkelo and Macko postulated that whistleblowing is made ineffective because of the different cultures and social orientations. The author gave an example of the Chinese culture, that it is unethical of an employee to question the superior. The author added that people in such culture orientations are very unlikely to blow the whistle. Pettit and Cusin (2013) stipulated that many people do not want to whistleblow because they have much to lose such as victimization, job loss , career damage and harassment. Adebisi and Love (2016) in support of Bjorkelo and Macko stipulated that whistleblowing is made useless if the system being reported to is weak. The authors argue that whistleblowers can report an issue and if the responsible authorities fail to act on it then the process will be ineffective.

From the arguments above the authors did not mention on when it is acceptable to whistle blow and when does it become an obligation.

2.4 Best method in implementing output related incentives.

Incentives are remunerations given out to employees when they reach preset goals (Azasu 2014a). According to ACCA (2013) a company can choose from a number of output related incentive programmes such as bonuses , profit sharing, stock options and commissions.

2.4.1 Bonuses

Candrilli (2016) postulated that bonus is a contribution which an employee gets determined in proportion of reaching set targets , and realization of that targets employees are allocated a percentage of their salary. According to Locke (2014) this methods is the best method in that it motivates employees to work on challenging targets and clarifies to employees what is expected

of them to receive bonuses as targets are set. The author added on to say that the company can put multiple goal levels and multiple bonus levels. Brante (2014) supported the author by saying that bonuses benefit both the employer and the employee. The author argues that the employer's objectives are met as bonuses increase productivity whilst the workers get monetary rewards. On the same note Chung et al (2009) found out that bonus plans that incorporate quarterly bonuses are the most effective and they increase the revenue of the company. Chung went on to postulate that bonuses attract the appropriate people for the organisation. Engellandt and Riphon (2014) and Wagner et al (2014) are also in agreement with Candrilli (2016) and they say that giving out bonuses is the best method.

Nevertheless according to CIPD Annual survey report (2016) bonus plans increase the chances of employee cheating to reach set targets therefore it is not the best method. The author argues that employees are likely to deliver poor quality services to the company and reach targets. Debeneti (2011) agree with the notion and stipulated that bonus plans cause employees to manipulate scorecards so that they reach the targets. Debeneti (2011) went on to say that bonus plans are not the best practice in implementing output related incentives. Njanja et al (2013) found out that cash bonuses does not affect performance of employees. The authors argue that bonuses make employees happy but unfortunately it does not affect their productivity. Jehnzeb et al (2012) and Mphil et al (2014) were of the opinion that bonuses are not the best in that they shift the focus of managers from long-term goals to short term gains.

Gibbs (2014) and Malik (2012) are the authors that are neutral to the assertion and they highlighted that bonuses are the best method in that they allow targets to be reached but however they are not the best method as they are prone to manipulations.

The authors were silent on what can be done to make bonus incentives effective.

2.4.2 Commission.

According to Brante (2014) a commission is when a seller gets a percentage increase in salary for each item they sell. Brante (2014) highlighted that this method is the best practice especially for the sales team as it increases the sales volume which in turn increase the revenue of the company. Yasaf et al (2014) agreed to the assertion and posited that commission payment motivates sales people to sale more products and services which improves the stock turnover of

the company. Sagela et al (2016) though being neutral postulated that commission ties employees behavior with preferred outcomes.

Nevertheless Segala et al (2016) argued that commission payment is not the best practice in providing output related incentives as only the seller will be getting the incentive. The authors highlighted that this demotivates other employees as it is a combined effort of all the employees at the company. Zarm et al (2016) supported Segal et al by stipulating that these who do the cleaning, the accounts department, those in procurement and warehouse and the security play a role in the selling of the products. The author went on to say that sales people may not be motivated if the targets are unreachable.. Zoltners(2012) and Sangtani and Wood (2015) were of the view that commissions are not the best incentive program as they alluded that commissions stigmatizes sales people as they will be viewed as dishonest and unethical people. The authors added that commissions encourages crooked behavior and short term focus.

The authors did not mention on the form an incentive plan should be like. Therefore there is still a gap to filled.

2.4.3 Profit sharing.

Sajuyigbe et al (2013) defined profit sharing as when a percentage of the profit achieved is shared among employees in the company. Profit sharing, according to the authors it is the best practice in implementing output related incentives because profit sharing includes all employees in the scheme thereby motivating all workers and ensures that every department within the company exerts an effort in adding value to the organisation. Peterson et al (2013) suggested that profit sharing has a positive impact on productivity and profitability. Long and Feng (2013) and Kraft and Lang (2011) also agreed with Peterson et al (2013) and postulated that profit sharing motivates productivity and growth and it also reduces employee turnover , as employees will have an interest in the profitability of the company. Blanchflower (2014) in agreement with the other authors stipulated that profit sharing is the best method in implementing and incentive program in that companies aim to make as much profit as possible so the method will be in line with this goal.

On the other hand Gibbs (2014) argues that profit sharing is not the best practice as the low level workers do not fully participate in the reaching of the goals. The author argued that profit sharing

is normally done at the year end and low level employees may not be in a position to track their effort contribution to the attainment of the goals. Walker (2011) stipulated that this practice encourages management to temper with financial statements so that they get incentives and that in large organisations with a lot of employees profit sharing might have little impact on motivating employees as they may get an insignificant share of the profits whilst big chunks go executive employees. Brante (2014) and the Annual Survey report (2016) though being neutral they mentioned that bonuses pose a danger to the integrity of financial statements and the survival of the company.

As deduced from the arguments above there is still need to investigate on the appropriate actions or outcomes that should be paid bonuses for.

2.4.4 Stock Option / Share Ownership

Stock options is when an entity give employees or management an option into the ownership of the company by providing them shares at a discount or at as compensation incentives Ahmad (2015). According to Aras and Kurt (2012) stock options bring into line management interests and shareholder interests. The authors argued that the management will have a stake into the ownership of the entity thereby they will offer due diligence to the company and work in the best interest of the company. Gong et al (2015) and Aldatmaz et al (2014) found out that stock options have the positive effect of employee retention as employees will have a direct attachment to the firm. Adel and Amira (2015) and Hall (2015) concurred with Aras and Kurt and alluded that stock options increases the financial performance of the company and that makes it the best practice. Their argument is that employee's interests will be in line with the best interests of the company. Ciccotello (2012) also agreed that stock options is the best method.

Nevertheless authors do not agree with the assertion that stock options are the best practice for output related incentives. According to Hilegeist and Penalva (2013) stock options increases risk for the company. They argued that stock options prompts managers to take risky decisions which can be detremintal to the organisation as a whole, in a bid to improve performance and get dividends in the end as they will have a share in the company. Mehran and Tracy (2012) and Zoltners et al (2012) though being neutral concurred with Hilegeist and Penalva by stipulating that management can get too ambitious and they get carried away and make damaging decisions in the hope of making more money for the company.

As can be deduced from the arguments cheating and shortcutting are prevalent in any incentive plan. What can be done to keep employees from cheating.

2.5.0 Relationship between output related incentives and financial reporting quality.

According to Ferrero (2014) earnings management is the use of accounting regulations to produce financial reports that portray a positive view of the company performance. According to the author earnings management is a determinant of financial reporting quality. This notion is supported by Hassan (2013) who postulated that earnings management can be used to represent FRQ.

2.5.1 Significant positive relationship

Carter et al (2005) did a research on the relationship between bonus payment and earnings management. The authors found out that there is a significant positive relationship between bonus payment and earnings management. The authors postulated that management have greater financial incentives for managing earnings upwards and smaller incentives for managing earnings downwards, so they tend to manage earnings upwards so that they can get more incentives.. They sourced their data from ExecuComp from 1996-2003. The data was extracted from approximately 1800 companies. The author used the Tobit model for the calculation of regression of bonuses and the modified Jones model for the calculation of earnings.

2.5.2 Positive relationship

Gao and Shrieves (2002) a research on earnings management and executive compensation and discovered a positive relationship between earnings management and executive compensation. The authors found out that managers behave opportunistically when they have incentives tied down to earnings thus they tend to management earnings as they will be trying to reach for as much incentives they can possibly get from the incentive program. The author used the modified jones model and regression model to get the results. The authors sourced their data from ExecuComp data base.

2.5.3 Significant negative relationship

Cooper and Gulen (2009) researched on CEO incentives and future earnings management and found a significant negative relationship between the two. The author found that CEOs may become over confident and that can lead them to make negative accounting decisions, so

shareholders will become more alert thus resulting in less managing of earnings. The author used the descriptive method and regression model in doing the research.

2.5.4 Negative relationship

Hosseini et al (2016) found a negative relationship between earnings management incentives and earnings response. The author found a negative relationship between executive compensation (earnings management compensation) and earnings response. Hosseini et al discovered that executive compensations based on earnings reduces the confidence of users of financial statements thus a poor response of earnings. The author used the descriptive method and regression model in carrying out the research. They also used the elimination method when doing the sampling.

2.5.5 Neutral relationship

Amstrong et al (2013) undertook a research on the effect of CEO incentives and misreporting. The author for measures of misreporting used accruals which is a determinant of FRQ, and also accounting restatements. The authors found out that there is a significant positive and significant negative relationship between CEO and misreporting. The authors postulated that when management are risk averse they will either misreport their accounting figures or as they are risk averse they may faithfully report the financial phenomena. The author used regression tests and matched sample tests, and they collected data on executive compensation and equity holding from the centre for research in security prices. The author took data from 2446 firms from the period from 1992-2009.

Researchers have investigated on the relationship between output related incentives for executive managers and little has been mentioned on incentive compensations for all employees. Also, the authors have been focusing on earnings management, though it is a determinant of financial reporting quality authors have not yet mentioned on the relationship between output related incentives and FRQ using the elements in the conceptual framework of 2010 which are qualitative and enhancing characteristics of financial information.

H0 : There is a negative relationship between output related incentives and financial reporting quality.

2.6 Chapter Summary

This chapter presented on what authors have said concerning the threats of output related incentives, the solutions , methods and its relationship with financial reporting quality.

Chapter Three

Research Methodology

3.0 INTRODUCTION

This chapter is about how the researcher is going to collect and gather information concerning the research. The chapter also includes information on how the researcher analyzed and presented data as well as the ethical consideration governing the research.

3.1. RESEARCH APPROACH

Research approach is defined by Harrison and Reilly (2011) as the procedures for collecting and analyzing data used by a researcher in undertaking a research study. The author went on to say that there are three approaches used in researching which are qualitative, quantitative and mixed research approaches. The researcher chose the mixed research approach, which Harrison and Reilly defined as a type of research approach whereby there is a combination of both the qualitative approach and the quantitative approach. The researcher opted for this research approach as it preserves the strengths and alleviates the weaknesses of both the qualitative and quantitative approach as postulated by Terrell (2012). The author went on to say that the mixed method allows for a more in depth understanding .

3.2 RESEARCH DESIGN

According to Wyk (2011) research design enunciates the kind of data that is required, the methods to be used in collecting and analyzing the data and how this will answer the research objectives. Research design is the blue print of how the research will be carried out. The author added on by citing that the research design reflects the intention of enquiry, and listed the various research designs that can be used by a researcher and according to the author they are characterized as follows exploration, description , explanation, prediction, evaluation and history. The researcher opted for descriptive research design in conducting the research.

3.2.1 DESCRIPTIVE RESEARCH DESIGN

Descriptive research method according to Salaria (2012) is aimed at collecting data or information about current circumstances or situations for the purpose of description and interpretation. The author brought out the view that descriptive research design facilitates

appropriate analysis, interpretation and comparisons of data. The author went on to say that the design also enables identification of trends and establishment of relationships between variables. A descriptive research design aims at portraying a clearer depiction of the situation that will be on the ground according to Gray (2012). The researcher opted for this method because it aims at delivering detailed and valid presentations of the impact of output related incentives on financial reporting quality as supported by Wyk (2011), and also allows for a deeper understanding of the variables in the research study.

3.3 Study Population

Wagner (2012) defined study population as the entire group from which certain information is required to be obtained from to reach a conclusion. According to Banerjee and Chaudhury (2010) target population is any sample from the study population. The researcher confined the study to the finance department of BSi Steel Zimbabwe branch in Harare. The study population table is depicted in Table 3.1 below.

Table 3.1 Study Population

Respondents	Target population	Study population	% of total
Finance manager	1	1	100%
Assistant accountant	1	1	100%
Credit controller	1	1	100%
Debtors function	1	1	100%
Filling clerk	1	1	100%
Totals	5	5	100%

3.4 Census

For the purpose of this study the researcher chose to use a census to collect data. Barzun et al (2013) defined census as a method where by every member or element in the population is chosen by the researcher in the collection of data. The researcher selected the census because of the relatively small study population which makes it possible to collect data from every member. The method also enables the researcher to collect reliable and accurate data as the method

populace involves every member or element and evaluate all the responses as stipulated by Barzun et al (2013).

3.5 Source of data

According to Banerjee (2012) there are two types of data which are secondary and primary data. The researcher chose to use primary data, which is defined by Perreault and McCarthy (2012) as data captured or collected for its first time for a particular purpose. Primary data is also known as first-hand information or raw data. Banerjee (2012) stipulated that primary data can be collected by the use of interviews, questionnaires, observations or surveys. The researcher opted for primary data as it allows the researcher to obtain tailor made information to deduce the impact of output related incentives on financial reporting quality.

3.6 Research Instruments

Kumah (2011) defined research instruments as the tools employed or utilized to collect and gather data. Research instruments include interviews, questionnaires, observations, tests and documentary analysis. The researcher opted for the use of the questionnaire and interviews.

3.6.1 Questionnaires

Banerjee (2012) posits that a questionnaire is a set or list of similar questions drafted by the researcher that the respondents have to respond to. The researcher is then to use the responses to answer the objectives of the research. According to Latham (2013) the questions can be open ended or closed questions. According to the author, open-ended questions do not have a definite response or answering structure, whilst closed questions assist the respondents with a structure or direction in answering the questions. The researcher went for closed questions as it makes it easier and quicker for the respondents to respond to the questions. The researcher made use of the likert scale in making up the questionnaire.

The Likert according to Petersons (2012) it measures the views or opinions of respondents by enquiring the extent to which the respondent agrees or disagrees to an assertion. The likert scale has a list of response classifications or categories which range from strongly agree to strongly disagree. The researcher chose the use of the five likert scale because it is uncomplicated and straightforward making it easy to comprehend. It is also effortless on the part of the respondents.

The scale also makes it easy to analyze data and come up with research findings as they will be tabulated as supported by Peterson. Table 3.2 shows the format of the Likert scale.

Table 3.2 The Likert Scale

Item	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Points	2	3	3	4	1

Source: Kumar (2012)

3.6.2 Interviews

Saunders et al (2012) stated that an interview is a predetermined or planned conversation between two or more people, conducted or prepared by the researcher. Interviews can be face to face or telephone, email or skype interviews. The researcher chose to use face-to-face interviews as they give the respondent liberty to examine views or opinions, and allowed the researcher to obtain more detailed information than those obtained from questionnaires as supported by Saunders et al. The researcher gave the respondents time for the respondents to answer and was able to get first-hand information regarding the effects of output related incentives on financial reporting quality. The interviews also allowed the researcher to ask questions on answers from respondents that the researcher did not understand, giving more clarity to the researcher.

3.7 Reliability and Validity

Reliability and validity of instruments used in the research process aims at ensuring that there is quality data and credible research. According to Cohen and Manion (2011) validity measures the extent to which the research instruments are intended or designed to measure. The authors went on to state that reliability is the confidence that can be placed on the instruments. The researcher embedded validity and reliability in the research by designing questions which were unbiased, complete and understandable, so as to do a credible research. The questions were short, precise and straight to the point to enable the respondents to answer with ease and within the shortest period of time.

3.8 Ethical Consideration

Terrell (2012) stated that ethical considerations are the morals and principles that govern the research process. The author went on to list the various ethical considerations that must be

included in a research as voluntary participation of respondents, anonymity of respondents and no discrimination. The researcher made sure that the respondents voluntarily participated in the research and they remained anonymous so as to make sure that the research was objective. The researcher also made sure that the information obtained was only for academic purposes and also ensured that their presence at the research site did not disturb the site at the end of the research.

3.9 Data analysis and Presentation

Moore and McCabe (2011) brought out the view that data analysis relegates accumulated data or information into convenient or manageable sizes, develops summaries of findings obtained and establishes patterns and relationships of variables. The researcher will also use the mode, mean, and standard deviations in analyzing the data. The researcher used graphs, pie charts and tables to present the findings so as to ease comprehension.

The researcher also used the regression model to establish the relationship between output related incentives and financial reporting quality. The researcher used bonuses received by employees of BSi Steel Zimbabwe as the element of output related incentives and used the qualitative and enhancing qualitative characteristics of financial information postulated in the conceptual framework of 2010 as the elements of FRQ. The qualitative characteristics are faithful representation and relevance whilst from the enhancing qualitative characteristics the researcher chose to use timeliness. The researcher chose those elements because they are the relevant characteristics for a private company. Output related incentives will be the independent variable whilst FRQ will be the dependent variable. The researcher will also use the STATA package in analyzing the result from the regression model. The regression equation is as follows.

Output related incentives = Financial reporting Quality (FRQ)

Output related incentives can be presented as follows:

$$\text{Output related incentives} = f(\text{FRQ}) \dots \dots \dots (1)$$

Assumption : There is a linear relationship therefore equation 1 can be written in explicit function form after taking thought of independent variables as follows

$$\text{FRQ} = \beta_0 + \beta_1 \text{REL} + \beta_2 \text{FFR} + \beta_3 \text{TIM} + \epsilon \dots \dots \dots (2)$$

β_0 = Constant Term

REL = Relevance

FFR = Faithful Representation

TIM = Timeliness

ϵ = Error term

$\beta_0, \beta_1, \beta_2, \beta_3$ are the parameters to be estimated

a priori expectation is $\beta_1 < 0$, $\beta_2 < 0$, $\beta_3 < 0$.

3.10 Chapter Summary

This chapter was focused on the research methodologies used to collect and gather data. The chapter brought out how the primary data was obtained using various methods and instruments. The next chapter will be mainly for presenting and analyzing the data which was collected using the methodology.

Chapter 4

Data Presentation and Analysis

4.0 Introduction

This chapter focuses on the analysis of findings that the researcher got after undertaking the collection of data using the methodology and research instruments stated in the previous chapter. The collection of data was done using the objectives of the research.

4.1 Response rate

According to Converse et al (2013) response rate is the degree or proportion of completed questionnaires returned by respondents to the researcher to the total number of questionnaires distributed. The researcher distributed five questionnaires to the finance manager, assistant accountant, credit controller, payments controller and filing clerk. The following table tabulates the response rate of the respondents.

Table 4.1 Response Rate

Respondents	Questionnaires		Rate of response
	Sent	Returned	
Finance Manager	1	1	100%
Assistant Accountant	1	1	100%
Credit controller	1	1	100%
Payment controller	1	1	100%
Filing clerk	1	1	100%
Total	5	5	100%

As tabulated above, from the questionnaires sent by the researcher all of them were returned and all of them were filled in full. The researcher had a 100% response rate, which according to Monkey (2011) is a reliable rate which credits the research. According to Monkey (2011) the minimum recommended response rate is 70% whilst on the contrary Converse et al (2013) stipulated that the minimum response rate is 60%, so any response rate above 70% is very reliable.

4.2 Analysis, Interpretation and presentation of questionnaire responses

4.2.1 Questions 1 : The following are shenanigans used by the sales team to reach et targets and get output related incentives.

The question was aimed at identifying the various shenanigans or short cuts the managers use to reach set targets and get output related incentives.

4.2.1.1 Transaction manipulation

The responses of participants on the view that transaction manipulation is a shortcut used by the sales team to reach set targets and get output related incentives, are tabulated in the following table.

Table 4.2 Transaction manipulation

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Respondents	2	1	1	0	1
% of respondents	40%	20%	20%	0%	20%

As illustrated by table 4.2 2/5 (40%) strongly agree that transaction manipulation is a shenanigan used by the sales team to reach set targets and get output related incentives. The respondents who agreed with this assertion were 1/5 (20%), 1/5 neither agreed or disagreed with the assertion and non (0%) disagreed with the assertion but 1/5 (20%) strongly disagreed with the view that the sales team manipulate transactions to reach set targets.

From the data 3/5 (60%) of the respondents agree with the notion that managers manipulate transactions so as to reach set targets and obtain output related incentives. This shows that the majority of the respondents are of the view that transaction manipulation is a shortcut used by managers to reach set targets implying, that BSi Steel Zimbabwe is at high risk of presenting financial reports containing manipulated transactions as the managers will be trying to reach set targets. This is in-line with the research done by Tao and Greenwood (2016) when they found out that management can instigate manipulation of financial statements or their elements for

personal gain such as incentives and compensations. According to the author management are in a position to manipulate transactions as they have access and also they have a motive to do so if there is a an incentive program.

1/5 of the respondents were neutral meaning that the respondents neither agreed nor disagreed with the assertion. This finding implies that there is a fifty percent chance that the sales team at BSi Steel Zimbabwe either manipulate transactions or they don't, showing an element of trust and distrust in the transactions prepared by the sales team. This finding concurs with the research done by Miller (2014) who postulated that there is a thin line on what people may classify as manipulation and genuine use of management discretion on the use of a certain accounting principle.

Another 1/5 of the respondents disagreed with the assertion. This indicates that according to these respondents who disagreed, BSi Steel Zimbabwe sales team does not manipulate transactions to reach set targets and get output related incentives, showing that the organisation is not at risk of presenting manipulated reports motivated by set targets and incentive programs. This assertion is supported by Feng et al (2011) who postulated that management do not manipulate transactions in-order to get financial compensations because the immediate financial gain they get cannot compare to the legal reparations they will face in the event that they get caught. According to the author it is not worth it for managers to manipulate transactions for personal gain.

From the data presented above it was deduced that the modal class of the responses for this question is for the respondents who agreed with the assertion, which is at 3/5. The modal class representing the value that occurs most frequently, this implies that BSi Steel Zimbabwe is at a risk of presenting manipulated reports therefore reducing the quality of FRQ as brought out by Tao and Greenwood (2016)

4.2.1.2 Creative Accounting

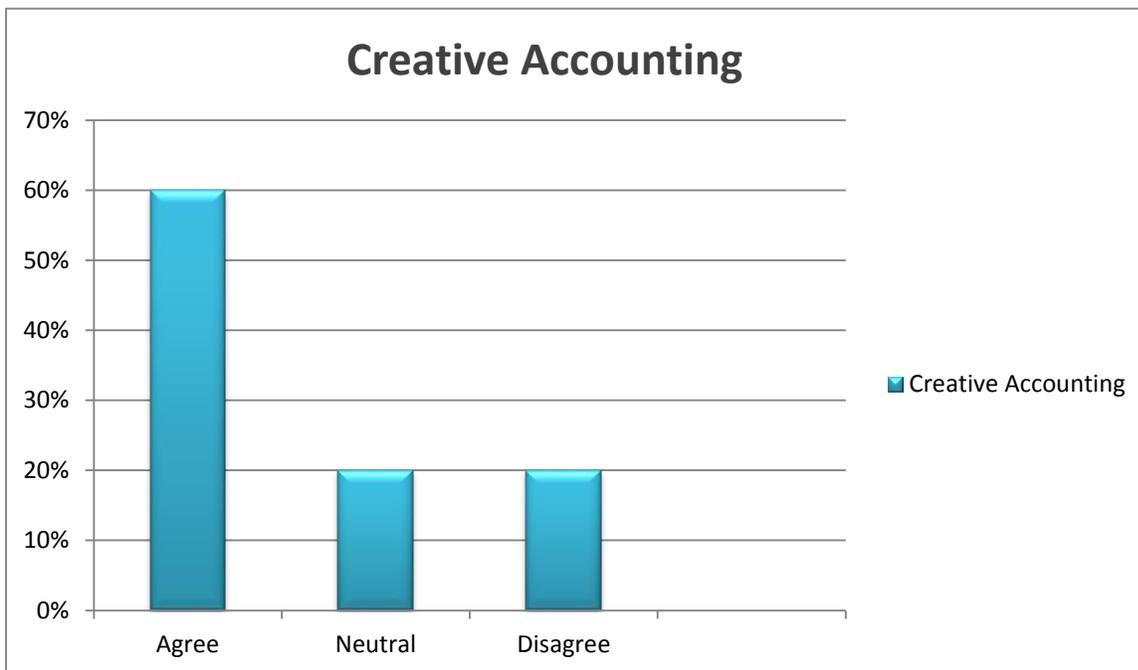
Table 4.3 below tabulates the responses of participants on the assertion that creative accounting is a shenanigan used by managers to reach set targets and get output related incentives.

Table 4.3 Creative Accounting

	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Respondents	0	3	1	0	1

None of the participants (0/5) strongly agreed with the notion that creative accounting is a shenanigan used by management to reach set targets , whilst 3/5 agreed with the notion. 1/5 of the respondents were neutral. None of the respondents (0/5) disagreed with the notion but 1/5 strongly disagreed with the view that creative accounting is a tool used to reach set targets. Fig 4.2 below groups the above results into three groups

Figure 4.1



As illustrated by Fig 4.2 3/5 (60%) of the participants agreed that the sales team use creative accounting to reach set targets and obtain output related incentives. This suggests that the respondents are of the view that BSi Steel Zimbabwe management uses loopholes in the accounting framework for their advantage and get the desired outcome of reaching targets and

getting incentives. These results concur with what was postulated by Wokukwa (2015) who observed that management have the discretion to choose from a set of GAAP and it is expected of them to choose those policies that enable them to reach their objectives.

1/5 (20%) of the participants were uncertain if the sales team, use loopholes in the accounting framework (GAAP) to reach set targets and get output related incentives. This finding brings out the view that the respondents were unsure whether management at BSi Steel Zimbabwe use creative accounting to reach set targets implying that according to these respondents there is a possibility that management may use or not use creative accounting to reach set targets and get incentives. This notion is supported by Tassadaq and Malik (2015), who stipulated that creative accounting can be abused and used as a shenanigan to get desired results but is also a way that organisations can use to depict a true and fair view of financial reports, as it is neither legal nor illegal.

The participants who disagreed with the view that creative accounting is a shenanigan used to reach set targets again were 1/5 (20%) of the total respondents. This denotes that these particular respondents are of the opinion that the management of BSi Steel Zimbabwe do not use creative accounting to reach set targets and get output related incentives. This implies that the management does not use their discretion to apply certain GAAP as a way of short cutting their way into reaching set targets, as supported by Diana (2013) who appreciated that creative accounting is seen in bad light but rather it is an alternative method used to depict the true and fair view of financial information.

The modal class which is a representative of the opinion expressed most frequently, can be deduced from the above information and it is evident that the modal class is 3/5 (60%) of respondents who agree that creative accounting is a shenanigan used by management to reach targets. This indicates that creative accounting is being abused by management at BSi Steel Zimbabwe to reach targets according to the respondents, meaning that the quality of financial reports is at high risk of being compromised as supported by Omnat et al (2011) who brought out the view that creative accounting can be used to portray desired results.

4.2.1.3 Management override and Collusion

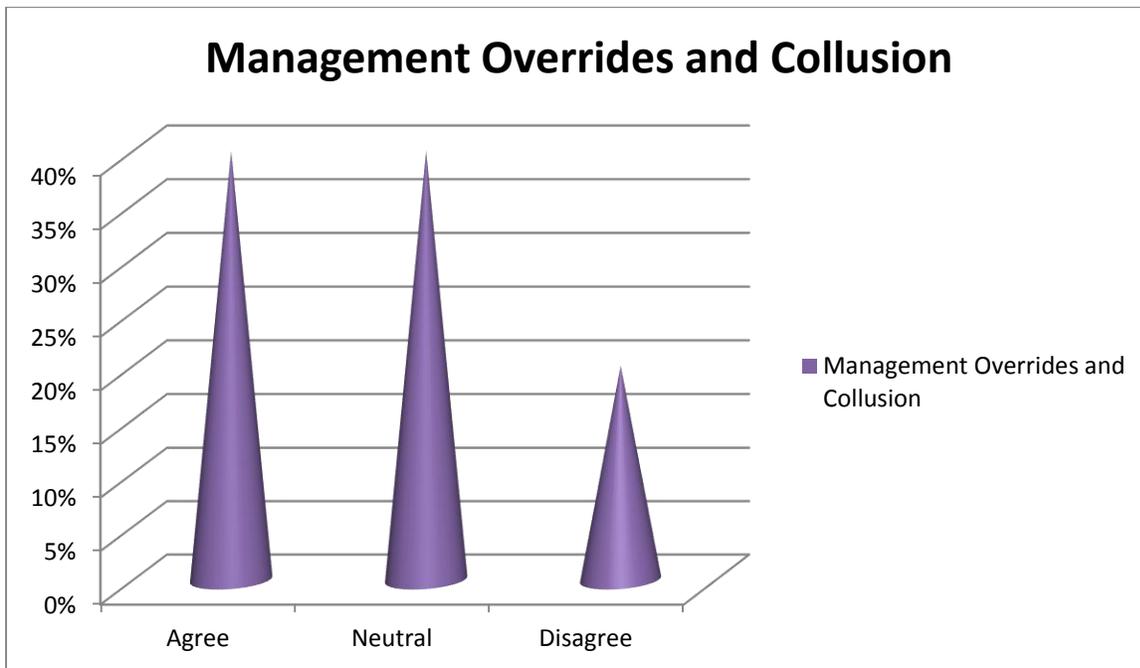
The responses of participants in relation to the view that management override and collusion is a shenanigan used by management to reach targets is tabulated in Table 4.4

Table 4.4 Management Overrides

	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Respondents	2	0	2	0	1

As illustrated in table 4.4, 2/5 of the respondents strongly agree that management overrides and collusion are used to reach set targets whilst none (0/5) of the respondents agreed with this opinion. 2/5 of the participants were in doubt of whether the assertion is true or not, and none of the participants disagreed with the opinion. 1/5 strongly disagreed with the opinion. Fig 4.2 further classifies the above information.

Fig 4.2 Management Overrides



2/5 (40%) of the respondents are in agreement with the view that management overrides and collusion are ways used by management to reach targets and get incentives. This implies that the

respondents are of the opinion that management at BSi Steel Zimbabwe override internal controls and collide with other employees so as to reach targets. This finding concurs with the report made by the American Institute of Certified public accountants (2016) who postulated that management tend to override controls when they are faced with the pressure of reaching targets . The authors argue that management are responsible of overseeing that organisation activities are done the way they should be done so they can override controls without anyone questioning them.

As shown in Fig 4.2 2/5 (40%) of the respondents are neutral to the view that management overrides are used to fast track reaching set targets. This finding indicates that the respondents are hesitant on whether they can agree or disagree on the view that the management of BSi Steel override controls and collide with employees to reach targets. This means that according to these respondents there is an equal likelihood that management do override controls to reach targets or they do not. This notion is supported by Fraud Resistant Organisation (2013) who stipulated that management override can be done so as to pursue personal interests but can also be done in good faith so as to speed decision making process for urgent issues.

From Fig 4.3 above 1/5 (20%) of the respondents are of the view that the sales team does not use management overrides and collusion to shortcut their way to reach targets. This means that according to the respondents management of BSi Steel Zimbabwe do not override controls and collude in a bid to get incentives. This is supported by Management Guide (2013) who stipulated that management do not override controls for personal interests but so as to efficiently respond to urgent issues that may be slowed down by the procedure.

There are two modal classes (bimodal class) for the above responses which are neutral and agree both at 2/5 of the respondents. This implies that the respondents are of the view that management overrides and collusion are used to reach set targets and get output related incentives whilst the other majority is of the opinion that there are fifty percent chances that the management may or may not use management overrides to reach set targets and get output related incentives. Those who agree are supported by American Institute of Certified Public Accountants (2016) who stipulated that pressure for reaching targets can cause management to override controls. The respondents who were neutral were supported by the Fraud resistant Organisation (2013).

4.2.2 Question : Output related incentives impose the following threats on financial reporting quality.

The question was meant to establish the threats that have been imposed by output related incentives on FRQ

4.2.2.1 Misreporting

The responses from participants in regard to the assertion that misreporting is a threat on FRQ imposed by output related incentives are tabulated in Table 4.5 below.

Table 4.5 Misreporting

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Respondents	3	1	0	1	0
% of respondents	60%	20%	0%	20%	0%

As depicted in the table above 3/5 (60%) of the respondents strongly agreed with the view that output related incentives impose a threat of misreporting on FRQ, whilst 1/5 (20%) of the respondents only agree with the assertion. None of the respondents were unsure of this assertion, and 1/5 (20%) disagreed. None of the respondents strongly disagreed, with notion that misreporting is a threat to FRQ imposed by incentive programs. Further consolidation and classification of the above findings into agree, neutral and disagree shows that 4/5 (80%) of the respondents are in agreement to the assertion meaning that the respondents are of the opinion that management at BSI Steel Zimbabwe sometimes misreport financial results in a bid to get output related incentives. This finding concurs with the view brought out by Armstrong et al (2016) who postulated that it is unexpected of managers to report truthful information that is disadvantageous to their interests, thereby management tend to misreport financial information.

None of the respondents were unsure on whether misreporting is a threat to FRQ imposed by output related incentives. This means that the respondents were certain of their opinion, either they agreed or disagreed.

1/5 (20%) of the respondents were of the view that misreporting is not a threat imposed by output related incentives. This means that the respondents are of the opinion that management at BSi Steel Zimbabwe do not misreport financial information so as to reach set targets and get incentives. This finding was supported by Cardinaels and Jia (2012) who postulated that the quality of financial report is not hinged on incentive programs but rather on the occurrence and non- occurrence of audits.

The modal class of the above findings is 4/5 (80%) for those who agree with the assertion. This means that the respondents are of the opinion that the management at BSi Steel Zimbabwe misreports financial information in a bid to reach set targets and get output related incentives. This implies that the FRQ is at high risk of being compromised because of the incentive program as stipulated by Burns and Kledia (2011) who highlighted that incentive payouts have a material impact on the tendency of management to misreport thereby reducing FRQ.

4.2.2.2 Non-compliance with GAAP and IFRS

Table 4.6 below shows the responses given by the participants concerning the idea that output related incentives impose the threat of non-compliance with GAAP and IFRS to FRQ.

Table 4.6 Non-compliance with GAAP

	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Respondents	1	3	0	1	0
% of respondents	20%	60%	0%	20%	0%

From the table above, 1/5 (20%) of the respondents strongly agreed with the view that incentive programs impose the threat of non-compliance with GAAP and IFRS. 3/5 (60%) were in agreement with the assertion whilst none of the respondents were neither in agreement nor

disagreement. The respondents who disagree were 1/5 (20%) whilst none 0/5 strongly disagreed with the assertion.

Further merging and classification of the above results into agree, neutral and disagree shows that 4/5 (80%) of the respondents were in agreement with the view that non-compliance with GAAP and IFRS is a threat imposed by an incentive program on FRQ. This suggests that the respondents are under the impression that the management at BSi Steel Zimbabwe deviate from GAAP when preparing their financial statements and reports thereby compromising the quality of financial reports. As supported by Isidiro and Marques (2011) who postulated that compensation contracts hinged on performance of the company are associated with non-compliance with GAAP as non GAAP figures are more appealing than GAAP figures, so management tend not to comply with GAAP so as to get desired outcomes. The authors posit that GAAP allow for deviation from the principles if the deviation shows a true and fair view of the company's financials, but sometimes managers abuse this discretion.

None of the respondents (0%) were unsure of whether non-compliance with GAAP is a threat on FRQ imposed by output related incentives. This finding implies that the respondents were certain of their responses whether they agreed or disagreed with the assertion.

1/5 (20%) of the respondents were in disagreement with the notion implying that these respondents are of the opinion that the quality of financial reports at BSi Steel is not threatened by deviating from GAAP so as to reach set targets and get output related incentives. This is was supported by by Isidiro and Helen (2013) who posited that non-compliance with GAAP is not a threat to FRQ as it allowed by the conceptual framework . The authors argued that deviating from GAAP assists in portraying a truthful picture of the company performance.

The modal class of the total responses is at 4/5 (80%) for those who agreed with the assertion showing that the majority of the respondents are of the opinion that the financial reporting quality at BSi Steel Zimbabwe is threatened by non-compliance with GAAP. This implies that FRQ at BSi is at high risk of being compromised by non-compliance with GAAP because of the incentive program as postulated by Isidiro and Marques (2011).

4.2.2.3 Accounting Fraud

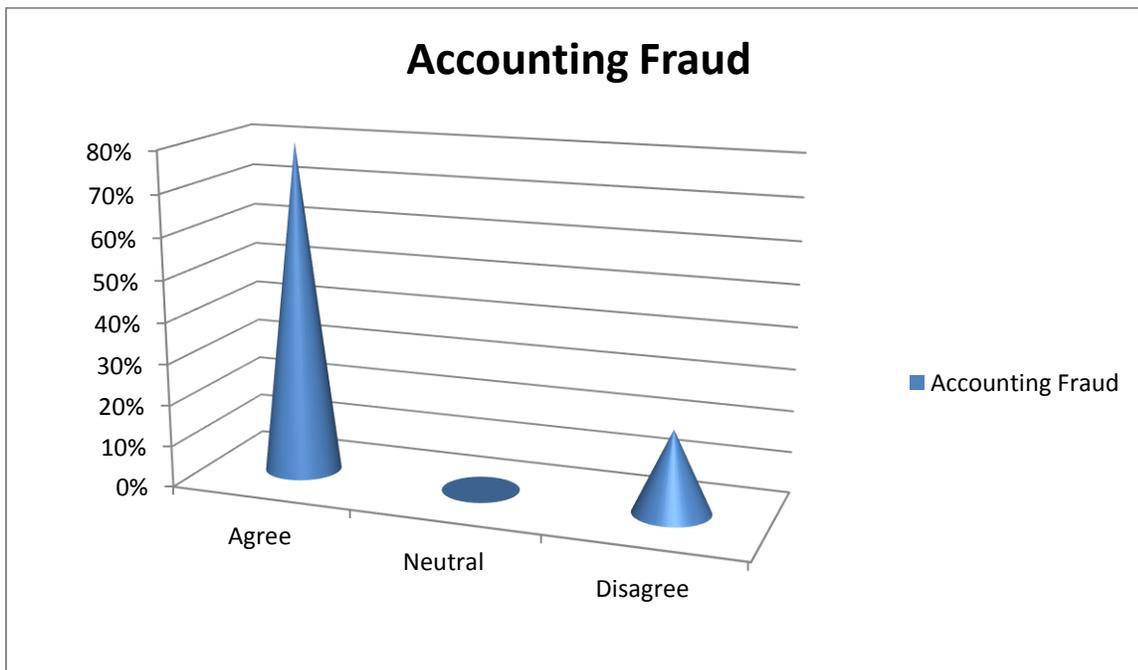
The following table illustrates the responses from the participants in regard with the view that accounting fraud is a threat imposed by ORI on FRQ.

Table 4.7 Accounting Fraud

	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Respondents	0	4	0	1	0

From the table above table it is evident that none of the respondents (0/5) strongly agreed that there is a threat of accounting fraud imposed on FRQ by output related incentives, but 4/5 agreed with the assertion. None of the participants were neutral of the assertion, whist 1/5 disagreed with the idea. Once again none of the respondents (0/5) strongly disagreed with view. The figure below shows the above data grouped into agree, disagree and neutral.

Fig 4.3 Accounting Fraud



As illustrated from the fig above it is clear that 4/5 (80%) of the respondents were in agreement to the idea that incentive programs impose a threat of accounting fraud to FRQ. This implies that the respondents are of the opinion that BSi steel Zimbabwe is prone to accounting fraud because of the incentive program thereby threatening FRQ. This was supported by Erickson et al (2014) who postulated that management may take advantage of output related incentives to camouflage their illegal acts against the entity. The author argued that management may award themselves incentives through falsifying accounting figures thereby stealing from the company.

None of the respondents were neutral of the assertion meaning that the respondents were certain of their responses whether they agree or disagree. This shows that the respondents were sure of their answer and not torn between the various possible responses.

1/5 (20%) of the participants disagreed with the notion that accounting fraud is a threat imposed by output related incentives on FRQ. This implied that the respondents are of the view that BSi Steel Zimbabwe is not at risk of being a victim of accounting fraud because of the motivation of getting output related incentives. Ferrero (2014) observed that output related incentive programs do not influence managers to commit fraud, but rather the business environment is the element that influences managers to commit fraud. The authors explained that the level of corruption in the country prompts management to commit fraud.

As deduced from the information above it is evident that the modal class is at 4/5 (80%) for those participants who responded in agreement with the assertion. This figure shows that the majority of the respondents are of the opinion that BSi Steel Zimbabwe is at highly prone to accounting fraud because of the incentive program thereby threatening the quality of financial reports as suggested by Erickson et al (2014)

4.2.2.4 Delay of presentation of financial reports.

Table 4.8 below tabulates the responses of participants concerning the view that output related incentives impose the threat of delay of financial reports on FRQ.

Table 4.8 Delay of presentation of financial reports

	Strongly	Agree	Neutral	Disagree	Strongly
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	Agree				disagree
Respondents	1	2	1	1	0
% of respondents	20%	40%	20%	20%	0%

As evident from table 4.7 1/5 (20%) of the participants strongly agree with the view that delay of presentation of financial reports is a threat imposed by output related incentives on FRQ, whilst 2/5 (40%) are agreeing with the assertion. 1/5 (20%) of the respondents were neutral, whilst another 20% (1/5) were disagreed. None of the respondents strongly disagreed with the assertion.

Consolidating the above data 3/5 (60%) agree, 1/5 (20%) are neutral whilst 1/5 (20%) disagree with the idea. The responses of those who agreed imply that the respondents are of the opinion that the financial reports of BSi Steel Zimbabwe are not being presented on time because of the output related incentive program. This result was supported by Lehtinen (2013) who brought out the view that output related incentives can influence management’s reporting behavior which is the timing of presentation of financial reports. The author explained that management can delay to bring out unfavorable information whilst on the other hand prematurely disclose favourable information.

The responses of the participants who were neutral imply that the respondents were uncertain on whether to agree or disagree with the assertion. This shows that the respondents are under the impression that there is an element of timeliness in the presentation of some reports and also an element of untimeliness in the presentation of some reports at BSi Steel Zimbabwe. This result was supported by Strange (2016) who postulated that sometimes management can be blamed for withholding information that is important for decision making but sometimes they too they may also get the knowledge of the information later and people may think they were withholding information.

For the participants who disagreed, it meant that they were of the view that output related incentives do not delay the presentation of financial reports of BSi Steel Zimbabwe. It shows that according to these respondents financial reports are presented on a timely basis. This is

supported by Casilio (2011) who stipulated that management do not delay bringing out favourable news and prematurely announce good news because it distorts the true meaning and purpose of financial information.

The modal class of the above responses is at 3/5 (60%) for those who agree the assertion. This implies that most of the respondents believe that output related incentives are causing a delay in the presentation of financial reports, thereby reducing the quality of financial reports as stipulated by Lehitinen (2013).

4.2.3 Question : The techniques below reduce the threats imposed by output related incentives on financial reporting quality.

The above question was meant to recognize the techniques or methods used to reduce threats imposed to FRQ by output related incentives.

4.2.3.1. Employing skilled human resources

Table 4.8 shows the various responses in regard to the question above.

Table 4.9 Employing skilled Human Resources

	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Respondents	1	4	0	0	0
% of respondents	20%	80%	0%	00%	0%

The table 4.8 above shows that 1/5 (20%) of the respondents strongly agreed that employing skilled human resources reduces the threat on FRQ employed by financial reporting quality, whilst 4/5(80%) agreed. None of the participants (0/5) were neutral, disagreed or strongly disagreed.

The above table shows that 5/5 (100%) of the respondents agreed that employing skilled human resources reduces the threats on FRQ. This means that all of the respondents are of the view that

the employment of skilled human resources at BSi has improved the quality of financial reports and reduced the threats imposed by output related incentives. This was supported by Call et al (2016) who found out that high quality employees improve FRQ in two ways which are, they provide exceptional advice to executives and they are able to identify and uncover fraud and misstatements more often.

None of the respondents (0/5) were neutral to the view that skilled human resources improve FRQ. This shows that the respondents were all confident of their opinion and were not torn between 2 opinions.

0/5 of the respondents disagreed on the assertion. This shows that the respondents are confident of the opinion that employing skilled human resources at BSi steel has improved FRQ and reduced the threats imposed by output related incentives. This was supported by Suwanda (2015) who stipulated that the human resources plays a vital role in providing quality financial reports, the author explained that the interpretation of financial phenomena rests on skill and knowledge of personnel

As there was an agreement to the assertion, the modal class is at 5/5 (100%) for those who agreed to the assertion. This implies that the respondents are of the view that the recruitment of highly qualified personnel at BSi Steel Zimbabwe has improved the quality of financial reports and reduced threats imposed by output related incentives as stipulated by Suwanda (2015).

4.2.3.2 Sound corporate governance.

Table 4.10 Sound Corporate Governance

	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Respondents	5	0	0	0	0
% of respondents	100%	0%	0%	0%	0%

As illustrated above 5/5 (100%) of the respondents strongly agreed to the view that sound corporate governance improves FRQ. 0/5 of the participants agreed on the notion, whilst none of the participants (0/5) were neutral. None of the participants (0/5) disagreed or strongly disagreed.

Grouping the above results into agree, neutral and disagree, we found that 5/5 (100%) of the respondents agreed that sound corporate governance improve the quality of financial reports and reduce the threats imposed by output related incentives. This implies that the respondents are of the opinion that the board governing BSi Steel Zimbabwe is being effective in its duties and is ensuring that management is producing high quality financial reports and closely monitoring that the threats imposed by the incentive program are being contained. This finding was supported by the Institute of Internal Auditors who stipulated that sound corporate governance is the basis on which business risks which affect FRQ are managed.

0/5 of the respondents neither agreed nor disagreed, meaning that all the respondents were certain of their responses and were not torn between the various possible responses.

0/5 of the participants (0%) disagreed to the assertion that sound corporate governance improves FRQ and reduces threats imposed by output related incentives. This shows that all of the participants are convinced that the corporate governance which is governing BSi steel Zimbabwe is doing a splendid job in improving FRQ and reducing the threats imposed by output related incentives. This finding was in line with the research done by Chi-Chi and Friday (2016) who found out that corporate governance, helps reduce the opportunistic behavior of management caused by output related incentives and mismanagement of resources.

The modal class of the above responses is 5/5 (100%) which shows that the respondents are of the view that sound corporate governance is essential in improving the quality of financial reports and reducing the threats imposed by output related incentives. The modal class also implies that the respondents are of the opinion that the board governing BSi steel Zimbabwe is doing an impressive job in improving the quality of financial reports as suggested by Chi-Chi and Friday (2016).

4.2.3.3. Establishing an audit committee

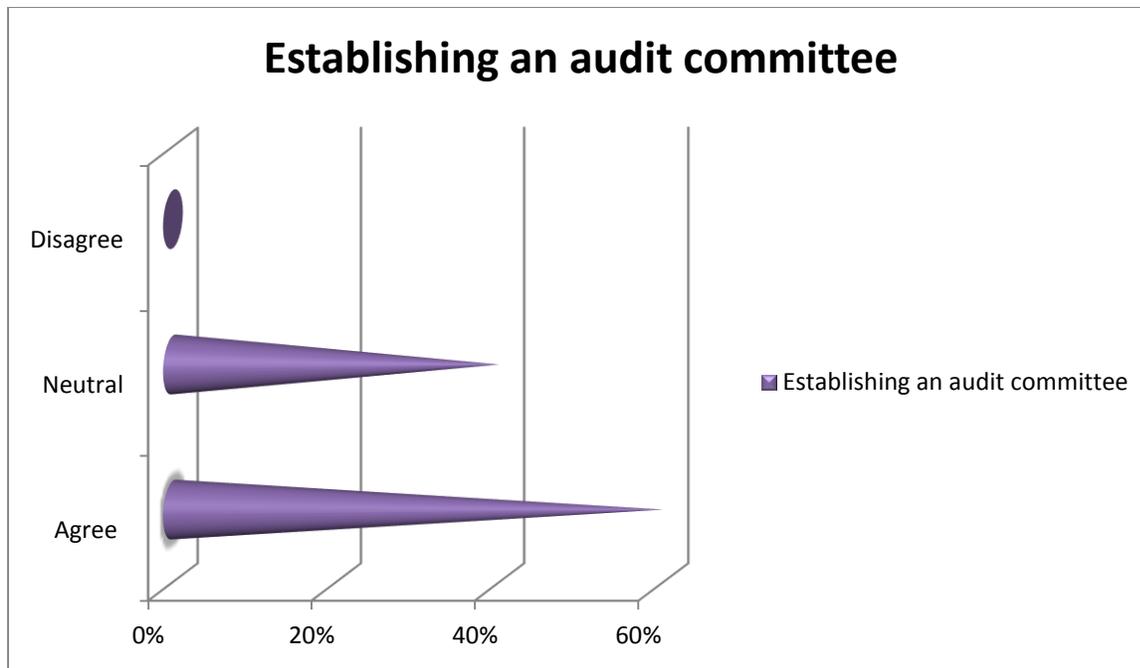
The responses of the participants to the notion that establishing an audit committee improves the quality of financial reports and reduces threats imposed by output related incentives are presented in the table below.

Table 4.11 Audit Committee

	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Respondents	1	2	2	0	0

As tabulated above 1/5 of the participants strongly agreed to the view that establishing an audit committee reduces the threats imposed by output related incentives and improve FRQ. 2/5 (20%) agreed to the assertion whilst 2/5 (40%) were neutral. None of the respondents (0/5) disagreed or strongly disagreed to this view. Classifying the above data into agree, neutral and disagree the fig below shows the results.

Fig4..4 Audit Committe



As illustrated on Fig 4.6 3/5 (60%) of the participants agreed that establishing an audit committee reduces the threats imposed by output related incentives on FRQ. This result implies that the respondents are of the view that the establishment of the audit committee at BSi steel Zimbabwe has improved the quality of financial reports and reduced the threats imposed by output related incentives. Carcello et al (2013) supported this finding by postulating that the presence of an audit committee reduces the occurrence of misreporting. The author further explained that the audit committee reduces occurrences of misreporting as it has the oversight responsibility to manage financial reporting risk, effectiveness of internal controls and fraud risk factors thereby improving FRQ.

2/5 (40%) of the participants neither agreed nor disagree to the assertion, showing that the respondents were torn between the two possible responses. This finding implies that respondents are of the opinion that the audit committee at BSi Steel Zimbabwe is doing a good job in some areas but needs to improve on other areas. This was supported by Felo et al (2013) who postulated that an audit committee may help in improving the quality of financial reports but however it might not as the effectiveness of an audit committee is determined by its ability to respond to concerns and complaints they may receive.

None of the respondents (0%) disagreed with the view that the establishment of an audit committee improves FRQ. This implies that the respondents are certain that the establishment of the audit committee at BSi Steel Zimbabwe has improved the quality of financial reports and reduced threats imposed by output related incentives. This was in line with what was postulated by Hussin and Abdullah (2011) who brought out the view that audit committees help in compacting accounting shenanigans being used worldwide which have destroyed many companies.

The modal class is 3/5 (60%) in favor of those who agreed with the assertion. This implies that the respondents are of the view that the audit committee at BSi Steel Zimbabwe is making a positive impact in improving the quality of financial reports and reducing the threats imposed by output related incentives as stipulated by Carcello et al (2013).

4.2.3.4 Undertaking audits

Table 4.11 tabulates the responses of participants concerning the view that undertaking of both internal and external audits reduces the threats imposed by output related incentives on FRQ.

Table 4.12 Undertaking Audits

	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Respondents	3	2	0	0	0
% of respondents	60%	40%	0%	0%	0%

As illustrated by Table 4.11 3/5 (60%) of the respondents strongly agree that undertaking audits improves FRQ and reduce threats imposed by output related whilst 2/5 (40%) agreed. None of

the participants (0/5) were neutral to the assertion and also none (0/5) disagreed or strongly disagreed to the view.

Categorizing the data above into agree, neutral and disagree it is evident that 5/5 (100%) of the participants agreed to the view that undertaking audits improves FRQ and reduces threats imposed by output related incentives. This implies that the respondents are confident that the undertaking of both internal and external audits at BSi Steel Zimbabwe has reduced the threats imposed by output related incentives and increased FRQ. This concurs with what was postulated by Larcker (2011) who postulated that external audits improves FRQ as audits may uncover intentional or unintentional misstatements and omissions. The author mentioned that internal auditing improves effectiveness of risk management and internal controls, which are sensitive elements that are paramount in the preparation of financial reports.

0/5 of the respondents (0%) were neutral to the view that undertaking audits improves FRQ. This implies that the respondents are certain of their response concerning the assertion. Also 0/5 of the respondents disagreed with the assertion that undertaking audits improves FRQ and reduces threats imposed by output related incentives. This suggests that the respondents are of the view that the undertaking of both internal and external audits at BSi Steel Zimbabwe has improved FRQ and reduced the threats, and no one thinks otherwise. Garmal et al (2016) supported this finding by postulating that auditing gives organisations reasonable assurance that all things are well and financial statements re prepared according to the applicable framework.

The modal class for the above responses is at 5/5 (100%) in favour of those who agreed with the assertion. This implies that all the respondents are of the view that both internal and external audits at BSi Steel Zimbabwe have indeed improved the FRQ and reduced the threats imposed by output related incentives as postulated by Abbott et al (2015) who stipulated that audits are important as they assist in improving FRQ.

4.2.3.5 Whistleblowing

Table 4.11 below shows the responses of the participants in regard to the assertion that whistle blowing improves FRQ and reduces threats imposed by output related incentives.

Table 4.13 Whistleblowing

	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Respondents	3	2	0	0	0
% of respondents	60%	40%	0%	0%	0%

As illustrated by Table 4.11 3/5 (60%) of the respondents strongly agree to the view that whistleblowing improves FRQ and reduces threats imposed by output related incentives on FRQ while on the other hand 2/5 (40%) agreed. None of the respondents (0/5) were neutral, disagreed or strongly disagreed to this assertion.

As shown on the above table 5/5 (100%) of the participants agreed that whistleblowing reduces threats imposed by output related incentives. This implies that the respondents are of the opinion that the whistle blowing that has have occurred over the years at BSi Steel Zimbabwe have made a positive impact in reducing the threats that had been imposed by output related incentives and improved FRQ. This is in line with what was postulated by Dehn (2012) who postulated that whistleblowing maintains public trust of financial statements and uncovers unethical behaviors of management.

It is also evident that 0/5 of the respondents (0%) were neutral to the assertion. This implies that the respondents are confident of their responses to the assertion and are not torn between two responses.

0/5 of the respondents (0%) disagreed with the assertion showing that all the respondents are of the view that whistleblowing at BSi Steel has reduced the threats imposed by output related incentives and no one thinks otherwise. This concurs with what was postulated by Haryanto et al (2012) who postulated that whistleblowing is a form of management control which improves the quality of financial reports.

The modal class of the above responses is at 5/5 (100%), being made up of respondents who agree to the assertion that whistleblowing reduces the threats imposed by output related

incentives and improves FRQ. This implies that the respondents are of the opinion that the whistleblowing done at BSi Steel Zimbabwe from past years have left a positive impact on the preparation and presentation of financial reports and reduced threats imposed by output related incentives as supported by Perks and Smith (2013) who stipulated that whistleblowing safeguards against negative impacts imposed by management.

4.2.4 : Question : the following methods are the best in implementing an output related incentive program.

This question was meant to establish the best method in carrying out an incentive program at a particular company.

4.2.4.1 Bonuses

The following responses were given by the participants in regard to the view that bonuses are the best method in implementing an output related incentives program. Table 4.14 shows the results from the five pointer likert scale.

Table 4.14 Bonuses

	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Respondents	0	1	2	2	0
% of respondents	0%	20%	40%	40%	0%

From the data above it is evident that 0/5 of the respondents strongly agreed with the assertion whilst 1/5 (20%) agreed. 2/5 (40%) were neutral whilst another 2/5 (40%) disagreed with the assertion. 0/5 (0%) strongly disagreed. Categorizing the data above into agree, neutral and disagree it is evident that 1/5 (20%) of the respondents agreed that bonuses are the best method in implementing an incentive program. This implies that the respondents are of the view that given the set up at BSi Steel Zimbabwe giving out bonuses is the best method as both parties gain from the program. This concurs with what was stipulated by Brante (2014) who brought out the view that by implementing a bonus program employees get happy as they get monetary rewards whilst on the other hand the company's goals are met.

2/5 (40%) of the respondents are neutral to the assertion, implying that the respondents are uncertain whether they can agree or disagree with the view that bonuses are the best method to implement at BSi Steel Zimbabwe. This is in-line with what was stipulated by Chung et al (2011) who agreed that bonuses are the best method in that employees work towards the goals of the company but, also disagreed in that the method is detrimental in that employees will be motivated to cheat the company.

Another 2/5 (40%) of the respondents disagreed with the assertion meaning that the respondents are of the opinion that given the organization's setting at BSi Steel Zimbabwe, bonuses are not the best method in implementing an incentive program. Njanja et al (2013) also disagreed with the assertion by stipulating that bonus plans are not the best method in implementing an incentive program, because employees tend to cheat the company and cash bonuses do not affect the performance of employees.

For the above responses there are two modal classes meaning that, there is a bimodal class of 2/5 of those who were neutral to the assertion, and another 2/5 who disagreed with the assertion. The bimodal classes imply that half of the majority of responses are uncertain on whether they can agree or disagree with the assertion given the present set up of the organization as postulated by Chung et al (2011), whilst the other half of the majority disagrees with the assertion given the setting of the organization as postulated by Njanja et al (2013).

4.2.4.2 Commissions

The responses from the participants concerning the view that commissions are the best method in implementing an output related incentive program are tabulated in the table above.

Table 4.15 Commissions

	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Respondents	1	1	3	0	0
% of respondents	20%	20%	60%	0%	0%

Table 4.13 above shows that 1/5 (20%) of the respondents strongly agreed with the view that commissions are the best method to implement in an output related incentive program. Whilst another respondent (1/5) agreed. 3/5 (60%) of the respondents could neither agree nor disagree with the assertion while on the other hand none (0/5) disagreed or strongly disagreed.

As illustrated by the above table it is evident that 2/5 (40%) of the respondents agreed with the assertion. This implies that the respondents are of the view that given the structure and goals of BSi Steel Zimbabwe giving out commissions is the best method in implementing an incentive program. Yasaf et al (2014) supported this finding and postulated that commissioning is the best method as it increases sales volume which in turn increase the revenue of the company as this is the main reason why most organizations go into business.

3/5 (60%) of the participants were uncertain to the notion that commission is the best method. This implies that the respondents agreed to a certain extent but at the same time disagreed to the idea that with the present goals and organizational structure of BSi Steel Zimbabwe giving out commissions is the best method. Segala et al (2016) supported the view by postulating that commission is the best method in implementing an incentive program because it ties employees' behavior with preferred outcomes, but are also not the best method as it provides only the seller with the incentives yet it will be a combination of the whole team's effort.

None of the respondents disagreed to the view, meaning that the respondents are of the opinion that giving out commissions is the best method to be implemented at BSi Steel Zimbabwe since none of the participants disagreed with the assertion. This concurs with what was stipulated by Yasaf et al (2014) who stipulated that commission is the best method as it increases revenue.

The modal class of the above responses is at 3/5 (60%) in favor of the participants who were neutral to the assertion. This implies that giving out commissions is the best method to be implemented by BSi Steel Zimbabwe to a certain extend but on the other hand some of its characteristics are not suitable for the organization as suggested by Segala et al (2016).

4.2.4.3 Profit sharing

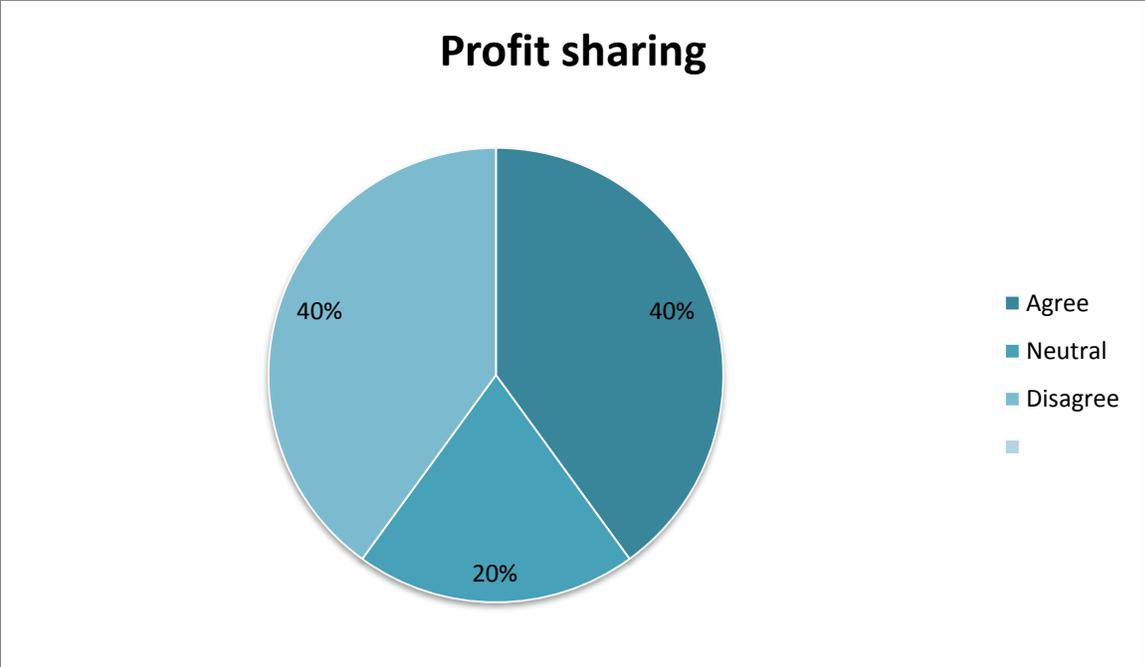
Table 4.14 tabulates the responses of participants concerning the idea that profit sharing is the best method to be used in implementing an output related incentive program.

Table 4.14

	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Respondents	0	2	1	0	2

Table 4.14 shows that 0/5 strongly agreed to the idea that profit sharing is the best method, whilst 2/5 agreed to the assertion. 1/5 of the participants were neutral to the assertion whilst none (0/5) disagreed. 2/5 of the participants strongly disagreed to the assertion. Fig 4.9 illustrated the above data after consolidating it into agree, neutral and disagree.

Fig 4.9



As illustrated by the pie chart above (Fig 4.8) it is evident that 2/5 (40%) of the participants agree with the assertion that profit sharing is the best method in implementing an output related incentive program. This suggests that the respondents are of the view that a profit sharing program will be appropriate for BSi Steel Zimbabwe given its goals and objectives of generating profits. Kraft and Lang (2011) agreed with this assertion and postulated that profit sharing is the best method as it includes all employees and motivates them to work for the good of the company.

1/5 (20%) of the participants were neutral to the assertion meaning that the respondents could neither agree nor disagree to the assertion. This means that according to these respondents profit sharing is appropriate for BSI Steel Zimbabwe to some extent but inappropriate to some extent at the same time making respondents become torn between the two certain responses. This concurs with the position taken by Sajuyigbe et al (2013) who postulated that profit sharing is the best method as it motivates productivity and growth but it is not the best method as it is prone to manipulation and results in profits being given to employees for goals not reached. The author brought out the point that when using accounting profit, non-cash elements like depreciation can be adjusted (manipulated) to bring out the desired outcome.

Of the participants 2/5 (40%) of the respondents disagreed to the assertion implying that these respondents are of the view that profit sharing is not the best method in implementing an output related incentive program at BSi Steel Zimbabwe given the structure and goals of the company. This is in line with what was postulated by Long and Feng (2013) who stipulated that profit sharing is not the best method as the calculation of profit includes non-cash items and does not reflect the true effort of employees in reaching the targets and also it is more prone to manipulation.

For the above responses there is a bimodal class for those who agreed and those who disagreed with the assertion. This means that there are two modal classes which presence a tie in the most responded assertion. This implies that half of the respondents are of the opinion that profit sharing is the appropriate method in implementing an output related program at BSi Steel Zimbabwe as supported by Sajuyigbe et al (2013) whilst the other half are of the view that profit sharing is not the appropriate method for the company as supported by Long and Feng (2013).

4.2.4.4 Stock options

The table below tabulates the responses of the participants concerning the assertion that stock options is the best method in implementing an output related incentive program.

Table 4.17 Stock options

	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Respondents	3	0	1	1	0

Table 4.17 above shows that 3/5 of the respondents strongly agree that stock option is the best method in implementing an output related incentive program, whilst none of the participants (0/5) agreed with the assertion. 1/5 of the respondents were neutral and another (1/5) of the participants disagreed. None of the respondents (0/5) disagreed strongly to the view that stock options is the best method to be implemented to be. Fig 4.10 illustrates the above data after consolidating it and classifying the results as agree, neutral and disagree.

Fig4.10

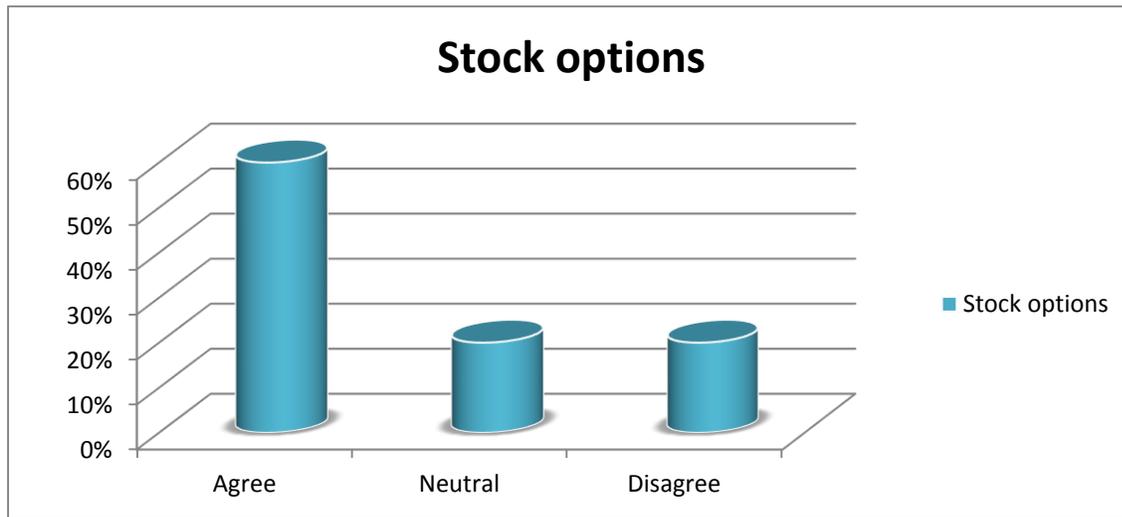


Fig 4.10 above shows that 3/5 (60%) of the respondents are of the view that stock option is the best method to be used in implementing an output related incentive program. This indicates that the respondents are of the view that a stock option program is the best method that is to be used at BSi Steel Zimbabwe for its incentive program given the goals, structure and objectives of the company. This concurs with what was postulated by Aras and Kurt (2012) who stipulated that stock options brings in line interests of employees and those of shareholders since both will have a stake in the ownership of the company. The author further stipulated that stock options motivates employees to offer due diligence to the company.

1/5 (20%) of the respondents were neutral to the assertion meaning that the respondents could neither agree nor disagree with the assertion. This implies that these respondents were of the view that stock option is the best method to be applied by BSi Steel Zimbabwe to some extent but on the other hand it is not the best method for the company because of some of the method's characteristics. This was supported by, Mehran and Tracy (2012) who stipulated that a stock option program is the best method because it makes employees get attached to the organisation but however it is not the best practice as it motivates managers to make risky decisions which may be detrimental to the organisation.

Another 1/5 (20%) of the respondents disagreed with the assertion. This implies that these particular respondents are of the view that a stock option program is not the best method to be

used by BSi Steel Zimbabwe in carrying out its incentives program given the present settings of the organisation. This concurs with Hilegeist and Penalva (2013) who alluded that a stock option program is not the best method because management in a bid to improve performance and more dividends, they may opt to undertake very risky decisions, which may be detrimental to the organization's performance.

The modal class for the responses is at 3/5 in favour of the respondents who agreed with the notion that a stock option program is the best method to be used in carrying out an output related incentive program. This implies that according to the participants a stock option program is the appropriate method to be adopted by BSi Steel Zimbabwe for its incentive program as alluded by Aras and Kurt (2012).

4.2.5 Question : Output related incentives affect the following elements of FRQ

This question was meant to establish the relationship between output related incentive and FRQ, using bonuses received by BSi Steel employees as the element of output related incentives and fundamental characteristics and enhancing characteristic of financial information stipulated in the conceptual framework of 2010 which are faithful representation, relevance and timeliness. Table4.16 below tabulates the responses of the participants in regard to whether output related incentives affect the elements mentioned above.

Table 4.18 Relationship between output related incentives and FRQ

	Strongly Agree Respondents		Agree Respondents		Neutral Respondents		Disagree Respondents		Strongly disagree Respondents	
		%		%		%		%		%
Faithful representation	3/5	60%	2/5	40%	0/5	0%	0/5	0%	0/5	0%
Relevance	0/5	0%	0/5	0%	5/5	100%	0/5	0%	0/5	0%
Timeliness	3/5	60%	2/5	40%	0/5	0%	0/5	0%	0/5	0%

From the data above it is evident that 3/5 (60%) strongly agreed to the view that output related incentives affect faithful representation, whilst 2/5 (40%) agreed. None of the participants (0/5) were neutral, disagreed or strongly disagreed to the assertion.

Table 4.16 also shows that none of the respondents (0/5) strongly agreed nor agreed to the idea that incentive program affects relevance. Nevertheless 5/5 (100%) were neutral to the idea. None of the respondents disagreed or strongly disagreed.

From the table above it is also clear that 3/5 (60%) were in agreement to the notion that timeliness is affected by output related incentives whilst 2/5 (40%) agreed. None of the respondents (0/5) were neither neutral, disagreed nor strongly disagreed.

The above results were then regressed with the help of the STATA package using the equation from in chapter three which is :

Output related incentives =FRQ

Output related incentives =f (FRQ)..... (1)

Assumption there is a linear relationship therefore

$FRQ = \beta_0 + \beta_1 REL + \beta_2 FFR + \beta_3 TIM + \epsilon$ (2)

β_0 = constant Term

REL= Relevance

FFR= Faithful representation

TIM =Timeliness

ϵ = Error Term

The Appriori expectation was = $\beta_1 < 0, \beta_2 < 0, \beta_3 < 0$ which showed a negative relationship.

Results.

Table 4.19 Regression Results

Element	Coefficient	p	r^2
FFR	-.3838028	0.008	
REL	-.1832993	0.023	
TIM	-.2002116	0.001	
Overall Relationship			.7804

Source : STATA 13 Package

From the table above the coefficient shows the magnitude of the effect on the dependent variables by the independent whilst r^2 represents the relationship between the two variables . It was deduced that output related incentives negatively affect FFR by -.3838028 (38%), REL by -1832993 (18%) and TIM by -.2002116 (20%). The overall relationship between output related incentives and FRQ which is represented by r^2 shows a significant negative relationship of .7804 (78%). This means that FFR is the element that is most affected as supported by Burns and Kledia (2011) who postulated that management tend not faithfully represent figures, whilst TIM is the second most affected as stipulated by Lehitnen (2013) who alluded that output related incentives influences the timing of presentation of financial statements and REL was the least affected.

The above results show that there is a significant negative relationship between output related incentives and FRQ of 78%. This implies that output related incentives have negatively affected the financial reporting quality of BSi Steel Zimbabwe. This concurs with the findings of Cooper and Gulen (2011) who found a significant negative relationship between CEO incentives and earnings management which is another measure of FRQ. This shows that indeed output related incentives pose danger to the quality of financial reporting.

4.3 Presentation, interpretation and analysis of interview responses

This section is focused in the presentation, interpretation and analysis of the responses from the interview questions.

4.3.1 Question 1 : What are the threats that output related incentives have imposed on the quality of financial reports.

The first interviewee highlighted that output related incentives have imposed a threat of transaction manipulation and a threat of management overrides at BSi Steel Zimbabwe. The second interviewee stated the same and the third one stipulated that there is threat of alteration of financial reports. The fourth interviewee shaded more light on the threats by explaining that the sales personnel try to push as much stock as possible at the most favorable price possible by delaying in raising credit notes, posting invoices in wrong periods and recognizing income in incorrect months. The fifth interviewee stated that there are no threats that have been imposed by output related incentives on FRQ at BSi steel. The responses from the interviewees, show that manipulation of transactions and management overrides are the major threats that have been imposed by output related incentives on financial reporting quality at BSi Steel Zimbabwe. These responses are supported by Tao and Greenwood (2016) and by the American Institute of Certified Public Accountants (2016). According to Tao and Greenwood (2016) management can manipulate financial statements in-order to get personal gains such as incentives and compensations. The Institute of Certified Public Accountants (2016) postulated that management tend to override controls when they have the pressure of reaching targets. The responses are in line with the questionnaires' findings, which showed that transaction manipulation and management overrides are shenanigans being used by the sales team to reach set targets. The modal classes of both these two elements were in agreement with the notion that these shenanigans are in use at BSi Steel Zimbabwe. This implies that the quality of financial reports at BSi Steel Zimbabwe are at a very high risk of being compromised because of the incentive program.

4.3.2 Question 2 : What has the organisation done to reduce the threats on FRQ imposed by output related incentives

The first interviewee mentioned that the organisation had made sure that regular audits are done each year and that new controls had been put in place. The second interview highlighted that an internal auditor comes once every year to check on things and also there is now a sound corporate governance board governing BSi Steel Zimbabwe branch. The third and fourth interviewee mentioned that sound corporate governance and regular audits are the methods that

BSi Steel has adopted. The fifth interviewee highlighted that new controls and regular audits are the methods that have been adopted by the organisation. These responses indicate that BSi Steel Zimbabwe put in place regular audits, corporate governance and new internal controls in bid to reduce the threats imposed by output related incentives. This is in-line with what was stipulated by Suleiman (2015) and Larcker (2011) . According to Suleiman (2015) corporate governance helps in reducing the occurrence of accounting scandals that have been reported all over the world, and according to Lacker (2011) the undertaking of audits increases public confidence of financial reports thereby increasing FRQ. These interview responses also concur with the questionnaire findings which showed modal classes in favor of the notions that undertaking of audits and sound corporate governance assists in reducing the threats on FRQ imposed by output related incentives. This implies that the management of BSi steel Zimbabwe believes that corporate governance and auditing plays a vital role in ensuring that quality financial reports are prepared and presented, that is why the company decided to implement the techniques.

4.3.3. Question 3 : In your opinion what are the effects of output related incentives on financial reporting quality

The first interviewee responded by saying that there is a negative effect on FRQ whilst the second interviewee highlighted that output related incentives reduce FRQ. The third respondent answered that output related incentives have compromised the quality of financial reports. The fourth interviewee further explained that output related incentives pose a great danger of manipulation of reports so as to just achieve desired targets. The fifth respondent stressed that financial reports can be creatively packaged to portray a desired outcome and also that output related incentives may narrow and organization's focus to short term gains at the expense of sustainable growth. The responses of this question seem to point that the respondents are of the view that output related incentives have negatively affected FRQ at BSi Steel Zimbabwe. This was supported by Cooper and Gulen who found a significant negative relationship between output related incentives and earnings management which is another measure of FRQ. These responses were also in an agreement with the questionnaire findings, which were analyzed using the STATA package, which showed that there is a significant negative relationship between output related incentives and financial reporting quality. This implies that it is beyond doubt that output related incentives affect FRQ.

4.4 Chapter Summary

This chapter was focused on presenting, interpreting and analyzing the data that was found during the research using the methodologies spelt out in chapter three and giving meaning to it. The following chapter is going to be giving conclusions and recommendations based on the data presented in this chapter.

Chapter 5

Summary, Conclusion and Recommendations

5.0 Introduction

This chapter is aimed at summarizing what has been written in the previous chapters, highlighting the major findings and conclusions from this research. It also contains the recommendations and suggestions to further research on the topics.

5.1 Chapter Summary

Chapter one was the foundation on which the research was founded on. It contained the background of the study which was used as the basis of the formulation of the research topic. This chapter also contained the main research question which was to what extent output related incentives affect financial reporting quality and what can be done to improve quality of financial reports. The research objectives, which addressed the main research question, were also highlighted in this chapter and were used in the construction of the research questions and sub research questions. The research questions were the guideline used in undertaking this research. Chapter one also contained the delimits of the study which spelt out the confinement of the research, justification of the research to the body of knowledge and the assumptions which were used through-out the research. This chapter also highlighted the limitations that the researcher faced during the research.

Chapter two covered literature which answered the research questions highlighted in chapter one. This chapter was aimed at evaluating, combining and incorporating the ideas arguments and theories of other researchers and scholars on the impact of output related incentives and financial reporting quality, as well as the other research questions. The chapter also highlighted the gap that was left by the authors which the researcher sought to fill. The literature used in this chapter were taken from journals, books, articles and dissertations done by other authors from the period between 2011 up to date. The main gurus in the field of output related incentives and financial reporting quality who were used in this chapter include Bergstresser and Phippon (2013) who wrote a journal on CEO incentive and earnings management., Amstrong et al (2012) who wrote an article on the relationship between equity incentives and misreporting and Forbes et al (2016)

who wrote an article on quality disclosure program with thrust on misreporting , gaming and employee incentives.

Chapter three focused on the methodology that was used by the researcher to collect, gather, analyze and present the data concerning the research. This chapter highlighted that the mixed research approach, and the descriptive research design were used in undertaking the research. It also spelt out the study population as well as how and why the researcher chose to use a census to collect data. Chapter three highlighted that the researcher chose to use primary source of data which was collected using questionnaires and interviews as the research instruments. The ethical considerations which governed this research were included in chapter three as well as the method of analyzing and presenting data. Chapter three highlighted the use of measures of central tendency, regression model and the aid of STATA package in analyzing the data. It also mentioned the use of graphs, pie charts and tables in the presentation of the data.

Chapter four was aimed at presenting, interpreting, analyzing the data obtained from BSi Steel Zimbabwe which was the case study of this research using the instruments highlighted in chapter 3. Five questionnaires and interview questions were sent out and all of them were responded to. The data was analyzed using measures of central tendency, the regression model as well as linking it up with the literature from chapter two, whilst it was presented using tables, graphs and charts.

5.2 Major findings

- Transaction manipulation and management overrides are the shenanigans that being used by the sales team at BSi Steel Zimbabwe as a result of output related incentives program.
- Misreporting is the major threat that has been imposed by output related incentives on FRQ at BSi Steel Zimbabwe.
- Regular audits, sound corporate governance and putting in place new strong internal controls are the techniques that have been adopted by BSi Steel Zimbabwe to help curb the threats imposed by output related incentives on FRQ.
- No method of implementing an output related incentive can be considered best for BSi Steel Zimbabwe as all methods have both negative and positive effects on the organisation.

- Output related incentives have negatively affected the financial reporting quality of BSi Steel Zimbabwe.

5.3 Research Conclusion

- Output related incentives impose threats to financial reporting quality.
- Whatever method is used in implementing an output related incentive program there are negative effects and risks that will haunt the organisation as a result of the method.
- Output related incentives narrows down an organization's focus to short term gain at the expense of sustainable growth.
- There is a negative relationship between output related incentives and financial reporting quality.
- Output related incentives have a negative impact on financial reporting quality.

5.4 Recommendations

- The organisation has to put punitive measures such as dismissal of staff who are caught misrepresenting information. This will ensure that the employees will be afraid of doing anything that may compromise the integrity of financial reports at BSi Steel Zimbabwe.
- The organisation has to align output related incentives to long-term goals such as an increase in the market share or other measures of long-term growth so as to avoid drawing the attention of the organisation to short-term gains at the expense of long-term growth.
- Headquarters has to put in place a resident internal audit function at BSi Steel Zimbabwe which reports directly to the headquarters and regularly checks more than once a year eg monthly or weekly or daily. This allows the function to quickly identify and correct any weakness in the control environment and makes employees more conscious of the importance of controls.
- Headquarters has to undertake yearly external audits so as to improve the quality of financial reports and also so as to make sure that the financial statements are according to the applicable framework.

5.5 Further area of study

This research was aimed at establishing the impact of output related incentives on financial reporting quality and not much has been researched on output related incentives. The researcher recommends further study on the impact of output related incentives on organizational performance.

5.6 Chapter Summary

This chapter highlighted the summaries of previous chapters, major findings from this research, research conclusions and recommendations. It also contained suggestions on the area of further study in relation to the topic.

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APPENDICES

APPENDIX 1



Private Bag 9055

Gweru

3 April 2017

The Admin manager

BSi Steel Zimbabwe

37 Coventry Road

Workington

Harare

Dear Sir

RE: REQUEST TO CONDUCT AN ACADEMIC RESEARCH AT YOUR ORGANISATION

My name is Tsitsidzashe Makubaza, I am a final year student at Midlands State University undertaking a Bachelor of Commerce Accounting Honors Degree.

In partial fulfillment of the program I am carrying out a research on the Effects of output related incentives on financial reporting quality.

I am kindly asking for permission to conduct research at your organisation. Your contributions will be handled with the highest level of confidentiality and will be used only for academic purposes.

Looking forward to a favorable response, at your earliest convenience.

Yours Faithfully

Tsitsidashe Makubaza (R136467F)

APPENDIX 2

QUESTIONNAIRE

Instructions

- Be advised that you are not to write your name on the questionnaire nor put your signature.
- Please tick in the appropriate box or write in the space provided.

1 The following are shenanigans used by the sales team to reach set targets and get output related incentives.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Transaction manipulation					
Creative accounting					
Management overrides and collusion					

2. Output related incentives impose the following threats on financial reporting quality.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Misreporting					
Non-compliance with GAAP					
Accounting Fraud					

Delay of presentation of Financial reports					
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3 The techniques below reduce the threats imposed by output related incentives on financial reporting quality.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Employing skilled Human resources					
Sound Corporate governance					
Establishing an audit committee					
Undertaking audits					
Whistleblowing					

4 The following methods are the best in implementing an output related incentive program.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Bonuses					
Commissions					
Profit sharing					
Stock options					

5 Output related incentives affect the following elements of financial reporting quality.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Faithful representation					
Relevance					
Timeliness					

APPENDIX 3

Interview Questions

1 What are the threats that output related incentives have imposed on the quality of financial reports at BSi Steel.

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2 What has the organisation done to reduce the threats on FRQ imposed by output related incentives.

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3. In your own opinion what are the effects of output related incentives on financial reporting quality.