



**Midlands State University**

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**FACULTY OF COMMERCE  
DEPARTMENT OF ACCOUNTING**



INVESTIGATION ON THE IMPACT OF ADOPTING INTERNATIONAL  
PUBLIC SECTOR ACCOUNTING STANDARDS ON FINANCIAL  
REPORTING: A CASE OF TSHOLOTSHO DISTRICT HOSPITAL

BY

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*SUBMITTED TO:*

*MIDLANDS STATE UNIVERSITY IN PARTIAL FULFILLMENT OF THE REQUIREMENTS OF  
THE DEGREE OF BACHELOR OF COMMERCE DEGREE IN ACCOUNTING (HONOURS)*

GWERU, ZIMBABWE

OCTOBER 2014

## Approval Form

The undersigned certify that they read and recommend to the Midlands State University for acceptance a dissertation entitled:

*“Investigation on the impact of adopting international Public Sector Accounting Standards on Financial Reporting: A case of Tsholotsho District Hospital”*

Submitted by **Ndlovu Clever (R11544Q)** in partial fulfillment of the requirements of the Bachelor of Commerce Accounting Honors Degree (HACC) at Midlands State University.

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## **Dedication**

This research is dedicated to my daughter Carmelita Thandeka Ndlovu who will always be my pillar of strength.

## **ABSTRACT**

The study sought to investigate the impact of adopting International Public Sector accounting Standards on financial reporting at Tsholotsho District Hospital. In this study fourteen staff members were used as the research subjects. Questionnaires and interviews were used as research instruments. A descriptive research method was used. The sample size was composed of three members of top management, four members of middle management, five accounting staff and two administrative staff. The data for the study was obtained from primary sources. The data was analyzed using quantitative and qualitative approach. Quantitative data was analyzed from questionnaires successfully completed by use of graph, pie charts and tables. Qualitative data was analyzed using the grounded approach and summarized meanings. The study found out that Tsholotsho District Hospital was not fully complying with the provisions of the current accounting framework used and that the current framework for preparation of financial statements had weaknesses. The researcher also found out that there is need for adoption of IPSAS and equipping the staff with necessary training as to the use of the framework. The study recommends that the government should develop a roadmap and operational framework and adopt the cash basis IPSAS as its financial reporting framework. The study also recommends the government to carry out necessary trainings to all government departments. Finally, the researcher encourages further research should be done on a wider scope to cover the Ministry of Health and Child Care.

## **ACKNOWLEDGEMENTS**

Having requested and received the wisdom, strength, protection, guidance, and courage from my God the Almighty, to persevere to the best that I could in my project, success was guaranteed. I give praise to God for he keeps doing wonders for me.

I wish to acknowledge the assistance received from my academic supervisor Ms Charity Mhaka. She was more than just a supervisor, but a mentor as well. I am pleased for your contributions as you tirelessly worked with me in carrying out the research. Your inspiration, support, and guidance went a long way in making this project a success.

I also want to give special mention to all the staff at my work place who took part in the survey for their invaluable contributions. May God bless your path.

Finally I would like to thank the whole Department of Accounting at Midlands State University for their invaluable support through my studies. It is an honour to be part of such a wonderful family. May God extend his sympathy and be with you all the times.

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# CHAPTER I

## 1.0 Background to the study

This study seeks to discuss the state and perspective of financial reporting in Tsholotsho District Hospital. Precisely, this paper aims to examine the adequacy of governmental accounting and financial reporting model, reflecting the existing accounting regulation and financial reporting framework in Zimbabwe. The study is motivated by the emergence of international discussions about IPSASs development and adoption, and the fact that the topic is becoming more and more relevant as many countries are moving towards adopting full accrual accounting using IPSASs as their method of financial reporting. The study intends to establish the effectiveness of adopting IPSASs accounting as a framework for financial reporting in a local government hospital.

Oulasvirta (2012), noted that different governments regulated their financial accounting systems and reporting in order to achieve their political ideologies, this led to diverse and complexities of public sector accounting and reporting systems. In his general review of the consolidated financial statements for 31 December 2010, the Zimbabwe accountant general highlighted that the adoption of public sector accounting standards will present some challenges in the public sector in Zimbabwe, especially local hospitals for instance Tsholotsho District Hospital.

The cash based accounting system adopted by district hospitals in Zimbabwe does not fairly present the financial performances as well as the financial position of their activities, internal audit team (2009). Concurring to the internal auditor's remarks, the auditor general alluded that there were inadequate or lack of asset registers as required by the Treasury Instruction (2004). In

addition to abovementioned remark, the Auditor General in 2009 gave Tsholotsho hospital a non-compliance statement because they were no proper asset registers kept.

The inadequacy of the current accounting system at public sector institutions, for instance Tsholotsho Hospital has spearheaded the need for an accounting system that can fairly, transparently, and accountable represents the financial performance and financial position. Public sector is undergoing developments necessitated by the need for harmonization, accountability and transparency of financial information and reporting systems. “These structural changes have created the need for new accounting and accountability, providing the impetus for accounting reforms in developing countries” (Broadbent & Guthrie, 2008). “Government accounting reform in developing countries requires political and management support. Success depends on the ability to mobilize support from political leaders, who set the tone by demanding greater accountability and transparency” (Chan, J.L, 2006).

The accountant general, in his review of the consolidated annual financial statements for the year ended 31 December 2010 noted that the current reporting format, cash basis, wherein transactions and events are recognized only when cash is received or paid needed to be improved in order for the government to be accountable and be in compliance with the Act and International Best Accounting Practices.

The government thus indicated its willingness to comply with the cash basis IPSAS in 2012. “Government will by the end of this year comply with the cash basis IPSAS, a development which will require full disclosure in public finance reporting and improve transparency and accountability” (Mudarikiri, 2012)

The current public accounting framework which is governed by the provisions of the Public Finance Management Act [Chapter 22:19] has received its fair share of criticisms. In his report for the financial year ended 2009 and 2010, the Auditor General observed quite a number of issues which led to Disclaimer of Opinion being issued against the Financial Statements. Among them was inadequate or lack thereof of asset registers, misappropriation of cash, unvouched expenditure, failure to submit accounts for audit and unreliable accounting system. The Ministry of Health and Child Care, Tsholotsho District Hospital Included was singled to have failed to submit the Departmental Asset Certificate for the seventh year in succession. All acquisition of Non-current assets is expensed in the year of purchase and asset registers are used to record all non – current assets acquired by the Ministries.

The current accounting system expenses the non-current assets purchased in the current year in Statement of Financial performance which is a direct contrast to qualitative characteristic of faithful representation. This can be shown in the Statement of Financial position in Table 1.1. Faithful representation states that financial information should represent truthfulness and fairness. Inadequate or lack of asset registers within the Ministry may mean that the items of non – current assets expensed in the Statement of Financial Performance may not be reflective of the truthfulness. The Auditor General's observations in 2009 and 2010 were that the Ministry Of Health charge and had been subsequent failing to submit the Departmental Asset Certificate.

**TABLE 1.1 Statement of financial position for Tsholotsho District Hospital**  
**PROVINCIAL MEDICAL DIRECTOR MATABELELAND NORTH**  
**TSHOLOTSHO DISTRICT HOSPITAL**  
**HEALTH SERVICES FUND**

<b>STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2010</b>			
	<b>NOTES</b>	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>			
<b>Current Assets</b>		<b>20 674.45</b>	<b>17 571.01</b>
Cash and cash equivalents	<b>1</b>	<b>5 183.38</b>	<b>6 177.46</b>
Receivables	<b>2</b>	<b>15 144.05</b>	<b>11 103.55</b>
Deposits	<b>3</b>	<b>347.02</b>	<b>290.00</b>
Non- Current Assets	<b>4</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>		<b>20 674.45</b>	<b>17 571.01</b>
<b>FINANCED BY: ACCUMULATED FUND</b>			
		<b>16 266.95</b>	<b>11 831.66</b>
<b>LIABILITIES</b>			
Non- Current liabilities		<b>-</b>	<b>-</b>
Current liabilities		<b>4 407.50</b>	<b>5 739.35</b>
Payables	<b>5</b>	<b>4 407.50</b>	<b>5 739.35</b>
<b>Total Accumulated fund + Liabilities</b>		<b>20 674.45</b>	<b>17 571.01</b>

**Source: 2010 Tsholotsho District Hospital Annual Financial Statements for the year ended 31 December.**

## **1.1 Statement of Problem**

The local hospital prepares its financial statements on the country specific standards including relying on acts, decrees and other legal documents and practices considered as best practice or generally accepted accounting principles. The financial information prepared on the cash basis does not faithfully represent the state of affairs of the public entity as it tends to expense all the non- current assets in the year in which they are acquired.

Hence the question, will the application of the IPSAS help improve the truthfulness and fairness in disclosure of financial information of public sector entities.

## **1.2 Main research question**

- Is it feasible to apply cash basis IPSAS for Tsholotsho District Hospital?

## **1.3 Objectives**

The study seeks to evaluate the feasibility of application of IPSAS in Tsholotsho District Hospital for government accounting and financial reporting. The following objectives are to be pursued as the research attempts to:

- Describe current accounting framework for preparation of financial statements for Tsholotsho District Hospital
- Explore how Tsholotsho District Hospital would benefit from the implementation of cash basis IPSAS.
- Explore the challenges that are likely to be encountered in the implementation of the IPSAS in Tsholotsho District Hospital.

- Establish the best practice for government hospital financial reporting.

#### **1.4 Sub research questions**

Given the above objectives, the study seeks to answer the following research questions;

- Is the preparation of financial statements in the local hospital in line with the required guidelines?
- To what extent will the implementation of cash basis IPSAS benefit the local Hospital?
- What challenges are likely to be faced on the implementation of IPSAS?
- How can IPSAS be successfully implemented by the local hospital?

#### **1.5 Significance of the study**

The study will be significant to policy makers, academics and stakeholders in issues of application of cash basis IPSAS. The study will equip the researcher with skills in discovering practical and theoretical allusion of area of study. This will enable the researcher to develop competent skills in undertaking future challenges at workplace and mold the researcher to be good in time management since it's based on deadlines. The research can be useful since it provides recommendations that when heeded will improve the problems faced by the public sector and particularly Ministry of Health and Child Care, and Tsholotsho district Hospital. Since the researcher is currently employed by the public sector the research equips him with the much needed knowledge on the changes currently facing the public sector. The researcher is of opinion that his area of research has not been widely explored in Zimbabwe, and this might be a creation of avenues for more students to research on this area.

## **1.6 Assumptions of the Study**

The researcher assumes that:

- All respondents give accurate and unbiased information pertaining to the research.
- Respondents to questionnaires have a general understanding of the research topic.

## **1.7 Delimitations of the study**

The domain of the study is on impact of application of IPSAS in government institutions. The principal institution with which the study will be conducted is the Ministry of Health and Child Care – Tsholotsho District Hospital. The study is confined to the period of 2009 – 2011.

## **1.8 Limitations of the Study**

- The bureaucratic nature of government posed some challenges to the researcher with some delays likely to be encountered. Accessing valuable information became a challenge, mainly because the researcher is not stationed at the parent Ministry (Ministry Of Finance). Help was sought from the Ministry of Finance on getting this valuable information and was received though after a delay. The researcher worked around the clock to avert challenges of getting required information.
- Most material particularly on the research topic such as journals are only available on subscription and this was a constraint to the researcher. The researcher appreciate assistance offered by the Midlands State University E-learning center and his supervisor in averting that limitation.

- Public sector has not progressed much in Zimbabwe. There is an acute shortage of qualified skills in the public sector. The researcher sought help from other departments such as the Ministry of Finance and some guidance from his supervisor.
- The research was carried out in the course of full time employment, therefore was faced with challenges of commuting from work place to the University repeatedly during the research. The researcher developed a great understanding with his supervisor and some of the work could be communicated through email.

### **1.9 Definition of key terms**

**IPSAS** – International Public Sector Accounting Standards

**IPSASB** – International Public Sector Accounting Standards Board

**AG** – Accountant General

**AO** – Accounting Officer

**IFAC** – International Federation of Accountants

**IASB** – International Accounting Standards Board

**NPM** – New Public Management

**GPFS** – General Purpose Financial Statements

**GAAP** – General Accepted Accounting Principles

**MHCC** – Ministry of Health and Child Care

**TDH** – Tsholotsho District Hospital

**MOF & EP** – Ministry Of Finance and Economic Planning

**HSF** – Health Services Fund

**GOZ** – Government of Zimbabwe

**WB** – World Bank

**IMF** – International Monetary Fund

**ADB** – Asian Development Bank

**Accrual basis**— A basis of accounting under which transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid).

**Assets**—Resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.

**Liabilities**—Present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

## **1.10 Chapter Summary**

In this chapter, emphasis was laid on the background of the study and problem statement. The Main research questions, research objectives including sub research questions were made. Some major terms were also defined, delimitation of study denoted and limitation were also pointed out.

## **CHAPTER II**

### **LITERATURE REVIEW**

#### **2.0 INTRODUCTION**

The chapter reviewed the authoritative literature regarding the impact of adopting International Public Sector Accounting Standards on financial reporting. The chapter will cover the following; describe current accounting framework for preparation of financial statements for TDH, explore how TDH would benefit from implementation of cash basis IPSAS, explore the challenges that are likely to be encountered in the implementation of IPSAS in Tsholotsho District Hospital and establish the best practice for government hospital financial reporting.

#### **2.1 Current financial reporting framework**

According to the Auditor General (2009) the Zimbabwe public sector is divided into three sections which are the appropriation accounts, funds accounts and state enterprises. These divisions are accounted for using separate bases of accounting. Appropriation accounts are accounted for using the cash basis, funds accounts use the modified cash basis and state enterprises uses International Financial Reporting Standards. Ministry of Health and Child Care and in particular Tsholotsho District Hospital uses cash bases and modified cash bases as its financial reporting frameworks. Nkundabanyanga et al (2013) argued that most developing countries were using cash accounting or modified cash basis for appropriation accounts and funds accounts.

### **2.1.1 Cash basis**

According to Owolabi et al (2013) the government sector accounting on cash basis focuses on cash receipts and cash disbursements on the cash accounting. Revenue with is only recorded and accounted for when cash is actually received and expenditure is incurred only when cash is paid regardless of the accounting period in which the benefits is received or the service is rendered. Oulasvirta (2010) acknowledges that the cash accounting system operates with the principle that only transactions for which cash has been received or paid must be recorded and reported. According to Ouda (2003) single book is kept under cash accounting resulting in the maintenance of receipt and payments accounts for cash balances. Monsen (2002) argued that the cash accounting model is consistent with the Cameral Accounting Model (CAM) which seeks to emphasize cash accounting management, budgetary control and payment control in presenting financial statements. Cash bases accounting measures financial results for a period as the difference between cash receipts and cash payments. Cash flow statements and cash balances are the most common documents.

In spite of the advantages, the literature report of its limitations of providing only cash based financial statements and cash based appropriations (IFAC, 2000). To address the limitations of the cash based accounting system, a near cash resources was introduced in the form of a modified cash basis model.

### **2.1.2 Modified cash basis**

Christiaens et al (2010) identifies the modified cash basis as taking into account the unpaid accounts and/ or receivables at year end. This was underlined by Carlin (2005) who said

modified cash accounting recognizes transactions and events which have occurred by year-end and are normally expected to result in a cash receipt and/or disbursement within a specific period after year end (complementary period, for example, 30 or 60 days). It uses cash receipts plus receivables within a specified period from year end, cash expenditure plus payables within a specified period from year end as its reporting element. Christiaens et al (2014) reiterated that the system recognizes transactions and other events on cash basis during the year but also take into account the unpaid accounts and/ or receivables at the year end, emphasizing that the books are held open for around a month after the year end.

#### **2.1.2.1 Strength of cash basis and modified cash basis**

##### **A cash based system better fits the characteristics of public sector organizations**

Ross (2003) articulated that the cash basis accounting was simple, easier to understand, and facilitated decision making and is much more objective than other alternatives. Onyeke and Nebo (2005) opined that the prime advantage of the cash basis accounting is that it can capture not only the flow of revenue, expenditures but also the flows of capital expenditures for infrastructure construction and transfer expenditures such as social security allowances. This makes it able to provide more useful information for public policy decision making. Berger (2006) agreed that the cash accounting system fitted well with the public sector as it could cover such areas as the Pensions and IAS 39 not covered by IPSAS. Amirkhanyan (2013) argued that the cash accounting still remains superior since it can be argued to better complement budgetary accounting process, where the balance sheet and income statement (specific to accrual financial reporting) are less practicable and important in the public sector. According to Otatade (2012)

public sector entities are not for profit making, thus calculation of profits and losses is unnecessary, thereby focus is on cash flows.

### **Cash accounting systems are better complement to budgetary accounting systems**

Christiaens et al (2010) agrees that some governments still use cash accounting system as it comprehends better in the context of the annual discussion and approval of their budgets. Berger (2006) conveys and further elaborates that a budget is the basis for everything and was established long before accrual accounting and somehow using cash accounting, budgeting had been easily undertaken. Cohen (2009) agrees because of its system of reporting transactions only when cash is received or payment is made, it leads to higher control of public funds and satisfies information needs in terms of funds management.

Accordingly the benefits and discussion made herein can demonstrate that a thorough consideration is required by every government of a developing country, in particular Zimbabwe, before deciding whether to adopt International Public Sector Accounting Standards as an accounting framework for its public sector.

However over and above the benefits that have been discussed, Otatade (2012), argues the cash basis accounting, is not without disadvantages.

#### **2.1.2.2 Weaknesses of cash basis and modified cash basis**

##### **Assets not fully accounted for**

Amirkhanyan (2013) argues cash, a key measurement in the cash basis accounting, represents just one item of assets and liabilities. Because of its lack of information such as fixed assets and

long – term debts, it does not for see the potential impact and burdens that the ongoing fiscal management might bring in future. Mhaka (2014) agrees the cash bases accounting expenses in the year of purchase the cost of property, plant and equipment and related costs of bringing that item of PPE into intended use. Kieso and Weygandt (1998) conquered with this notion, further citing that the model does not provide information regarding revaluation, depreciation and risks associated with it. Babatunde (2013) argues that cash based accounts normally do not differentiate between expenses and acquisitions of non-financial assets. Furthermore, IMF (2001) contends that separating current and capital transactions is useful for analyzing the economic impacts of fiscal policy.

### **Lacks transparency and accountability**

According to United Nations Development Programme (UNDP, 2008), accountability is the commitment to demonstrate that work has been conducted in accordance with agreed rules and standards. UNDP (2008), stated that transparency refers to a process by which reliable, timely information about existing conditions, decisions and actions relating to the activities of the organization is made accessible, visible and understandable.

Wynne (2007) revealed that financial management in government is for the purpose of providing adequate financial information to the populace through interacting with citizens. This can be done through the process of carrying out financial and non-financial activities. Compliance with the processes is necessary to ensure transparency and accountability.

Beechy (2007) contends that the cash basis framework tends to hide the true results of operations and true financial position of the organization by manipulating the cash flow. Liabilities are

hidden from view on the financial statements, so are receivables and other assets. Mhaka (2014) observed that under the cash or modified cash basis the financial statements basically comprised of the cash flow statement, while some items of the financial statements are not disclosed, and probably lack of transparency when the organization financial position not clearly depicted.

Mhaka (2014) also argued that the cash bases system fails to disclose a comparison of budgeted and actual information as part of the financial statements. Jorge et al., (2007) agreed with this notion as they stated that accrual accounting produces financial statements that are reported together with budgetary statements.

### **Does not disclose Employee benefits**

According to Mhaka (2014) the cash bases does not take into account the accrued staff benefits. Ouda (2007) supported this view agreeing that government have significant liability disclosures other than the public debt. Ouda (2007) noted these obligations such as civil servants pensions were under – funded. Also there were no additional disclosures made. These include information on contingent liabilities and on commitments. Athukorola and Reld (2003), opined and noted that without accrual accounting decisions on pensions that create pension liabilities may not fully consider the impact of the liabilities on future budgets. Athukorola and Reld (2003) argued that the basis for identifying arrears is explained better in accrual accounting statements.

## **2.2 Cost benefit analysis of adoption of IPSAS**

Guthrie (1998) identified a number of benefits of adoption of IPSAS, including a more broad identification of costs, cost control and efficiency measurements, better pricing policies, increased productivity, greater accountability, intergenerational equity, restrictions over

government indebtedness and greater comparability. Adoption of IPSAS was also considered more appropriate for long-term projects and accounting for assets as it spreads the focus of accounting to include transactions that have occurred but have not involved the transfer of cash.

Abushamsich et al (2014) welcome the move for the IPSAS framework. In a statement, the introduction of IPSAS framework is set to ensure that governmental financial reports include information of sufficient quality to support decision making by different users and that by adopting the standards, governments would improve both the quality and the comparability of the financial information presented by public sector agencies worldwide. Ahmad et al (2013) when analyzing suggested the benefits of cash basis IPSAS introduction as that it is convenient to users and comparable.

### **2.2.1 Convenient to users**

Ahmad et al., (2013) argue that the convenience to users is one of the justifications to implement accrual accounting. Governments that have migrated to accrual accounting are capable to improve governance, have improved control over assets, ability to increase the confidence of all stakeholders, and are able to provide more accurate information from decision-making process with all stakeholders. There is reliable and accurate information on the government position which results in a better flow of resources in the economy and better economic performance that rides on more certainty. The aspect of convenience to user also involves accrual accounting to facilitate the work of an account.

According to Christiaens, Reyniers and Rolle (2010), adopting the accrual accounting is not all important as balance sheets and profit/loss calculations are of less importance in the public

sector, cash accounting systems are better complement to budgetary accounting systems, accounting reform would lead to considerable costs, the current cash accounting system meets all requirements, and former accounting reforms have shown significant implementation problems.

### **2.2.2 Comparability, consistency and coherent financial reporting**

Moreover, Ahmad et al., (2013) argue that if comparisons are made on financial information, among international organizations as well as between public and private sectors, this will mean increased levels of international trading.

Sanderson and Schaik (2008) concluded that adoption of IPSAS improves consistency and comparability of financial statements as a result of detailed requirements and guidance provided in accounting standards.

According to Adhikari and Mellemvik (2008), adoption of IPSASs bring about the application of the consistency and coherent financial reporting systems, both within a country and between countries, and the potential harmonization of financial reporting across jurisdictions. However, these attributes are undermined by the fact that so few governments have actually adopted the standards that are broadly consistent with IPSAS.

Okoliebough (2013) concludes that adoption will bring benefits since country to country and entity to entity comparisons of financial statements. This he says would allow for unbiased decisions to be made.

### **2.2.3 Transparency, Accountability and Efficiency**

Accountability is a responsibility of stewards or agents to provide relevant and reliable information relating to resources under their control. For governments, accountability is the government's responsibility to justify to its citizenry the raising of public revenues and to account for the use of those public resources. Accountability information can be used to support decision making, but it also fulfills the citizenry's "right to know" how public resources have been spent (GASB 2005)

Carlin (2005) outlines the supposed superiority of accrual accounting and reporting compared to cash in three related themes. Firstly, the adoption of accrual accounting enhances transparency and accountability both externally and internally. Next, accrual accounting leads to greater organizational performance and outputs through improved resource allocation. And, lastly accrual accounting allows public entities to identify full costs of their activities, which is pivotal to ensure greater efficiency. In contrast, Mellett et al., (2007) have found that these presumed benefits have not been realized in practice.

Rainero, Secinaro and Indelicato (2013) concurred with the issue of transparency which had not been present with no tough accruals accounting and financial reporting. Moreover, they established that IPSAS based accounting which conforms to robust accounting standards provides the transparency needed for markets to function properly, without which investors in government securities might enter into transactions without a proper understanding of the level of associated risk. This could lead to a contagion risk, acting as a significant barrier to financial stability. Transparent financial reporting leads to greater confidence and lower interest costs in the market.

Sanderson and Schaik (2008) concludes that of the many benefits perceived of IPSAS accounting over cash basis, there are only two worth noting that it is important to know what assets and liabilities you have so as to better manage them and the potential to make better investment decisions.

(IFAC, 2011) summarized the benefits of accrual accounting, plays an essential role in providing accounting information useful for planning, decision making and controlling, and in providing information for users through the financial statements. Financial statements prepared on this basis assess the accountability for all resources the entity controls and the deployment of those resources, assess the financial position, financial performance, and cash flows of the entity, and make decisions about providing resources to, or doing business with, the entity. Moreover, the management of the entity's finance and its cash requirements is shown. So does the allowance for user to evaluate the entity's ability to finance activities and meet its liabilities and obligations. The entity has an ability to demonstrate its successful management of resources and evaluating the organization's position in terms service costs, efficiency and accomplishments.

However according to Rowles (2004) since the resources are gathered and distributed in accordance with political rather than market requirements, the establishment of financial position and recognition of assets and liabilities is not important in the public sector.

Hladika, Vasicek and Dragija (2010) highlighted the complexity of the accounting information and financial statements and the complexity of their understanding and application in the initial stages of introduction of IPSAS. Financial statements prepared according to accrual accounting comprise information on assets, liabilities, revenues and expenses and therefore such financial statements may not be understandable to all of those who have no previous knowledge or

experience in assessing and evaluating financial statements that are based on accrual basis of accounting. They also emphasized problems in the correct valuation of public assets.

## **2.3 Challenges of adoption of IPSAS**

### **2.3.1 Costs of Implementation**

According to Rainero, Secinaro and Indelicato (2013) argued, the costs associated with the implementation in various countries and situations are consequently not scientifically comparable. From the experience of the other countries and the analysis of the type of process necessary for implementation is only possible to determine which costs will increase. Hepworth (2003) emphasizes the need for appropriate IT support. Upgrading the existing accounting information system is essential and necessary. According to this, additional IT skills of public officials are required to perform tasks in the new accounting system. Implementation requires modern accounting systems. Athukorala (2003) contends that ensuring the sufficient financial resources is inevitable precondition for successful transition to accrual accounting in the public sector. Accordingly, implementation involves significant direct costs in terms of information technology and training, and indirect costs in terms of institutional disruption.

### **2.3.2 Recognition and measurement of assets, liabilities and equity**

Barton (2002) identified recognition and measurement of assets as a challenging area in the public sector. The private sector conceptual framework definition of an asset which is being used in the public sector is restricted to future economic benefits. Assets in the public sector have ownership issues, different obligations, the flow of benefits and control. These include infrastructural, cultural, environmental and heritage assets. The assets in this category provide

future non-economic benefits to the public such as the use of roads or parks. According to Warren (2004) the public sector financial statements are misleading as they appear similar to private sector financial statements, but are based on different interpretations of the conceptual framework. Therefore while the conceptual framework appears sector neutral, it is not.

### **2.3.3 Third party transactions and consolidation issues**

Phiri and Schaik (2014) argued that the cash basis IPSAS requires the reporting entity consolidating to include all controlled entities, however as the current practices include only budgeted entities and exclude state enterprises. Furthermore, Emasu, Nyangulu and Wynne (2012) argued that it is difficult to consolidate government entities with state enterprises as it is likely to result in artificial inflation of cash inflows and outflows and somehow will not depict any improved presentation of financial statements. The Indian Government has argued against the requirement to report payments to third parties and to consolidate government business enterprises (GASB 2008). The gap analysis undertaken by the Government of India in 2008 commented on the requirement for consolidation and concluded that it would not be appropriate. As a fundamental requirement of Cash IPSAS, it is likely to cause more distortion than bringing in clarity in the financial statements of government.

As indicated above the constraints are capable of posing a big threat in the transitional stages.

## **2.4 Establish best practices for government hospital**

Wynne et al (2011) concur, though the gap has been noted and it is necessary to adopt the IPSAS accounting framework, there are some obstacles that need to be rectified before adoption is completed. The obstacles are, the requirement for full consolidation, differences between the

Cash basis IPSAS and existing legislation and practice, the need for additional training and support and relationship between third parties. Roje, Vasicek and Vasicek (2010) acknowledged use by other countries of their own accounting standards that are broadly consistent with IPSASs requirements, keeping their own national sovereignty to apply national accounting standards. Furthermore an explanation is given on law regulations and concepts having stronger influence on public sector accounting systems, thus this helps to explain why developing countries have so far been reluctant to replace their financial accounts with performance accounts (full accrual accounts-focusing on revenues earned/realized and expenditures incurred).

Oulasvirta (2014) on the other hand argued that the adoption of private sector framework based on decision usefulness is inconsistent with the accounting model relevant in the public sector. Moreover emphasis is given that the decision usefulness serves the needs for investors' decision making while the accountability model of reporting emphasizes the accountability of agents to their principals. One other point raised is that IAS/IFRS depend on concepts and measurements resultant from fair value accounting and the balance sheet approach whilst these starting points can create challenges in identification, measurement and evaluation of assets and liabilities in the public sector.

While application of IPSASs would not solve the problems associated with government debt, the appropriate use of the financial information rendered from such standards would assist public officials and other groups in assessing the implications of fiscal decisions proposed or made by government (IFAC, 2012).

IFAC (2012) recognizes that to enhance public sector financial management, governments must implement the necessary institutional arrangements to support transparency and accountability, including measures such as:

The preparation and delivery of high-quality and timely accrual-based financial reporting for the public sector.

The publication, in a timely manner no longer than within six months from the end of the reporting period of independently audited financial statements for the public sector;

The preparation and publication of public sector budgets and appropriations on the same basis in a timely manner;

Full transparency preparation and publication of all financial reporting (position and performance), budgets, and appropriations in a sufficiently appropriate amount of time ahead of elections;

Established, well-defined, and publicly available principles for fiscal management and control, with full transparency to demonstrate that principles are being followed.

Over and above what has been said one can conclude that that at the aggregate level, accrual based fiscal policies indicate better information about the sustainability of fiscal policies. A full disclosure provides a stronger basis for government accountability. This somehow will perfectly go a long way in enhancing accountability and transparency for resources at a local hospital.

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

This chapter focuses on the methods and procedures adopted by the researcher in conducting the study about the impact of adopting IPSAS on financial reporting. The chapter clearly highlights the research design adopted, the targeted research population, research instruments used, sources from which the information was gathered (primary sources), and a summary of how data was presented analyzed.

#### **3.1 Research Method**

According to Bryman and Bell (2007) two different data collection techniques, that is, qualitative and quantitative. According to Saunders, Lewis and Thornhill (2009) defined quantitative data as arithmetical data which is measurable. The quantitative research uses numeric data and statistical methods to measure differences and relationships and make conclusions about certain subjects. According to Saunders, Lewis and Thornhill (2009) qualitative data means data that have not been quantified and can be a product of all research strategies. For the purpose of the study the researcher used both quantitative and qualitative method. Quantitative approach was used for analyzing data collected from questionnaires while qualitative data was used for collecting data from personal interviews.

The quantitative approach was used since the researcher believed this method was the most appropriate way to measure the attitudes of staff towards the adoption of IPSAS. Quantitative

approach emphasize on quantitative research strategy and assume ideas to be organized in a way which allows facts to be measured quantitatively.

## **3.2 Research Design**

Is defined as the structure to show how all the parts of the research are project work together to try and address the central research questions. Ghauri and Gronhang (2005) define research design as the obtaining of data in a systematic way, in increasing knowledge. If the design adheres to the research objective, it will ensure that the client's needs will be served. There is a wide choice of research methods and overall the objectives of a study define the most suitable method that the researcher can use. This research design served as an ear mark of the research and the analysis to bring up suggested possible outcomes to the bridging gap.

Types of research design are the explanatory research and the descriptive research. The researcher used descriptive research method.

### **3.2.1 Descriptive research**

Goddard and Melville (1997) define descriptive research as research in which a specific situation is studied either to see if it gives rise to any general theories, or to see if existing general theories are borne out of a specific situation. Babbie et al (2009) defined descriptive research as a study devised to attain specific information establishing the nature of the study at particular point in time. In a descriptive research the researcher does not have the power to control variables. What the researcher observes from the study will be determined by the variables not his personal judgment.

The researcher chose this method as it allows to develop analytical and problem solving skills, investigation for solutions of complex issues and needs researcher to apply new knowledge and skill. Descriptive research also encourages the use of a number of methods in gathering data, and of multiple data source and boundaries of the study are not stationary, and can be tailored to the time and resources available. The researcher used a case study as the research strategy.

### **Case Study**

Robson (2002) defines case study as a strategy for doing research which involves a practical investigation of a particular current occurrence within its real life context using multiple sources of evidence. With a case study the boundaries being studied and the context within which it is being studied are not clearly apparent. If using a case study strategy it's most likely there would be a need to triangulate multiple sources of data. Saunders, Lewis and Thornhill (2009) defined triangulation as referring to the use of different data collection techniques within one study in order to ensure that the data tells you what you think it is telling you. The researcher used a case study as it allowed qualitative data collected using semi-structured group interviews thus allowing triangulating quantitative data collected by means of questionnaires.

### **3.3 Target Population**

Saunders, Lewis and Thornhill (2009) defined population as total number of observation under study. In research, target population consists of the selected observation for a particular purpose. Thus the target population includes all elements that might be included in a study, total number of amounts from which data can potentially be collected. The target population consisted of the heads of department for Tsholotsho District Hospital as shown in Table 3.1

**Table 3.1 Targeted Population**

<b>Staff</b>	<b>Number</b>
<b>Top Management</b>	<b>5</b>
<b>Middle Management</b>	<b>4</b>
<b>Accounting Staff</b>	<b>3</b>
<b>Accounts Clerk</b>	<b>2</b>
<b>Other Administration Staff</b>	<b>6</b>

In this case it was possible for the researcher to use the population in doing his study. However the researcher used a sample because of limited time available and budget constraints. The sample to enable him to get the most appropriate results and organization of data is more manageable with fewer people involved.

### **3.4 Sampling**

Saunders, Lewis and Thornhill (2009) defined a sample as representative portion of the overall population chosen on random bases, but bearing the characteristics of the population. A sample size of 50% to 70% of the total targeted population would be ideal for accurate results in case of a descriptive survey. For the purposes of this study a sample size of 70% was established. This is shown in the table 3.2. The researcher used sampling as it would provide authentic information and reduces cost that would have been incurred had the researcher dealt with the target population.

**Table 3.2 Sample size**

	<b>Population</b>	<b>Sample Size</b>	<b>Percentage</b>
Top Management	5	3	60%
Middle Management	4	4	100%
Accounting Staff	3	3	100%
Accounts Clerk	2	2	100%
Other Admin Staff	6	2	33%
<b>Total</b>	<b>20</b>	<b>14</b>	<b>70%</b>

A sample size of 70% is chosen as it is hoped to be an ideal

### **3.5 Sampling Technique**

The sampling techniques available can be divided into probability or representative sampling and non-probability or judgmental sampling. With non-probability sampling, Saunders, Lewis and Thornhill (2009) state that the probability of each case being selected from the total population is unknown and it is impossible to answer research questions or to address objectives that require you to make statistical conclusions about the characteristics of the population. The researcher opted for non-probability sampling method.

#### **Purposive sampling**

Saunders, Lewis, Thornhill (2009) defined purposive sampling as a method in which the sample selection is centered on the researcher's choice in choosing sample units that best fits the research design. The researcher used this sampling method as it allowed his judgment to select

cases that will best enable him to answer research question(s) and to meet objectives. The technique was employed as it could focus on one particular sub-group in which all the sample members are similar. This enabled the researcher to study the group in great depth.

The reason for using the particular sample group was to enable results to be tested on a particular and smaller population so that findings arising from there could be reliable and relevant. The researcher also looked at the type of information needed and who would most likely have it. In this case the middle staff, accounting staff and accounts clerks would likely be more informed than the top management and other administration staff.

### **3.6 Data Sources**

Data can be categorized into primary and secondary data. The research was based on primary sources of data. Questionnaires and personal interviews were used.

#### **3.6.1 Primary Data**

Saunders, Lewis and Thornhill (2009) defined primary data as data obtained by carrying out a research for the first time on a subject matter. It is unorganized, not analysed and unprocessed data by any statistical method and is data captured for the first time and right from the point of origin for a specific purpose. Primary data can be obtained through the use of surveys, interviews, questionnaires, focus groups, experiments and observations. In this study, the researcher used interviews to obtain information from the Accounting department staff and self-administered questionnaires to gather information from the Accounting department and other departments.

Primary data sources enable collection of relevant data in connection with the objectives of the study. This data collected was up to date and it could give a better practical view of the research topic under study. For these reasons, the researcher had to make use of primary data during the study. However, the collection of primary data was cumbersome and time consuming since it took a significant amount of time to gather data for example, designing of the questionnaire, pre-testing of the questionnaire and administration.

### **3.7 Data collection instruments**

Kothari (2009) defined data collection instruments as devices that are used to collect data. These are questionnaires, tests, interview schedules and checklists. The choice of data collection methods is depended on the accuracy of information that will be obtained and practical considerations such as, time, personnel, equipment. Kothari (2009) argued that bias can be reduced and quality enhanced by using a combination of different data collection techniques in a skillful manner.

#### **3.7.1 Questionnaires**

Saunders, Lewis, Thornhill (2009) define a questionnaire as a general term to include all techniques of collecting data in which each person is asked to respond to the same set of questions in a preset order. It comprises structured interviews and telephone questionnaires as well as those in which the questions are answered without an interviewer being present (online questionnaire). A questionnaire consists of a set of questions presented to a respondent for answers. The respondents read the questions, interpret what is expected and then write down the answers themselves. Questionnaires work best with standardized questions that you can be confident will be interpreted the same way by all respondents (Robson 2002). Questionnaires

therefore tend to be used for descriptive research. Descriptive research will enable the researcher to identify and describe the variability in different phenomena.

The main advantage of using questionnaires is that respondents were allowed enough time to think thoroughly prior to answering the question, which assures quality data was gathered. The disadvantages being illiterate people illiterate are eliminated in the process and also there was a possibility of misinterpretation of questions by the respondents since no clarity was sought. The weakness though was contained by trying as much as possible to select individuals who are well versed on the issues of accounting and also questions asked were nurtured so that they were understandable.

There are three main types of questionnaires which are self- administered questionnaires, interviewer administered questionnaires and structured interviews (interview schedules). The researcher used self- administered questionnaires. The researcher chose the questionnaire type on the basis of characteristics of the respondents from whom the data was collected, the importance of reaching a particular person as respondent, the importance of respondents' answers not being contaminated or distorted, the sample size being analyzed, taking into account the likely response rate, the type of questions asked and the number of questions asked to collect your data.

Saunders, Lewis and Thornhill (2009) classified questionnaires into three categories, which are open ended questions, closed ended questions and a combination of both.

Closed ended questions include all possible answers and respondents are asked to choose among them. These questions are used to generate statistics in quantitative research, as they follow a set format, and most responses can be entered easily into a computer for ease of analysis and greater

numbers can be distributed. Closed ended questionnaires were used with the self- administered questionnaires.

Open-ended Questionnaires on the other hand allow respondents to answer in their own words. The questionnaires leaves a blank section for the respondents to write in an answer. Open – ended questionnaires were used with the personal interviews. Whereas closed ended questionnaires might be used to find out how many people know about cash basis IPSAS, open-ended questionnaires might be used to find out what people think about cash basis IPSAS. Open ended questions have a disadvantage that data analysis may be more complex since there are no standard answers to the questions, as it is opinions which are sought rather than numbers, therefore fewer questionnaires need to be distributed.

The researcher had fifteen questions: eight closed-ended ones and seven open-ended ones. First four closed-ended questions require respondents to provide information of their knowledge of the cash or modified basis approach of accounting, its merits and demerits. The next three questions ask respondents of their knowledge on the IPSAS. The last one ask way forward for adoption of IPSAS standards. The subsequent seven open ended questions required a greater depth of understanding of the frameworks.

Respondents for close ended questions chose from a scale of 1 – 5 and only chose one scale in each opinion (The Likert scale).

### **3.7.2 Likert Scale**

According to Changing Minds (2011) Likert scale is defined as a psychometric reply predominantly used in a questionnaire to attain respondent’s preference or grade of agreement

with a question or set of questions. Likert developed the principle of measuring attitudes by asking a series of people to respond to a series of statements about a topic in terms of the extent to which they agree or disagree to them, and so tapping into the cognitive and effective components of attitude. The Likert scale is the sum of responses on several Likert items. Questionnaires used by the researcher were designed using the Likert Scale format.

This is summarized by a Likert scale on table 3.3 below:

**Table 3.3 The Likert scale**

Item	Strongly disagree	disagree	Uncertain	Agree	Strongly agree
Points	1	2	3	4	5

The Likert scale provides direct and reliable assessment of attitudes when scales are well constructed and it is quick and economical to administer and score. Also it is easy to comprehend. For these reasons, the researcher had to use the Likert scale.

However, respondents have a tendency of avoiding ‘extremes’ thereby answering the way they think they are expected instead of expressing their actual position.

The Likert scale is used in this research because it is one of the most widely used itemized scales. The end-points of a Likert scale are typically ranged from 1 “strongly disagree” to 5 “strongly agree”. The respondents are asked to indicate their degree of agreements by checking one of five response categories: strongly disagree, disagree, Uncertain, agree, and strongly agree.

The Likert scale has several advantages. It is easy for the researcher to construct and administer this scale, and it is easy for the respondent to understand.

### **3.7.3 Personal Interviews**

Saunders, Lewis and Thornhill (2009) describe a personal interview as a verbal technique for gathering data. It is a purposeful conversation between two or more people. This research instrument was used to gather data from the Accounting staff. Interviews enabled the researcher to communicate face to face with the respondents' thereby ensuring relevancy and reliability. The researcher used the personal interviews in order to get an in-depth knowledge of the study and for triangulation purposes. The personal interviews were considered to be reliable as there is little chance of someone misinterpreting the question.

### **3.8 Data reliability and Validity**

According to Saunders, Lewis and Thornhill (2009) reliability refers to the extent that data is free from bias and consistency of a measure while validity is focused on the extent to which a study addresses the concepts under review in such a way that different researchers might come up with similar results. Validity and reliability of data collected in this research depended on the response rate achieved, the design of the questions, structure of questions and pilot testing done.

In order to ensure validity and reliability the researcher engaged in numerous data collection methods and also conducted a pilot study to test the soundness of questionnaires and interview questions.

### **3.8.1 Reliability of Primary Data**

According to Saunders, Lewis and Thornhill (2009) reliability in case of questionnaires is concerned with the thoroughness of the questionnaire and, whether or not it will produce consistent findings at different times and under different conditions with different interviewers.

In this research questionnaires administered were done on a test re-test basis. Test re-test estimates of reliability are obtained by correlating data collected with those from the same questionnaire collected under as near equivalent conditions as possible. In the case of self-administered questionnaires, were therefore administered twice to respondents, initial through pilot questionnaires sent to their emails and later through the self-administered questionnaires. The researcher also engaged in consistency checking, which involves correlating the responses to each question in the questionnaire with those to other questions in the questionnaire. The 70% sample size selected is believed to be larger, and the distribution is normal and thus it is a perfect sample.

### **3.8.2 Validity**

According to Saunders, Lewis, Thornhill (2009) internal validity in relation to questionnaires refers to the capacity of your questionnaire to measure what you intend it to measure. The researcher was concerned that the findings of the questionnaire would actually represent the reality of what he was measuring. The researcher got around this problem through the use of content validity. Content validity refers to the extent to which the measurement questions in the questionnaire, provides adequate coverage of the investigative questions. Judgment of what was adequate coverage was through consultation of his academic supervisor to comment on the

representativeness and suitability of the questions, as well as allowing suggestions to be made on the structure of your questionnaire. Validity rate of 70% was desirable.

### **3.9 Data analysis and Presentation**

#### **3.9.1 Analysing and presenting quantitative data**

The quantitative data received was in raw form and therefore would be processed to make it useful. The quantitative techniques used range from creating simple tables or diagrams that show the frequency of occurrence and using statistics to enable comparisons, through establishing statistical relationships between variables. Graphs, pie charts and statistics tables were to be used. These would help us to explore, present, describe and examine relationships and trends within our data. Numerical data when quantified helps answer the research questions and meet the objectives. In analyzing data descriptive statistics was used. Descriptive statistics enables to compare variables numerical. The research questions and objectives guided the researcher on the choice of statistics. Statistics to describe a variable focus on two aspects which are the central tendency and dispersion. A measure of central tendency used by the researcher was mode.

Data presentation is concerned with the tabulation, classification and structuring of quantitative raw data in the form that can easily be interpreted. The simplest way of summarizing data for individual variables so that specific values can be read is to use a table (frequency distribution). For categorical data, the table summarizes the number of cases (frequency) in each category. To show the frequency of occurrences of categories or values for one variable so that the highest and lowest are clear, the researcher used bar charts. Pie charts were used to show the proportion of occurrences of categories or values for one variable.

### **3.9.2 Analysing and presenting qualitative data**

According to Saunders, Lewis and Thornhill (2009) qualitative data is data that have not been quantified and can be a product of all research strategies. It can range from a short list of responses to open-ended questions in an online questionnaire to more complex data such as transcripts of in-depth interviews or entire policy documents. The researcher used grounded approach in analyzing qualitative data. The data may be grouped in three main processes which are summarizing of meanings, categorization of meanings and structuring of meanings using narratives. Because of limited time the researcher chose to summarize using meanings. This involved producing a summary of key points that emerge from undertaking the research.

### **3.10 Chapter Summary**

The chapter looked at the research methods and research design implemented in the collection of data. A strong analysis was made in order to justify the used data collection methods such as personal interviews and questionnaires as preference to other data collection methods. This included validating and checking on reliability of these collection methods selected. The last section focused on how data would be analyzed and presented quantitatively and qualitative.

# CHAPTER IV

## DATA PRESENTATION AND ANALYSIS DISCUSSION

### 4.0 Introduction

The chapter focused on data presentation techniques, discussion and interpretation of research findings. The data presentation involved scanning and sifting of collected data, organising it and summarizing it. Also presented in the in the data would be tables, graphs and pie charts where necessary.

### 4.1 Response rate

Saunders, Lewis and Thornhill (2009) defined the response rate as a mathematical relationship that exists between the numbers of subjects which responded to the research study expressed as a percentage of the total number of people comprising the population or sample. High response rate is assumed to signify more reliable results in a study.

Questionnaires were issued to the sample of fourteen respondents, the administration of which and the analysis of data depended on the following information tabulated below.

**Table 4.1 Questionnaire response rate**

<b>Questionnaires Issued</b>	<b>Questionnaires returned</b>	<b>Questionnaires Successfully completed</b>	<b>Response rate</b>
<b>14</b>	<b>12</b>	<b>12</b>	<b>86%</b>

The successfully completed copies of questionnaire used for the analysis were twelve (12) out of fourteen (14) distributed. The response rate represents 86% of the total sample.

Punch (2010) acknowledged that a response rate of 50% is adequate, 60% is good and 70% is very good and more than 80% is excellent. This therefore means that a response of 86% is deemed as excellent data and can be relied upon. 2/14 (14%) defaulted. Three personal interviews were administered and this added relevancy to the data about the study which could not be questioned in questionnaires. The data from the questionnaires and interviews was analyzed and the following information was extracted.

## 4.2 Analysis of questionnaire responses

### 4.2.1 Current accounting reporting framework used by MOHCC (TDH)

**Table 4.2 Responses showing the current accounting framework in use.**

Responses	Cash Basis	Modified Cash basis	Cash Basis and Modified Cash basis	Cash Basis IPSAS
No. of responses	5	3	4	0
Percentage	42%	25%	33%	0%

From the given data above, 5/12 (42%) showed that the hospital was using the cash basis as its reporting framework while 3/12 (25%) said the hospital was using the modified cash basis. 4/12 (33%) indicated that hospital was using both cash and modified cash basis and 0/12 (0%) was using cash basis IPSAS. According to Auditor General (2009) Zimbabwe public sector uses a cash basis system for appropriation accounts and a modified cash basis for fund accounts. Nkundabanyanga et al (2013) argued that in Uganda the government had specified in the treasury accounting,2003, that books should be maintained on a combination of cash basis and accrual

basis accounting (modified cash basis) The results from the interview are consistent with the literature reviewed.

#### 4.2.2 Compliance with the legal framework

Graph showing responses on compliance with legal framework for a research done at Tsholotsho District Hospital (2014)

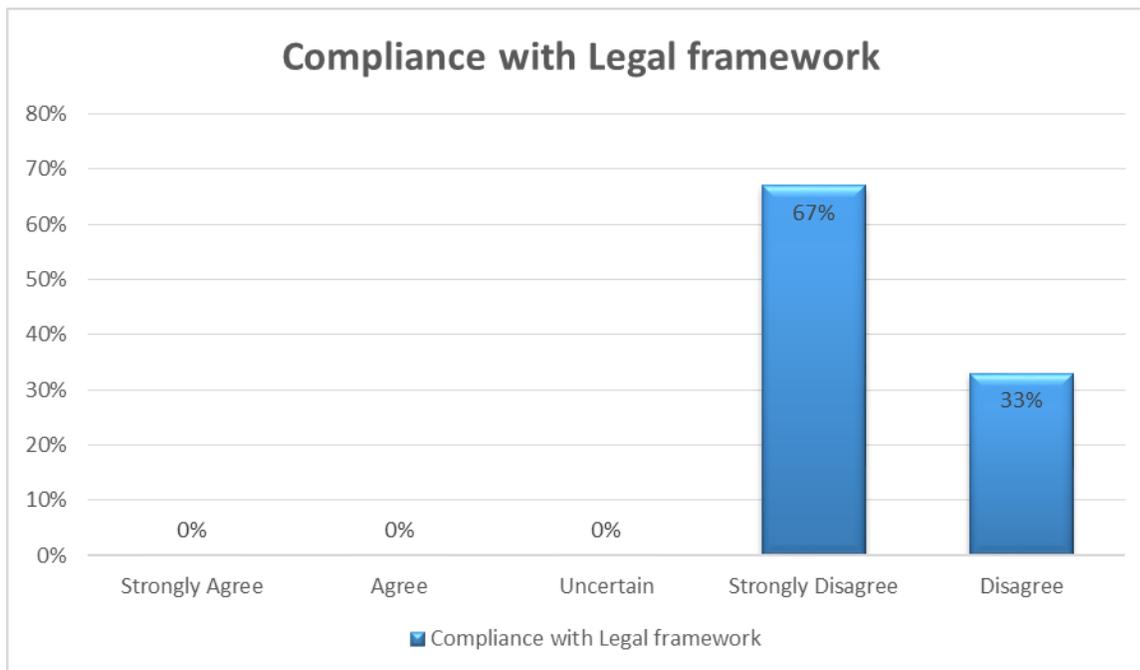


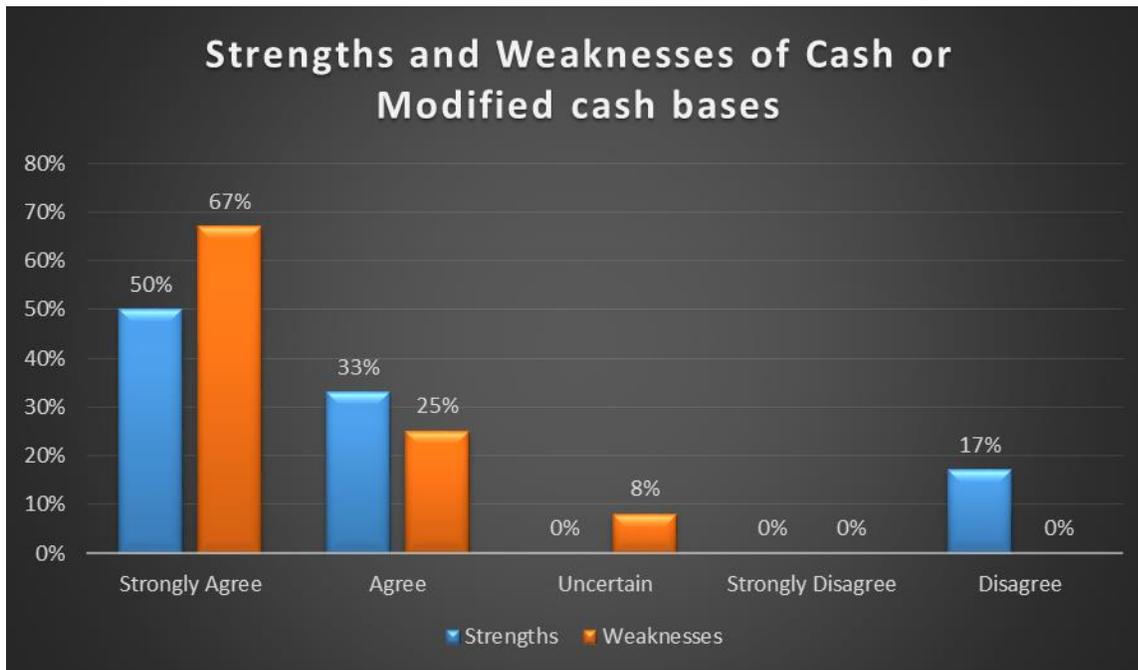
Figure 4.1. Bar Chart

This bar chart shows responses in the following categories: strongly agree with 0/12 (0%); Agree 0/12 (0%); Uncertain 0/12 (0%); strongly Disagree 8/12(67%) and Disagree 4/12 (33%). When aggregated those who agreed form are 0/12 (0%), those uncertain remain unchanged at 0/12 (0%) while those who disagreed were 12/12 (100%). Those who disagreed meant that the respondents were certain that the financial accounts did not comply with the legal framework. This is in unison with the sentiments of the Auditor General in the audit reports for 2009 -2010

where it was highlighted that the financial statements were not meeting the requirements of the PFMA [Chapter 22:19] and its provisions and therefore could not be entirely relied upon. The mode of 12 signifies that those who disagreed were certain that financial statements prepared on the cash basis or cash modified bases needed to be improved in order for the government to be accountable and transparent as alluded to by the Accounting General (2010).

#### 4.2.3 Strengths and weaknesses of the cash or cash modified basis

**Graph showing responses on the strengths and weaknesses of the cash or modified cash basis**



**Figure 4.2 Bar Chart**

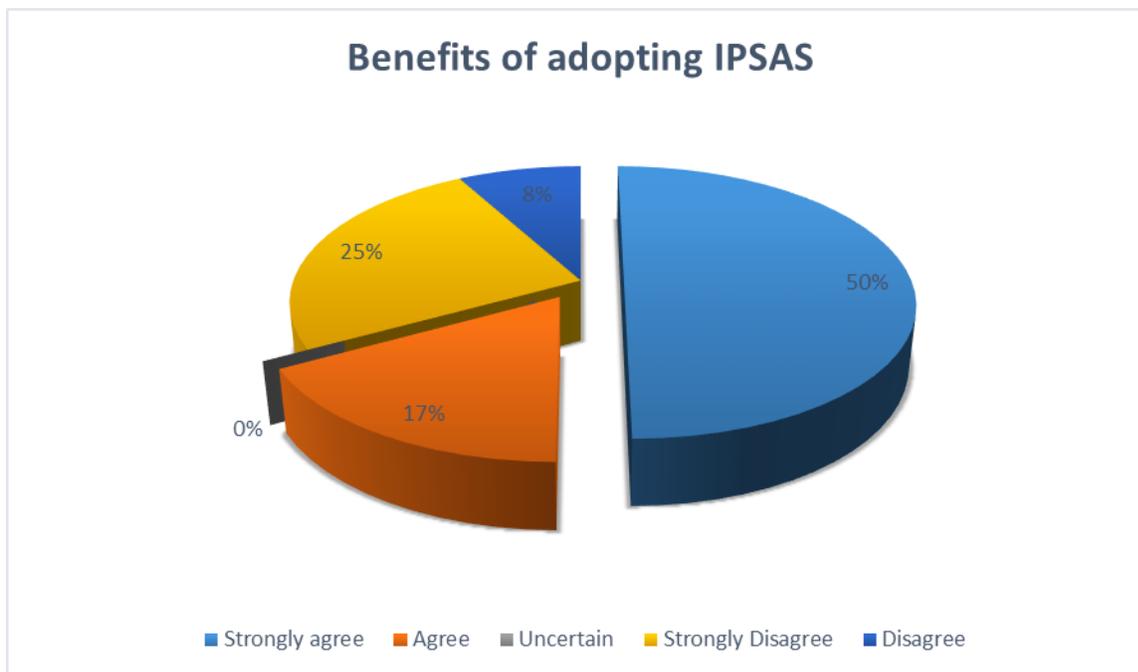
The graph showed the responses to the strength and weaknesses of the cash or modified cash basis accounting. Respondents to the strengths were as follows: 6/12 (50%) strongly agreed; 4/12 (33%) agreed; 0/14 (0%) uncertain; 0/14 (0%) strongly disagree and 2/12 (17%) disagree. When

aggregated: those agreeing are 10/12 (83%). This reflected that the respondents still believed that the cash basis or modified cash basis framework still had advantages as acknowledged by Ross (2003) and Christiaens et al (2010) who argued that the cash basis system was simple, easier to comprehend and enabled quick decision making. Uncertain 0/14 (0%) signified no doubt about the advantages; Disagree is 2/12 (17%) signified that the respondents disagreed about the advantages of cash basis. though the cash basis still retained its advantages. The mode point of 10 is supported by Amirkhanyan (2013) as it is quoted that cash basis still retains its superiority simple because it better complement budgetary accounting process.

Respondents to weaknesses were as follows: 8/12 (67%) strongly agreed; 3/12 (25%) agreed, 1/12 (8%) uncertain; 0/12 (0%) strongly disagreed; 0/12 (0%) disagreed. When combined those who agreed were 11/12 (92%), meaning that the respondents were convinced on the weaknesses of the cash or modified cash basis. This is a quoted by various literature among them was Mhaka (2014) who argued that with the cash basis assets are not fully accounted for, it lacks transparency and accountability and fails to disclosed accrued employee benefits. Uncertain 1/12 (8%) meant that the respondent was unsure of the weaknesses as witnessed by Mellemvik and Adhikari (2010) who regarded the weaknesses as formulated to push the agenda of organisations such as World bank, IMF and ADB. Those that disagreed 0/12 (0%). The modal point was 11 signifying uncontested agreement in the respondents on the weaknesses of the cash basis as shown by the Wynne (2007), Amirkhanyan (2013), Wynne (2007), Beechy (2007), Ouda (2007) and Athukorola and Reld (2003) all agreed that the weaknesses in the system out -weigh the strength.

#### 4.2.4 Benefits of adopting Cash basis IPSAS.

Pie Chart showing percentage respondents on the benefits of adopting IPSAS



**Figure 4.3 Pie Chart**

The pie chart indicates the views of respondents regarding the introduction of IPSAS. The statistics indicated that 6/12 (50%) strongly agreed on the introduction of IPSAS, while 2/12 (17%) agreed, 0/12 (0%) were uncertain; 3/12 (25%) strongly disagreed and 1/12 (8%) disagreed. The total of those agreeing was 8/12 (67%) and a greater number of respondents are aware of the benefits accruing due to adoption of the IPSAS framework, as complemented by IFAC (2011) as the benefits were summarized as providing useful information for planning, decision making, and financial statements prepared in this framework are more accountable. Uncertain 0/14 (0%) and those who disagreed was 4/12 (33%), meaning they are some who doubted the benefits brought about the adoption of IPSAS as supported by Hladika, Vasicek and Dragija (2010) who argued that financial statements presented under the IPSAS framework were

likely to bring complexity and understandability issues to those without prior knowledge of accounting. The mode was 8, indicating a generally positive view to the benefits of IPSAS, as supported by Ahmad et al (2013), Schaik and Saunderson (2008), Carlin (2005), Rainero, Secinaro and Indelicato (2013) who all conquered on the introduction of IPSAS.

#### 4.2.5 Responses on the Challenges Adoption of IPSAS

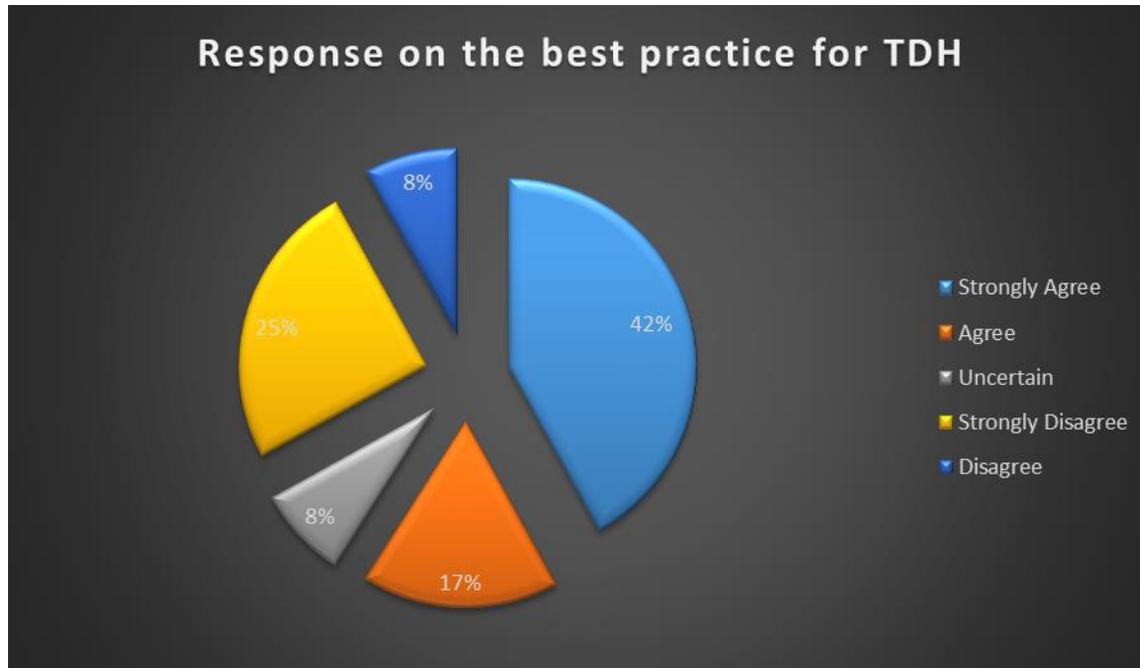
**Table 4.3 Responses as regard to Challenges of Introduction of cash basis IPSAS**

	<b>Strongly agree</b>	<b>Agree</b>	<b>Uncertain</b>	<b>Strongly disagree</b>	<b>disagree</b>	<b>Total</b>
<b>Response</b>	8	3	0	0	1	12
<b>Percentage</b>	67%	25%	0%	0%	8%	100

The table shows responses on the challenges brought about adoption of IPSAS. 8/12 (67%) strongly agree on the envisaged challenges while 3/12 (25%) agree on the challenges. 0/12 (0%) are uncertain. 0/12 (0%) strongly disagree while 1/12 (8%) disagree. When aggregated those who agree are 11/12 indicating that respondents are quite aware of the challenges presented by adoption of IPSAS as acknowledged by Rainero, Secinaro and Indelicato (2013) as they argued the costs associated with implementation vary from country to country. Uncertain 0/12 and those that disagree are 1/12. The mode of 11 indicated a high rate of respondents agreeing to the challenges as depicted by the literature. Barton (2002) emphasised on the challenges of recognition of assets, as he begged to differ on the definition adopted from IFRS. Phiri and Schaik (2014) also argued on the procedure to follow on consolidation.

#### 4.2.6 Establishing best practices for Tsholotsho District Hospital

##### Pie Chart showing responses on the best practices for TDH



**Figure 4.4 Pie Chart**

Findings of the study show that 5/12 (42%) strongly agreed while 2/12 (17%) agreed; 1/12 (8%) was uncertain; 3/12 (25%) strongly disagree and 1/12 (8%) disagree. Those who agreed were 7/12 (59%) meaning the respondents were certain there was a need for establishing best practice for TDH as this is seconded IFAC (2012) as they suggest government must initiate necessary changes to enhance public sector financial management and therefore supporting transparency and accountability. Those who disagreed were 4/12 (33%) meaning some respondents had reservations on the adoption of IPSAS, concurring with the view of Roje, Vaasicek and Vasicek (2010) who argued that some nations had not adopted IPSAS simple because they were using similar standard or were interested in preserving their national sovereignty. Brusca and Benito (2004) also voiced their sentiments when they argued IPSAS were overrated and therefore

adoption was based on external pressure. Those uncertain 1/12 (8%), were undecided on the best practice for TDH as Oulasvirta (2010) who viewed both sides of the coin with necessary skepticism, firstly acknowledging a need for a better framework criticizing the adoption of IPSAS as adoption of a private sector framework and inconsistent in the public sector. The mode was 7, which suggest that respondents were agreeing that when necessary institutional reforms are undertaken the adoption may continue as alluded to by IFAC (2012).

### **4.3 Interview responses**

#### **4.3.1 Interview response rate**

Seven interview questionnaires were administered to three accounting staff which gave a response rate of 100%.

#### **4.3.2 Analysis of interview responses**

**Question 1: Are the financial statements prepared by your department in line with the provisions of the PFMA [Chapter 22:19] and its statutory provisions?**

**Respondent One:** Agreed and stated the financial statements prepared and the framework they follow.

**Respondent Two:** Agreed and also stated the required provisions to be followed in the preparation of the financial statements

**Respondent Three:** Agreed and stated the requirements for preparation of the financial statements.

All three respondents exhibited knowledge of how the financial statements are prepared and the framework in use. They all stated General Accepted Accounting Practice as the framework as stated by the PFMA [Chapter 22:19] and Treasury Instructions which are the legal documents for

preparation of Financial statements. This is true based on the health services manual Instrument No 2001.

**Question 2: Is the current framework adequate in the preparation of financial statements for the Hospital? Explain your Answer**

**Respondent One:** Yes. Financial statements for public sector should be simple and easier to understand to users who mainly comprise of the general populace.

**Respondent Two:** Also agreed saying the cash accounting comprehended in annual discussion of budgets and their approval.

**Respondent Three:** Disagreed and suggested an improvement by adopting Cash basis IPSAS in government accounting. He argued the current framework did not fully recognize the non-current assets and cited this as the reason why the auditor general had issued disclaimer of opinion.

In a nutshell respondent one and two recognized the use of cash basis or modified cash basis and believed it preserved the public sector status. This is echoed by Nkundabanyanga et al (2013) as he agreed that some developing countries governments had remained using cash accounting or modified cash basis accounting for appropriation accounts and fund accounts. Respondent Three advocated for adoption of IPSAS as alluded to by Babatunde (2013) who concur cash basis accounting do not differentiate between expense and acquisition of non – current assets. This impedes the qualitative characteristics of financial reporting.

**Question 3: In your opinion what do you think contributes to failure to declare assets registers and departmental asset certificates as alluded by the auditor general in his report for 2009 and 2010?**

**Respondent One:** Accounting procedures in relation to accounting for non- current assets are not proper.

**Respondent Two:** Cited weaknesses in internal controls.

**Respondent Three:** Cited weaknesses in internal controls and lack of proper accounting systems for non –current assets.

In a summary, the findings showed that internal controls and lack of proper accounting systems for assets contributed to the failure to declare asset registers and departmental certificates. The auditor general (2009) in his recommendation suggested that internal controls be reviewed and put in place while the accountant general (2010) suggested a need for the current accounting framework to be reviewed so as to allow full disclosure of some items of non – current assets that had not been previously been declared.

**Question 4: What do you think are the causes of delay in the implementation of Cash basis IPSAS in the Public sector?**

**Respondents One:** cited lack of finance to train human resources, implementation costs and fear of change by those in authority.

**Respondent Two:** Cited lack of necessary legal and regulatory framework in place. This include government policy pronouncements or statement of adoption of cash basis IPSAS as a basis of accounting and financial reporting. Lack of political commitment and stakeholder commitment.

**Respondent Three:** Cited that since government is using both cash accounting and modified cash basis accounting, adopting cash basis IPSAS would mean some elements of accrual accounting will still remain unaccounted for. He also cited the issues of consolidation since mandatory requirements of Cash Bases IPSAS 1 required the consolidation of state enterprise with the government departments.

In summary there were issues relating to the adoption of cash basis IPSAS which needed attention before the program was enrolled. Wynne et al (2011) asserted when he identified

obstacles that were hindering smooth adoption by many developing countries. These were the requirement for full consolidation, differences between the Cash basis IPSAS and the existing legislation currently being practiced and the need for additional training and support.

**Question 5: What do you think are the positive effects of adoption cash based IPSAS for Ministry of Health and Child Care (Tsholotsho District Hospital)?**

**Respondents One:** Improved internal control and transparency with respect of recording assets and liabilities.

**Respondent Two:** The alignment with the best accounting practices through the application of credible, independent accounting standards on full accrual basis. Enhancing comparable and consistent financial reporting.

**Respondent Three:** Improved allocation of resources. Improved consistency and comparability of financial statements as a result of detailed requirements and guidance provided in each standard.

In a nutshell the three respondents had positive views on the effects of adopting cash basis IPSAS. These views were consistent with the literature reviewed. Sanderson and Schaik (2008) agreed that adoption of IPSAS would lead to improvement in consistency and comparability of financial statements brought by the requirements of IPSAS. GASB (2005) asserted that the adoption would lead to improved allocation of resources through transparency, accountability and efficiency in decision making and distribution of those resources.

**Question 6: What in your opinion constitutes the existing gap of cash or modified accounting framework which is necessary for the adoption of IPSAS?**

**Responded One:** the current cash or modified cash accounting does not take into consideration the proper valuation of Assets and liabilities.

**Respondent Two:** The current cash accounting framework does not take into account the employee benefits.

**Respondent Three:** the current cash accounting does not recognize revenue and expenditure in the period where revenue is earned or expenditure occurred.

In conclusion the respondents noted the current gap between the cash accounting and IPSAS accounting.

**Question 7: If you believe some amendments and improvements should be made to the cash basis IPSAS to assist its adoption and or ongoing application, please identify those amendments and improvements?**

**Respondent One:** Consolidation of all government controlled entities including state enterprises. The current practices include only budgeted entities and exclude state enterprises. Inclusion of state enterprises might lead to artificial cash flows and outflows and somehow will not depict the true picture. The state enterprises are distinct and prepare their own financial statements using International Financial Reporting Standards.

**Respondent Two:** Consolidation of government business entities should be looked at. These entities though they provide services, some are profit oriented and they use International Financial Reporting Standards which are private entities standards. Respondent two suggested that the non- mandatory element of the Cash basis IPSAS be dealt with so as to avoid complications in future.

**Respondent Three:** suggested that they were other countries which were already on accrual accounting. It is difficulty for those countries to adopt the Cash basis IPSAS as it will mean working backwards. The respondent suggested that the cash basis IPSAS is just a an exaggerated cash accounting system since it still does not cater for the accrual items, though it encourages

disclosure of them. The respondent suggested that those who were already on accrual accounting should be migrated fast to the accrual IPSAS.

The responses strongly condemned the consolidation of state enterprises with governments departments and suggested that this needed to be closely examined. According to GASB (2008) there is no concept of consolidating controlling entities like government companies and state corporations with government accounts. The consolidation of cash flows of government companies and state corporations accounts may not be considered as they are distinct legal entities and prepare their own financial statements.

#### **4.4 Chapter summary**

This chapter looked at the presentation, interpretation and analysis of research data both quantitative and qualitative. Findings on quantitative data were presented using pie charts, bar graphs and tables. Analysis was done using the measures of central tendency, the mode. Findings on qualitative data were analyzed using inductive approach (collected data and then explored them to see which themes or issues to follow up and concentrate on) and presented it in summarized data.

## **CHAPTER V**

### **SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

#### **5.0 Introduction**

The chapter consists of three main section, which conclude the entire research report. These are summary of findings, conclusions and recommendations. The purpose of the chapter is to appraise the reader of the problem tackled, the research methodology used and its limitations, major findings of the study and their implications for practice.

#### **5.1 Executive summary**

A conclusion of a research on Investigation on the impact of adopting international public sector accounting standards on financial reporting: A case study of Tsholotsho District Hospital is highlighted as follows:

Chapter one evaluated the importance of doing the study by identifying the existence of a problem. Literature from various fields related to the study was identified signifying the existence of a problem and the need for it to be attended to. The inadequacy of the current reporting framework was therefore identified through some authoritative sources that had testified the lack of accountability and transparency in the financial statements prepared using the current framework. The Auditor General and the Accountant General were some of the authoritative sources that were quoted. These sources proved that they is an existence of a problem and this was that financial statements were not prepared accordingly and this was affecting most government departments and a need for a solution.

Chapter two reviewed the literature giving guidance to conduct of the study. The literature reviewed had differing opinions to each of the objectives in order to depict the necessary gap in the current accounting framework to the IPSAS framework. The researcher discussed the cash and modified cash basis currently used by Tsholotsho District Hospital as alluded by Nkundabanyanga et al (2013) when they agreed that most developing countries were still using cash accounting and modified cash basis as financial reporting framework for appropriation accounts and fund accounts respectively. Strengths and weaknesses of the frameworks were discussed and appropriate literature reviewed. A major weakness mentioned by Mhaka (2014) was the expensing of Non- current assets and related costs of bringing the assets into use, which contravenes the fundamental and enhancing qualitative characteristics of financial reporting which then impedes accountability and transparency. The chapter also discussed the proposed IPSAS framework to replace cash and modified cash basis laying emphasis on the cost benefit analysis of adoption and challenges adoption. Abushamsich et al (2014) argued that the adoption of IPSAS would bring about sufficient quality reporting in government financial reports and improve quality and comparability of the financial information thereby enhancing accountability and transparency. The chapter concluded by establishing the best practices for Tsholotsho District Hospital and IFAC (2012) acknowledged that for government to improve public sector financial management, necessary institutional reforms must be implemented so as to enhance accountability and transparency.

Chapter three focused on the methods implemented to collect data for the research. Both qualitative and quantitative were used for personal interviews and questionnaires respectively. The researcher used the descriptive research approach complemented by the case study in carrying out the research. When carrying out the research a sample was used instead of

population as the researcher noted that a sample had benefit of reduced cost and results from a sample were more likely to be accurate. Instruments used for collecting data were closed ended questionnaires and open ended questionnaires for self- administered questionnaires and personal interviews respectively. Eight Closed ended questionnaires were distributed and respondents were to respond on a Likert scale while seven open ended were distributed. The data gathered would be tested for reliability and validity, and this depended much on the response rate achieved, design of questions and pilot testing carried out. The chapter concluded by looking at how the data would be analyzed and presented. Quantitative data would be analyzed using descriptive statistics, mode used as a measure of central tendency and the data presented using graphs, pie charts and statistics tables. Qualitative data would be analyzed and presented in summarized meanings.

Chapter four concentrated on the presentation and analysis of data obtained from the questionnaires and personal interviews. Data from interviews was presented in tabular, graphical and pictorial format. It was then grouped into agreed, disagreed and uncertain and the measure of central tendency (mode) deduced and analyzed accordingly linking with the literature from the objectives. Qualitative data was analyzed and presented using a grounded approach and in summarized meanings.

## **5.2 Major findings**

Tsholotsho District Hospital was found not to be complying with the provisions of the framework being used. This had an impact in the financial statements prepared by the organization and it was prevalent in the auditor general report for 2009 and 2010.

The weaknesses of the cash basis and modified cash basis outweighed the strength signaling that the frameworks needed to be revisited as they were also contributing to lack of accountability and transparency in public sector.

The adoption of IPSAS was seemingly gathering momentum in other developing countries, though studies showed no African country had fully adopted the mandatory requirements of the Cash basis IPSAS, if adopted it would lead to transparency and accountability in reporting of financial statements and provision of statements that will be useful for planning, decision making and controlling of resources.

The current employees at Tsholotsho District Hospital were incapacitated with regard to skills and knowledge on the IPSAS framework.

### **5.3 Conclusions**

Conclusions were drawn up from the research summary of findings and are summed up answers for sub research questions in chapter one. The aim of the research was to discuss the best way for improving the preparation of financial statements for Tsholotsho District Hospital so that there are comparable, consistency and transparent to the users.

The provisions of the PFMA [Chapter 22:19], Treasury Instructions and Health Services Manual (Instrument 1 of 1996) were not being observed. This is evident from the audit reports prepared by the Auditor General in 2009 and 2010, which issued a disclaimer of opinion. In the Ministry of Health the auditor general noted that the problem with financial statements had been persistent for more than seven years. This calls for a need for the government and stakeholders to chart a way forward for with regards to the current accounting framework.

The cash or modified basis of accounting proved to be less favourable for the local hospital as framework for preparation of financial statements because of its inconsistencies. The weaknesses of the framework virtual outnumbered its strength and with the introduction of IPSAS a solution in lieu had been found. The researcher found that the introducing cash based IPSAS are a step in the right direction in aligning Tsholotsho District Hospital financial statements with the international practice. The benefits associated with adoption of IPSAS proved to answer the local hospital's problems.

It was also determined that though the adoption of IPSAS is a good way forward, there are challenges in the adoption. Challenges such as costs of implementation, challenges in recognition and measurement of assets, liabilities and equity, challenges associated with third party transactions and consolidation issues could hamper the successful adoption of IPSAS. Such issues as the consolidation of the public sector entities are a mandatory requirement for the cash basis IPSAS and as such if undertaken it would likely cause a distortion of the consolidated financial statements of government at national level.

Based on the findings from the questionnaires and the interview responses it was found that the adoption of cash based IPSAS could go a long way in alleviating the problems associated with government financial reporting and thereby improving accountability and transparency.

#### **5.4 Recommendations**

In light of the above conclusions cash basis IPSAS are likely to guarantee transparency and accountability in the public sector if adopted compared to the current accounting framework. It is recommended that the government of Zimbabwe should embrace them. The government has a

responsibility to map the way forward for adoption of the IPSAS through the Ministry of Finance and Economic Planning and the Auditor General's office. It is also recommended that the government should carry out and decentralize training programs on the adoption of IPSAS to all governments departments. The government should develop a road map and operational framework for an adoption guide.

### **5.5 Areas of further research**

Due to financial and time constraints the study was confined within the limits of a case study of one hospital. Future research is necessary to extend the scope of the study to cover the whole Ministry of Health and Child Care.

### **5.6 Conclusion**

The chapter summarized the whole study, offered its major findings concerning the research, conclusions, recommendations and finally the area of further study.

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## APPENDIX I

### ACADEMIC RESEARCH QUESTIONNAIRE

Dear respondent

My name is Ndlovu Clever, a final year student at Midlands State University where I am undertaking a Bachelor of Commerce Honours Degree in Accounting Programme. Currently I am working on my dissertation entitled “Investigation on the impact of Adopting International Public Sector Accounting Standards on Financial Reporting: A case of Tsholotsho District Hospital”. I will therefore be grateful if you could spare a few minutes and complete this questionnaire. Your responses will be treated with confidentiality and used only for academic purposes.

**Tick where appropriate and provide explanations where necessary**

1. The current accounting reporting framework used by the MOHCC is  
Cash Basis [  ] Modified Cash Basis [  ] Cash and Modified [  ] Cash Basis IPSAS[  ]
2. Using the cash basis or cash modified ensures Tsholotsho District Hospital fully comply with the requirements the PFMA, treasury instructions, 2001, and Health Services Fund Manual, Instrument No 1 of 1996  
Strongly Agree [  ] Agree [  ] Disagree [  ] Strongly Disagree [  ] Uncertain [  ]

3. The following are the strength of cash or modified cash basis accounting system

<b>Weaknesses</b>	<b>Strongly Agree</b>	<b>Agree</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Uncertain</b>
Cash bases system better fit the characteristics of public sector organization					
Balance sheets and Profit and loss calculations are less important in the Public sector organization					
Cash accounting systems are better complements to budgetary accounting systems					

4. The major weaknesses of current cash or modified cash accounting framework are

<b>Weaknesses</b>	<b>Strongly Agree</b>	<b>Agree</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Uncertain</b>
Assets are not fully accounted for.					
Lack of Transparency and accountability					
Failure to disclose comparisons of budgeted from actual information					
Fails to disclose employee benefits					

5. The following benefits will accrue to Tsholotsho District Hospital if IPSAS are adopted

<b>Benefits of Adopting Cash basis as a preparation framework.</b>	<b>Strongly Agree</b>	<b>Agree</b>	<b>Uncertain</b>	<b>Strongly Disagree</b>	<b>Disagree</b>
Convenient to users					
Comparability					
Consistency and coherent financial reporting					
Other (Specify)					

6. Adoption of IPSAS results in the following challenges

<b>Challenges of adopting Cash basis IPSAS.</b>	<b>Strongly Agree</b>	<b>Agree</b>	<b>Uncertain</b>	<b>Strongly Disagree</b>	<b>Disagree</b>
Costs of implementation					
Recognition and measurement of assets					
Measurement of liabilities					
Consolidation					

7. A committee to spearhead the adoption and full implementation of IPSAS should be established and comprise of all stakeholders in the public sector.

Strongly Agree [ ] Agree [ ] Uncertain [ ] Strongly Disagree [ ] Disagree [ ]

8. The best practice for government accounting are

	<b>Strongly Agree</b>	<b>Agree</b>	<b>Uncertain</b>	<b>Strongly Disagree</b>	<b>Disagree</b>
Training high qualified and professional accountants in public sector.					
Existing legislation to be revisited to ensure that they comply with IPSAS requirements					

Thank you for your cooperation

## **APPENDIX II**

### **INTERVIEW GUIDE FOR THE ACCOUNTING DEPARTMENT**

1. Are financial statements prepared by your department in line with the provisions of the PFMA [Chapter 22:19] and its statutory provisions?
2. Is the current framework in use adequate in preparation of financial statements for a hospital? Explain your answer.
3. In your own opinion what do you think contributes to the failure to declare assets registers and departmental asset certificates as alluded by the auditor general in his report for 2009 and 2010?
4. What do you think are the causes of delay in the implementation of Cash basis IPSAS in the Public sector?
5. What do you think are the positive effects of adoption cash based IPSAS for Ministry of Health and Child Care (Tsholotsho District Hospital)?
6. What in your opinion constitutes the existing gap between cash or modified accounting and IPSAS?
7. If you believe some amendments and improvements should be made to the cash basis IPSAS to assist its adoption and or ongoing application, please identify those amendments and improvements and the reasons for them?

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Telegraphic Address  
"TSHOLOTSHOHOSP"



Tsholotsho District Hospital  
Box 100  
Tsholotsho  
Zimbabwe  
0378 -203 –

12 September 2014

The Secretary

Dear Sir

**RE: REQUEST FOR AUTHORITY TO UNDERTAKE A RESEARCH STUDY IN THE  
MINISTRY OF HEALTH AND CHILD CARE: NDLOVU CLEVER: E.C. NO. 3963454B:  
ACCOUNTING ASSISTANT**

Authority is hereby sought to carry out a research study in Ministry of Health and Child Care. I am a student undertaking a Bachelor of Commerce Honours Degree in Accounting with Midlands State University. As part of my learning, I am required to conduct a research in line with my area of study. Therefore, my research topic is "*Investigation on the impact of adopting International Public Sector Accounting Standards on Financial Reporting: A case of Tsholotsho District Hospital*".

Information obtained from the research shall be treated with confidentiality and used only for academic purposes.

Yours faithfully

CLEVER NDLOVU