



**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

**AN ASSESSMENT ON CHALLENGES AND PROSPECTS OF
INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS
(IPSAS) FIRST TIME ADOPTION CHARITIES OPERATING IN
ETHIOPIA**

By

ROZA EBISSA

**JUNE 2020
ADDIS ABABA, ETHIOPIA**

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**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF
GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS
ADMINISTRATION IN ACCOUNTING AND FI**

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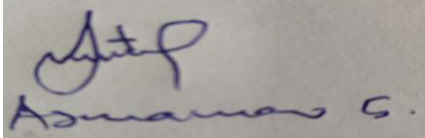
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Handwritten signature in blue ink, appearing to read "Asmamaw G." with a stylized initial above it.

Signature

DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Abebaw Kassie (PhD). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

Name

Signature & Date

ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a university advisor.

Advisor

Signature & Date

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List of Acronyms

AIMS	Administrative Information Management System
AU	African Union
ChSA	Charities and Societies Agency
CSOA	Civil Society and Organizations Agency
FDRE	Federal Democratic Republic of Ethiopia
GAAP	Generally Accepted Accounting Principles
GMS	Global Management System
IFAC	International Federation of Accountants
IMF	International Money Fund
IOs	International Organizations
IPSAS	International public sector accounting standards
IPSASB	International public sector accounting standard Board
NATO	North Atlantic Treaty Organization
NPM	New Public Management
OECD	The Organisation for Economic Co-operation and Development
PFM	Public Financial Management
UN	United Nations
UNDO	United Nations Industrial Development organization
USAID	United States Agency for International Development
WFP	World Food Organization
WHO	World Health Organization
WIPO	World Intellectual Property Organization

ABSTRACT

IPSAS are international accounting standards applicable to the public sector, which include charity organizations. Nowadays, International public sector accounting is among the main drivers of changes and developments in the field. The harmonization of accounting practices is considered to diminish variability in accounting and financial reporting in financial markets, as well as increase comparability in financial statements both globally and regionally. Concerning this, limited research has been conducted on IPSAS perception and implementation. However, there is a gap in addressing first time adoption of IPSAS its applicability in Ethiopia . the purpose of this research is to examine challenges and prospects of international public sector accounting standards (IPSAS) first time adoption. this study used descriptive survey design to collect data and in order to address the research questions, 286 questionnaires were prepared and distributed out of these questionnaires 232 were filled and returned. Accordingly ,the result of the study showed that, the adoption of accounting standards used by local and international charities that works on children affairs in Addis Ababa is in an infant stage. Also the finding shows that charities that works on children affairs has various practical challenges faced while adopting IPSAS in charities operating in Addis Ababa those were lack of full understanding of the issues involved, skilled manpower (Lack or shortage of the necessary internal technical expertise on IPSAS in the organization), increase administrative, compliance or other costs like IT, IPSAS is unfamiliar in Ethiopia, the contradictory condition between IPSAS and ChSA , institutional culture, Problem of transitioning from recording/registration under the cash/modified cash basis to the accrual basis, inadequate Information and Communication Technology (ICT), IPSAS allows both cash and accrual basis of accounting, also the question raises about IPSAS is difficult or bulky were those challenges that the respondent's rate as a major challenge in the study. ChSA (government) should modify the time frame and proclaim strongly as a rule and regulation for their representative is considered as a recommendation.

Keywords: *International Public Sector Accounting Standards, Adoption*

CHAPTER ONE

1. INTRODUCTION

This chapter presents background information on the subject of the study and covers statements of the problem, research objective, research question, and significance of the study. The chapter also covers other sections including the significance and delimitation of the study. In the background of the study, it reviews the key concepts of international public sector accounting standards (IPSAS) first-time adoption.

1.1 BACKGROUND OF THE STUDY

The last few decades have shown that many countries have engaged in reform and modernization of the government accounting system. Development in the financial information system is the main inclined of these reforms (Christiaens et al., 2015). The basic idea of these reforms tally with the concept of New Public Management (Becker et al., 2014). NPM is managerial thought, based on ideology to bring private practice into the public sector (Hood, 1991). Public sector reforms widespread around the world under the ideology of New Public Management (NPM), an International organization such as World Bank, UNDO and IMF are the main promoters for the dissemination of these reforms especially in developing countries (Hood, 1991)

Although there are a variety of organizations within the charities sector, they commonly share the accountability responsibility to the different stakeholders embracing beneficiaries, funders, government, and regulators (Connolly, Hyndman, & McConville, 2013). This is reflected in financial reports (Blackbaud, 2011). (Morgan) supported this saying that, financial reporting is an important aspect of public organizations' accountability.

Charities use accounting standards to produce financial reports to meet the financial information needs of the stakeholders, donors, and regulatory bodies and also to monitor the financial and material resources charities organize for the understanding of their goals. Moreover, these organizations have been arbitrated for the absence of transparency and accountability in their finances, which some argue contribute to the fading trust in the honesty and efficiency of the sector (Ryan & Irvine, 2012).

According to Chan (2006), accounting has a role in warranting respect of legal and contractual obligations, financial management, and encouraging transparency and accountability.

The IPSASB's history begins with IFAC's decision in 1996 to transform the IFAC PSC into a standard setter, responsible for international accounting standards for public sector entities. Previously the PSC had acted as a forum for discussion and information sharing about public sector accounting and the wider set of public sector financial management issues. It had issued a number of studies on concepts central to public sector financial reporting, for example, the information needs of users of public sector general purpose financial reports and the elements of financial statements. While the decision to change the PSC's role to standard-setter was given effect in 1997, its change of name to the IPSASB occurred in late 2004. There has been a continuity of the standard-setting role from the PSC's transformation in 1997 until today. (Gwenda R. et al, 2013)

The PSC's primary focus during these six years, from 1997 to 2003, was the development of standards-based on IASs. To support accruals adoption, the PSC also developed guidance on the transition from cash to accrual accounting, which was first issued in 2002. (IFAC, 2000) But the PSC also developed a discussion paper on different bases of accounting, Governmental Financial Reporting: Accounting Issues and Practices, issued in 2000, and the Cash Basis IPSAS Financial Reporting under the Cash Basis of Accounting, issued in 2003. Furthermore, work on a joint project to harmonize IPSASs with government financial statistics (GFS) reporting guidelines began in 2003. This was the first formal initiative to harmonize accounting standards reporting guidelines. (Gwenda R. et al, 2013)

However, IPSAS Adoption has several challenges in collecting complete and accurate information concerning public sector accounting standards internationally. One of the main challenges is a large number of countries to monitor, as well as the various levels of governments and government organizations within each country. Adding to this complexity is the fact that, for many governments, information is not available in English.

A further difficulty is ascertaining the substance behind claims of IPSAS adoption. Has an entity adopted the Cash Basis IPSAS or the accruals basis IPSASs? Concerning the accruals, IPSASs, has an entity fully adopted all accrual IPSASs, adopted most IPSASs, or used the IPSASs as a reference for self-developed standards? Where an IPSAS-adoption project is in place, what is the timeframe for completion? A government may claim to be adopting the Cash Basis IPSAS as a stepping stone towards accruals basis IPSASs, but distant time horizons may cast doubt on that

claim. Tracking the status of accounting standards adoption by country and within different levels of government in each country is a difficult task. One researcher described data on adoption as applying "the broadest possible definition of adoption and a low threshold level. (ibid)

Internationally, 84 countries have committed to adopting IPSAS. The countries that have committed to the adoption include developed economies such as Australia, New Zealand, Singapore, and Japan, which have adopted full accrual accounting standards consistent with IPSAS. However, only a handful of African countries have adopted IPSASs. They include Rwanda, Tanzania, Uganda, Zambia, Algeria, Ghana, Nigeria, South Africa, Liberia, Morocco, and Mauritania. Others include member states of East and Southern African Association of Accountants General whose aims include the adoption of IPSASs. Each of the African countries is at different stages in the adoption of IPSAS. For instance, Ghana has adopted the cash basis IPSAS and is transitioning to the accruals basis IPSAS. Tanzania adopted a cash basis IPSAS for the central government in 2008, with a plan to shift to the accrual basis in 2010. Arrangements to commence the transition from a modified cash basis of accounting to the adoption of full accrual basis IPSAS are underway In Uganda while Zambia has put a process in place to adopt a cash basis IPSAS. Algeria designed a project for financial management reforms that include the adoption of IPSAS. (G. Ouda, 2016)

Similarly, the Government of Ethiopia fully adopted IPSAS as issued by the International Public Accounting Standard Board (IPSASB) and requires public interest entities that operating in Ethiopia to nationally transit to IPSAS. One of the public interest entities that are subjected to the adoption is Charities and Societies. Therefore this study tries to assess international public sector accounting standards (IPSAS) first-time adoption of charities (local and international) operating in Ethiopia.

1.2 STATEMENT OF THE PROBLEM

IPSAS are the international accounting standards applicable to the public sector which include not-for-profit organizations. It provides high-quality, independently produced accounting standards, underpinned by strong due process and supported by governments, professional accounting bodies, and international development organizations, representing best practices for governments and not-for-profit organizations (WHO, 2013). Similarly, AU (2013) states that,

IPSAS aims to improve the quality of general purpose financial reporting by public sector entities. These entities will make better-informed assessments of the resource allocation decisions thereby increasing transparency and accountability by improving disclosure and reporting.

Nowadays, the International of public sector accounting is among the main drivers of changes and developments in the field. The harmonization of accounting practices is considered to diminish variability in accounting and financial reporting in financial markets, as well as increase comparability in financial statements both globally and regionally.

The Government of Ethiopia, however, fully adopted IPSAS as issued by International Public Accounting Standard Board (IPSASB) and requires public interest entities that operating in Ethiopia to nationally transit to IPSAS however the actual practice is not yet existent in charities operating in Ethiopia Mengistie,(2017). Hence, this paper will try to assess the first time adoption of International Public Sector Accounting Standards (IPSAS) in charities operating in Addis Ababa.

Also, there are various studies about the adoption or implementation of IPSAS in other countries, on the contrary, there is a study on the perception of foreign charities about IPSAS in Ethiopia (Woldehawariat, 2017) and the study mainly focuses on the charities view or perception about IPSAS in Ethiopia and the study identified that the adoption of IPSAS in Ethiopia in the expected deadline is not feasible. Also, another study by (Munezero p, 2015) studied assessment of international public sector accounting standards (IPSAS) implementation at African union. Hence, this study was merely limited to one organization. Considering the above limitation ,these studies try to minimize the gap of those studies by studding international public sector accounting standards (IPSAS) first time adoption. However, these studies will focus on the challenges and prospects of first time adoption applicability of IPSAS in Ethiopia. hence, it's important to know the feasibility of IPSAS as well as drowbacks of IPSAS to adopt the implementation of IPSAS in Ethiopia .

1.3 BASIC RESEARCH QUESTIONS

The research guided by the following basic research questions;

- What are the current accounting standards used by local and international charities in Addis Ababa?
- How many charity (local and international) organizations in Ethiopia (Addis Ababa) adopt IPSAS?
- What are the possible challenges faced while adopting IPSAS in charities Addis Ababa?
- What benefits gain by adopting this IPSAS in charities operating Addis Ababa?

1.4 OBJECTIVES OF THE STUDY

This study has both general and specific objectives:

1.4.1 GENERAL OBJECTIVE OF THE STUDY

The general objective of this study is to assess challenges and propects of international public sector accounting standards (IPSAS) first time adoption.

SPECIFIC OBJECTIVES

The specific objectives of the study:

1. To assess the existing accounting standards uses by both local and international charities that work on children's affairs in Addis Ababa.
2. To identify local and international charity organizations that adopt IPSAS in Addis Ababa.
3. To distinguish the possible challenges of IPSAS during adoption in local and international charities that works on children's affairs in Addis Ababa.
4. To investigate benefits gain by adopting this IPSAS in both local and international charities that work on children's affairs in Addis Ababa.

1.5 SIGNIFICANCE OF THE STUDY

Analyzing international public sector accounting standards (IPSAS) first time adoption charities operating in Ethiopia, Addis Ababa has significant importance to the non-governmental organization and other stakeholders and associations specifically charity organizations by maintaining stability and transparency throughout the financial world. Moreover, the study has some concepts on international public sector accounting standards first time adoption in Ethiopia. Likewise, the study helps other associations as additional input for their improvement of a financial plan. Furthermore, this study expects to a basis for other researchers to fill gaps and address problems that have been identified by this study.

1.6 SCOPE OF THE STUDY

This study conceptually delimits on an assessment of international public sector accounting standards (IPSAS) first time adoption in local and international charities operating children affairs in Ethiopia Addis Ababa. This is because from other charity sectors, like womens,diesabilities and others, charities working in children affairs were higher in number and the finacial support gaind from the donation are higher than the other. Fore the reson that the study only delimited on local and international charities working children affairs in Ethiopia Addis Ababa. The study also delimited geographically in Ethiopia, a charity organization that works on children's affairs and their office found only in Addis Ababa.

1.7 LIMITATION OF THE STUDY

Although all study is not free from limitation, therefore, this study has some limitation. The major limitation was the coronavirus pandemic. Hence, the questioners were not distributed face to face rather filled by email and doesn't address all the sample respondents as well. And the other limitation was the unwillingness of the respondents to fell the questioner at a given time was the limitation of the study.

1.8 ORGANIZATION OF THE STUDY

This study organized into five chapters: Chapter one contains the introduction part dealing with the background of the study, statement of the problem, research questions, and objectives of the study, significance of the study, scope and limitation of the study, and definition and terms.

The second chapter discusses a related literature review on IPSAS. In this chapter, the researcher focused on related empirical and theoretical works of literature into IPSAS to develop a conceptual framework that addresses the problem statements indicated in chapter one.

In chapter three the research design and methodologies were present. Sample and sampling techniques, source of data, procedures of data collection, and methods of data analysis discussed.

In chapter four results or findings of the research were discussed. The findings have been interpreted based on related literature review.

Lastly, in chapter five summary of the research findings, conclusion, and recommendation made. The summary was made based on findings and results which has been stated in chapter four followed by conclusion and recommendation.

1.9 DEFINITION OF KEY TERMS

IPSAS - Public sector accounting is a system or a process that gathers, records, classifies, and summarizes as reports the financial events existing in the public or government sector as financial statements and interprets as required by accountability and financial transparency to provide information to information users associated to a public institution. It is interested in the receipt, custody; disbursement, and rendering of stewardship of public funds entrusted (Institute of Chartered Accountants – Ghana, 2010).

Charity - A charity is an organization with specific purposes defined in law to be charitable and is exclusively for public benefit. This means a charity has to fall into one of several categories defined as charitable, such as the prevention or relief of poverty.

Adoption - Adoption is the act of taking something on as your own. Adoption usually refers to the legal process of becoming responsible.

CHAPTER TWO

RELATED LITERATURE REVIEW

2. INTRODUCTION

This chapter gives an insight into the literature by other scholars and researchers on the international public sector accounting standards (IPSAS) first time adoption in charities organization. It reviews literature that is related to the specific and general objectives of the study. It specifically covers the past studies/main review where it discusses literature related to the specific objectives of the study.

2.1 PUBLIC SECTOR

The public sector refers to that segment of the national economy whose activities both economic and non-economic are under the control and direction of the government.

According to Okoye, E., and Ani, W. (2004), the public sector can be defined as that sector of the economy established and operated by the government or, its agencies, distinguished from the private sector and organized on behalf of the whole citizens. The public sector includes the general government sector (often briefly referred to as government) and public sector corporations (Bergmann, 2009, p.3).

Athukorala and Reid (2003, p.3, 4) found that the public sector environment differs from the private sector environment. Among other things: (i) government fiscal activities intentionally impact the economy; (ii) government generally has the power to create money and to coercively impose levies and taxes; (iii) government objectives are broader than those of private sector organizations and include equity, justice and poverty reduction; (iv) in many cases government not only owns an organization but also is the major purchaser of its goods and services; and (v) governments are accountable to a wider group of stakeholders. Examples of public sector activity among others include delivering social security, administering urban planning, and organizing the national defense. The public sector refers to the segment of a country's economic agents, whose activities are managed, on behalf of the public, by government-appointed individuals (Acho, 2014). It includes all corporations which are established, run, and financed by government on behalf of the public (Adams, 2010). 22

PUBLIC SECTOR ACCOUNTING

The accounting at all levels of government and Intergovernmental Organizations is closely related to the budget process.

The Board of Public Entities or Corporations is appointed by the government to oversee the activities of the management of these entities. However, the regulation of the accounting standards of public sector entities is vested in the International Public Sector Accounting Standards Boards (IPSASB) except for Government Business Enterprises (Heald, 2003).

Bergmann, (2009, p.9), Public sector accounting used to be a mere record-keeping of budget execution. Adequate records and information are produced, maintained, and disseminated to meet decision-making control, management, and reporting purposes (Bergmann, 2009, p.17). Speaking on the need for a suitable framework for public sector accounting, Izedonmi, F., Ibadin, P. O. (2013), argued that sound public sector accounting rests on an articulate framework which has been defined to reflect best practices around the world.

Odiye B.(2006), stated that Public Sector Accounting is the information system that records, analyzes, classifies, summarizes and communicates public sector entities financial and economic events, and their impacts, in terms of both: - The provision of information required by management and senior executives for planning, organizing and control and the preparation and provision of financial statements and fiscal reports under specific accounting and reporting standards for external users.

Anyakor, A. M. O. (2002) identified the following as the concepts of public sector accounting:

Budget: The governmental unit prepares an operational budget and incorporates it directly into the financial report and into the systems account were useful; such a budget indicates the estimated revenue for the next period, the estimated expenditures referred to as appropriations which must be met by the revenue and other sources of financing which may be necessary. While the commercial sector acknowledges the benefits arising from budgets, such data are not introduced into the accounts as in public sector groups where demonstration of compliance with legal limitations is a critical factor. 23

Revenues: Additions to assets or reductions in liabilities always give rise to an increase in the residual equity in a fund. This could be equated to inflows of working capital. Distinct revenue elements include property taxes or other taxes receivable, fees for permits, charges for services rendered, and interest received. Revenue also encompasses contribution from the general fund to the capital project fund to cover a portion of a project.

Expenditure: Outflows or commitments for outflows of working capital include those charges that relate to the current fiscal period, as well as the capital, outlays, and provisions for debt requirements. Expenditure differs from expenses (as defined in commercial accounting) because expenditure includes in addition to charges that benefit the current period, capital outlays, and payment of principal for debt retirement.

Encumbrances and Obligations: A system of encumbrances is a means of restricting or reserving available spending authority pending the recording of actual liabilities and expenditure. The encumbrance system is used by most governmental funds, general fund, special revenue, capital projects, and social assessment funds to demonstrate compliance with legal requirements and to prevent over expenditure.

2.2 INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)

Previously, various courtiers have involved in the improvement and transformation of the government accounting system to the advancement of services. Development in the financial information system is the main inclined of these reforms (Christiaens et al., 2015). The basic idea of these reforms scores with the concept of New Public Management (Becker et al., 2014). NPM is managerial thought, based on ideology to bring private practice into the public sector (Hood, 1991). Public sector reforms widespread around the world under the ideology of New Public Management (NPM), International organizations such as World Bank, UNDO, and IMF are the main promoters for the dissemination of these reforms especially in developing countries (Hood, 1991). Public financial management can be improved by the adoption of international public sector accounting standards (IPSAS) for financial reporting (PWC, 2013). Diversity in public financial information systems and compliance with IPSAS created a need for harmonization in the public sector accounting system, thus IPSAS has become the international reference for the development of public sector accounting systems worldwide (Christiaens et al., 2015).

International Public Accounting Standards were instituted with the intention of modernizing public sector financial reporting. Issued and revised by the International Public Sector Accounting Standards Board (IPSASB), the standards are based on IFRS for application by public sector entities across the world (Pacter, 2014).

According to Majid and Adam (2015), the objective of financial reporting is to communicate the financial status of an enterprise for an informed decision-making process. Financial information is useful when it is presented in a comparable, verifiable, and understandable version. Government entities are obliged to fulfill the stewardship function by publicizing audited comparisons of the actual utilization of the public resources following the forecasted budget. The process used in the design and implementation of a budget is a measure of its accountability (De Luca and Prather, 2018). IPSAS standards are supported by a strong governance framework, quality principles, and a credible regulatory framework.

As such, adoption of the standards enables greater comparability of financial information by organizational stakeholders, motivation by investors to invest in foreign countries, a reduction in the overall cost of capital, improved economic growth, and improved allocation of resources by the public institutions. IPSAS governs budgeting of assets and liabilities, revenues, expenditure, and encumbrances and obligations on public business entities (Ijeoma and Oghoghomeh, 2014).

Research by Jayasinghe, Nath, and Othman (2015) established a strong correlation between investor's confidence and the quality of public financial statements thus contributing to a nation's growth and financial stability.

IPSAS standards support the accrual-basis accounting method which means that expenses are reported on the income statements when earned and expenses recorded when used. As such, it is possible to match the budgeted amounts and actual amounts that project when implementing the budget. The standards provide for disclosures that clearly explain the differences between the budgeted and actual amounts (Dissanayake, 2017). This information helps in demonstrating the efficiency and effectiveness of the public entity in the management of funds and the provision of services. Investors are therefore suited to make informed choices based on the statements. Besides, the government is also positioned to make suitable decisions that are based on resource allocation thus improving transparency and accountability.

IPSAS allows for economic analysis by offering information on the attainment and use of resources under the legally adopted budget, compliance of the entities with instituted legislations; allocation of the resources, and outcomes that are related to performance indicators (Christiaens et al, 2015).

2.3 BENEFITS OF ADOPTING IPSAS

The adoption and implementation of IPSAS are claimed to have several benefits. Bergmann (2011) suggests that the financial crisis of 2008 brought to the fore the poor state of Public Financial Management (PFM) systems which government financial reporting systems failed to point out because of poor reporting standards. The absence of or non-application of high-quality accounting standards by governments for reporting government financial transactions reduces the level of accountability that Danaee and Anvary (2007) found to be associated with low levels of trust and confidence in the government. A low level of trust and confidence in government has the effect of reducing the amount of both local investments and foreign direct investment in the economy which in turn reduces opportunities for accelerated economic growth and development. The absence of a quality reporting framework for government financial transactions is therefore associated with underdevelopment and economic deprivation. IFAC (2000), listed a range of benefits that accrue to the use of accrual accounting in government as;

Improve accountability and increased efficiency -There is compelling evidence that IPSAS provides greater clarity on the financial position of public sector entities across the world. The adoption of IPSAS has become essential in improving efficiency and effectiveness in financial reporting and auditing processes across the sector. Increased standardization supports the delivery of more effective audits and helps mitigate the risks of significant material misstatements. IPSAS can streamline standard reporting processes and support the consolidation of all the activities and accounts of various government entities and sub-entities; so providing a meaningful audit report.

Information prepared under internationally recognized accounting standards provides a basis for comparing governments with one another and making comparisons across individual government units.

Enhance transparency of the operations -According to Ignatius (2004), "Transparency is a process whereby relevant information of an organization is made accessible to the stakeholders, including the public, to enable them to assess, evaluate, and make their judgment about that organization." IPSAS are important in promoting transparency and thereby curbing fraud and corruption. Financial statements prepared per IPSAS capture what a government receives and allocates, as well as what it owns and owes. Intergovernmental Organizations are also required to publish all the information related to their activities to build trust and confidence on the part of stakeholders and the public in general. Transparent accrual-based financial statements help the government or Intergovernmental Organizations to demonstrate, and users to evaluate, accountability for the use of public funds.

Improve the system of resource allocation - A comprehensive inventory of government or Intergovernmental organizations' assets and liabilities provides a view of their resources and future obligations. Better management of resources provides a basis for building more effective administrative processes and controlling costs. Equally, bringing liabilities onto the government balance sheet provides a view of the long-term implications in terms of spending commitments and borrowing needs. With the adoption of accrual accounting standards based on IPSAS, the country or Organization will be able to better project its cash flows, evaluate and compare itself with other countries. A better understanding of revenue and expenses and improved management of commitments, risks, and uncertainties, a Comparison of performance from different periods, improved planning, and the availability of comprehensive cost information, lead to better resource allocation. Accrual accounting improves decision making by providing information on the full cost of operations and resources used to deliver services to the public and information on assets and liabilities at the end of the accounting period (Monari, 2015). Better accounting leads to better reporting, which provides information for better decision-making, which should in turn lead to better use of public resources.

Reporting of more information on the full costs of operations - Government and Intergovernmental Organizations are under growing pressure not only to manage their fund effectively but also to show how their management has been effective. To achieve this, governments or public entities need to complete information about their expenses/expenditures to assess their revenue requirements. IPSAS requires the recognition of expenses based on the

"delivery principle". Under this principle, expenses are recognized when goods and/or services are delivered rather than when cash is exchanged. Thus, the Government or Public entity reports expenses when they are incurred and when the benefit to Government or Public entity is received rather than when the expense is paid. This will help to better understand the full cost of operating in the financial period when the activity takes place, leading to improved budget management.

2.4 CHALLENGES OF ADOPTING IPSAS

Despite these strong benefits, there is a wide variation in the rate of progress made with IPSAS adoption. Taking our sample of countries as examples, our review suggests progress remains slower than is desirable. Specific, complex, and consistent implementation challenges have faced adopting countries, which need to be overcome.

Stakeholder engagement- The level of awareness and understanding of the IPSAS framework varies significantly across jurisdictions, as does the level of stakeholder engagement in its adoption. Public sector entities, ministries, parliaments, politicians, and the public are accustomed to cash accounting principles. Successful IPSAS adoption requires the understanding, education, and engagement of key stakeholders, including political office holders, auditor generals, accountant's general, state banks, and ministries. This is difficult and the executive arm of government needs to be engaged and supportive of the process, along with the public accounts committee (or equivalent), and the audit and finance functions. The change will not succeed if it is imposed: implementation requires political will and 'champions' to create momentum. Similarly, IPSAS adoption requires successful internal engagement too; there needs to be cross-functional support - a strong partnership between finance and audit. The support of the audit function is particularly essential. (ACCA, 2017)

Structural and legal transformation - The task of structural reform to accommodate IPSAS implementation presents a significant challenge. Legal changes are required, as well as new regulations and governance practices; these may be complex and time-consuming and will vary on a country-by-country basis. A government standards body and a finance committee will also be required, to consider and deliberate on country-specific interpretations and applications. Some countries have opted for an advanced cash standard to be introduced as a helpful milestone towards full IPSAS implementation. Participants contributing to this study typically believe 10

years for the transition to full IPSAS is realistic, though countries operating a federal and state model may take longer – perhaps up to 20 years. Implementation plans need to reflect the constitutional, national, provincial, state, and local circumstances.

Transformation and change management- Most countries that have adopted IPSAS benefited from a consequent and important transformation and change imperative. IPSAS program adoption requires effective project management, supported by change management capability and relevant experience effective communication is also essential. The cultural change that IPSAS necessitates is a significant challenge and cannot be underestimated. (ACCA, 2017)

Skills capacity- Governments and public sector organizations may not have the skills, competence, and staffing levels needed; adopting IPSAS has been a challenge in many countries.

Implementation requires a program of training to raise skills and there will be additional pressures to recruit and retain IPSAS-focused and skilled staff. The skills challenge goes beyond a lack of core IPSAS knowledge and understanding; other challenges will include the translation of standards and guidance materials. Skill gaps identified in this study include some reporting areas, particularly in the narrative reporting accompanying the financial statements to clarify what the financial data is telling the users. IPSAS adoption not only requires a paradigm shift in skills, but also a change in finance culture and mindset to exploit the opportunities presented by professional accountants to drive value. In addition to the technical skills required, there are country-specific language challenges that need to be addressed. The overall accountancy capacity within a country will impact on its ability to recruit and retain qualified staff within government, and implementation will require up-skilling. This may lead to staff leaving the organization, but can also be viewed as an opportunity to develop existing staff. A consideration here should be the balance between internal and also external resources. External consultants should be used with care while ensuring the appropriate knowledge transfer to internal staff takes place in the longer term. Lengthy implementation timescales mean that entities must consider how to retain institutional memory and tacit organizational knowledge throughout the process as staff may not be involved for the duration. Implementation will also require new business models and charts of accounts.

Cost - The costs of implementation (both financial and resource-based) should not be underestimated from both a finance and audit perspective. Costs will be incurred for training, the use of specialized external consultants, IT upgrades, and the development of appropriate guidance and translation tools. Adequate financial resources should also be devoted to targeted stakeholder engagement and for other engagement and awareness activities. Most countries in this study adopted IPSAS in conjunction with a wider public financial management improvement program, which requires additional investment.

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

Implementation approach - Implementation plans should be considered on a countrywide basis. Most countries we examined favored a phased approach, as opposed to a ‘big bang’ implementation. A project management approach – including change management – was important for implementation. It is necessary to learn from others who have already undertaken the process and identify best and repeatable practices. Implementation of IPSAS may have a short-term adverse impact on service delivery and this risk must be managed.

External support- Governments and public sector entities can benefit from external support. Professional accountancy organizations can help to raise awareness of the need for transparent financial reports in the public sector, including – but going beyond – providing training on accounting standards. Donors can support the professionalization of public sector financial management, while audit firms and other stakeholders can assist with public finance management training, expertise, and capacity building.

2.5 INTERNATIONAL ORGANIZATIONS AND INTER-GOVERNMENTAL ORGANIZATIONS

Beyond governments, international organizations and Intergovernmental organizations are embracing IPSAS. Among intergovernmental institutions and international organizations, we can observe a number that has chosen to adopt IPSASs directly.

The OECD was an early adopter of IPSAS. It issued its first set of IPSAS compliant financial statements in 2000 and was followed by North Atlantic Treaty Organization (NATO) in 2008; but well before most national governments, except Switzerland and a few smaller countries which had taken the same decision slightly earlier (Bergmann 2006, p.47).

International Organizations (IOs), such as the United Nations (UN), the World Health Organization (WHO), the World Food Program (WFP), just to mention a few of them, have recently undertaken major reforms of their financial reporting. The reforms, which are in most cases in the context of wider management reforms, are aiming for improvement towards 'transparent financial reporting, strong accountability and good governance (UN, 2006a) Others, such as the EC are more explicitly targeting the elimination of technical weaknesses of previous accounting systems, such as the reporting of assets and liabilities (EC, 2002; Grossi and Sovericha, 2011)

WHO began implementing IPSAS in 2006. IPSAS was a key requirement of WHO's Enterprise Resource Planning project, the Global Management System (GSM), which went live in 2008. The alignment of the changes required by IPSAS to the design and implementation of GSM was an important step towards introducing accrual accounting and avoided costly additional system modifications. WHO achieved partial IPSAS compliance by 2010, and proceeded toward full implementation when GSM was adopted by all WHO Regional Offices. In 2012, the WHO's Financial Report and Audited Financial Statement fully complied with IPSAS (Margaret Chan, 2013).

Between 1999 and 2001, World Intellectual Property Organization (WIPO) also began to make preparations for a project which would provide an integrated Administrative Information Management System (AIMS) that would include Finance, payroll, Human Resource

Management, budgeting, procurement, enterprise reporting, and program management. The decision of IPSAS adoption was taken in 2006.

By 2010, the Finance Department shifted to using the International Public Sector Accounting Standards (IPSAS) and implement procedures that are compatible with the requirements of this specific accounting framework.

The accounting treatment of revenues in many IOs can be seen in a wider context about the relevance, importance, and impact of different contributions schemes. According to Graham (2017a) considers how different funding sources (e.g. assessed contributions vs. voluntary contributions) influence IO's governance. He argues that the shift towards increased voluntary contributions can undermine the multilateral decision-making and the authority of IOs, however, acknowledges that voluntary contributions might empower non-state actors to contribute funds. For this view, Reinsberg(2017) shows that influence is a dominant motive behind donor contributions, particularly for medium-sized donors and emerging donors. Ege and Baur(2017) end up by studying the consequences of increasing financial dependence on voluntary contributions and show that an increase in voluntary contributions is associated with a significant decrease in the share of permanent staff.

2.6 ACCOUNTING STANDARDS FOR ETHIOPIA

Charities and Societies Agency regulates charities in Ethiopia. Charities and societies are required to maintain day-to-day records of financial transactions. They are also required to furnish an annual statement of accounts prepared following acceptable standards to the ChSA after audited by a certified auditor (FDRE, House of Council, 2009).

Ethiopia's accounting practice and professional organization are influenced by UK practices through the UK-based ACCA and US-based educational system (Bobe&Mihret, 2011). Therefore both US GAAP and UK GAAP are applicable in Ethiopia. The Commercial Code of Ethiopia laid the ground in formalizing accounting in Ethiopia and enclosed different accounting and external auditing provisions in preparing financial reporting and conducting an external audit of companies (Ethiopia, 1960). Similarly, there were no specific national accounting standard charities should follow (World Bank, 2007) except a General Guidelines for Charity and Society

Accounts and Reports provisioned on proclamation number 621/2009 (FDRE, House of Council, 2009). Proclamation number 847/2014 for financial reporting is issued to establish a sound, transparent, and understandable financial reporting system applicable to entities in both private and public sectors.

2.6.1 EMPIRICAL EVIDENCE

IPSAS are the international accounting standards applicable to the public sector which include not-for-profit organizations. It provides high-quality, independently produced accounting standards, underpinned by strong due process and supported by governments, professional accounting bodies, and international development organizations, representing best practices for governments and not-for-profit organizations (WHO, 2013).

Woldehawariat.M. (2018) studied the assessment of the perception of foreign charities in Addis Ababa on the benefits and challenges of adopting international public sector accounting standards (IPSAS) in Ethiopia. It was found that, The study depicts that, the envisaged benefits of IPSAS are transparency; enhanced internal control; understandability; accountability; comparability; credibility and better interpretation and acceptability of financial reports. Few experiences in adopting and implementing IPSAS; scarcity of qualified professionals and trained human resources; lack of proper guidelines from regulatory bodies on the adoption process and increased administrative, compliance, or other costs are the key challenges of IPSAS adoption in Ethiopia. The adoption of IPSAS in Ethiopia in the expected deadline is not feasible. Despite the acknowledged benefits, the foreign charities in Ethiopia do not seem to endorse that the benefits of IPSAS outweigh its challenges in this study. Besides these studies concentrate more on the perception towards IPSAS.

Also, another study by (Munezero p, 2015) studied assessment of international public sector accounting standards (IPSAS) implementation at African union and from the findings, the study established that lack of ongoing and focused training to the key staff, lack of Permanent Technical Team to review technical and operational issues, recommend policy changes, and look after the enforcement of recommendations have contributed to the slow progress in implementing IPSAS standards. The study revealed that transparency, accountability,

comparability, and management and decision making have been improved. The study concluded that driving forces of IPSAS adoption in AU were to align its operations with the financial year, meet partners' requirements, attract donors, and to be competitively comparable with other International Organizations. Yet this study was merely limited to one organization.

The above studies show that there are limited studies on assessing international public sector accounting standards (IPSAS) first time adoption charities that work on children affairs in Addis Ababa, therefore, these studies try to minimize the gap of those studies by studying international public sector accounting standards (IPSAS) first time adoption charities that work on children affairs in Addis Ababa.

CHAPTER THREE

METHODOLOGY OF THE STUDY

3. INTRODUCTION

A research methodology is an approach and a set of supporting methods and guidelines to be used as a framework for doing design research (Russell, 2000). According to Mugenda (2003), research methodology includes research design, target population and sample, data collection procedures, data analysis procedures, and expected output. In chapter three the research methodologies presented, research design, source of data, population and sampling techniques, data collection methods, data analysis, data validity, and reliability, and ethical consideration were described.

3.1 RESEARCH DESIGN

This study follows an exploratory research design in order to explore knowledge or information about the IPSAS adoption process in Ethiopia specifically in Addis Ababa which is a less explored research area. A descriptive research design were used hence; it's flexible strategies that could enable to development of better insights about the IPSAS adoption process in the study area. The major emphasis in such a design (exploratory research approach) is on the discovery of ideas and insights; it helps to apply flexible approaches and provides opportunities to consider different aspects of a problem under study (Kothari, 1990).

3.1.1 SOURCE OF DATA

This study will encompass both primary and secondary sources of data. The primary data will be obtained directly from respondents through Questionnaires. A questionnaire is a research instrument consisting of a series of questions for the purpose of gathering information from respondents. Questionnaires can be thought of as a kind of written interview. They can be carried out face to face, by telephone, computer or post. Questionnaires provide a relatively cheap, quick and efficient way of obtaining large amounts of information from a large sample of people. Data can be collected relatively quickly because the researcher would not need to be present when the questionnaires were completed. This is useful for large populations when interviews would be impractical. McLeod, S. A. (2018).

However, a problem with questionnaires is that respondents may lie due to social desirability. Most people want to present a positive image of themselves and so may lie or bend the truth to look good, e.g., pupils would exaggerate revision duration. Questionnaires can be an effective means of measuring the behavior, attitudes, preferences, opinions and, intentions of relatively large numbers of subjects more cheaply and quickly than other methods. An important distinction is between open-ended and closed questions. Often a questionnaire uses both open and closed questions to collect data. This is beneficial as it means both quantitative and qualitative data can be obtained. . Gillham, B. (2008).

POPULATION AND SAMPLING TECHNIQUES OF THE STUDY

One of the concerns of Ethiopia Civil Society and Organizations Agency is would induce all civil society organizations in Ethiopia to register at the Civil Society and Organizations Agency, which is mandated to regulate and audit civil charities. As (USAID CSO Sustainability Index, 2010) the Agency has currently registered more than 3,000 civil society organizations. For this study, each charity selected based on their focuses hence their objectives are related to children issues. Out of this data, 572 are civil society organizations that work on children's affairs. Since IPSAS is a new concept in the country, the researcher used a purposive sampling technique to select the study population. The target population of the study that concentrated on children's affairs is 572 which included finance managers and financial staffs who are directly involved in the IPSAS practice will be included in the target population.

3.1.2 SAMPLE SIZE

A non-probability convenience sampling was chosen for the survey; a sample of convenience is the terminology used to describe a sample in which elements have been selected from the target population based on their accessibility or convenience to the researcher. The main assumption associated with convenience sampling is that the members of the target population are homogeneous. That is, there would be no difference in the research results obtained (Ross 2005). Furthermore, if a non-probability sampling was applied, we don't have a specific method in determining sample size. But, it is not practical to collect data from the entire target population, so the researcher used a sample instead (Field 2005, p.35). According to Lindeman et al., (1980) and Loo, (1983) cited on Kashan (2012) a minimum sample size of 100 to 200 is often

recommended. Accordingly, using convenience sampling a total of 572 respondents from the civil society organizations 286 were taken as a sample.

3.2 DATA COLLECTION METHOD

The study used both primary and secondary types of data. Primary data collected through self-administered structured questioners for purposely selected respondents from the sample charity organization. The finance managers will select by systematic sampling techniques which are 286 sample respondents.

3.3 DATA ANALYSIS

The researcher used data analysis both qualitative and quantitative data analysis methods. The study uses a statistical tool, SPSS version 20 which facilitated the establishment of patterns, trends, and relationships using frequencies, percentage, mean, and standard deviation. In this study, Cronbach's Alpha for reliability statistics, descriptive analysis were used.

Since the development of the Likert scale, many researchers have developed instruments to measure particular attributes or traits of individuals or groups. According to Clason and Dormody (1994), cited on Boone & Boone (2012), there is a distinctive difference between Likert-type items and Likert scales. Likert-type items are single questions that use some aspect of the original Likert response alternatives. Further, multiple questions may be used in a research instrument without combining to create a composite scale. A Likert scale, on the other hand, is a combination (sum or mean) of a series of Likert-type items/questions that are combined into a single composite score/variable during the data analysis process. Combining the items is used to provide a quantitative measure of a character. However, the main interest of the researcher would be only on the composite score that represents the trait.

Likert scale instruments usually require respondents to give their level of agreement or disagreement, which can range from 1 to 5, to the items relating to the attribute being measured. Before statistically analyzing the data, the ratings are sometimes summed to derive an overall score for the attribute measured or used as reported. The controversy begins with the type of analysis to use "parametric or non-parametric?" Likert items generate the ordinal scale data and that of the Likert scale generates interval scale data (Subedi, 2016).

According to Carifio and Perla, (2008), the issue of whether a parametric or non-parametric test is suited to Likert scale data analysis stems from the views of authors regarding the measurement level of the data itself: ordinal or interval. Since Likert data is of an ordinal or rank order nature only non-parametric tests will yield valid results (Gardner and Martin 2007). However, Norman (2010) stated that parametric tests such as Pearson correlation and regression analysis can be used with Likert data and it doesn't lead to the wrong conclusion. Conversely, Vigderhous (1977) cited in Murray (2013), found that the interchangeable use of parametric and non-parametric tests on ordinal data results in different conclusions. Clason and Dormody (1994) identified the use of Likert items, and they found out that out of 95 relevant articles 13% used a nonparametric test and 34% a parametric one, as cited in de Winter & Dodou (2010). Apparently, Gregoire & Driver (1987) did not find a clear preference towards either the t-test or nonparametric counterparts, but a reanalysis by Rasmussen (1989) pointed to flaws in that study and concluded that parametric tests are more powerful.

According to Brown (2011), most of the research-based on Likert items and scales treats as interval scales and analyzes them as such with descriptive statistics like frequency distribution, standard deviation, means, etc. and inferential statistics like correlation coefficients, factor analysis, analysis of variance, etc. however, for the most part, it says that we should treat Likert scales as ordinal scales. Furthermore, from a Likert scale perspective, even if we were to accept the erroneous idea that Likert items are ordinal, saying that the resulting data must be analyzed as though they too are ordinal is like saying that test items that are scored right or wrong are nominal so data based on them must be analyzed as though they are nominal. Test scores are usually based on nominal right/wrong items, yet the total scores are always treated as interval data. If the single argument (that Likert item options are ordinal) is wrong, then the compound argument (that Likert scales are ordinal because Likert items are ordinal) is doubly wrong (Brown 2011).

Despite all these discussions of the ordinal nature of Likert items and scales, many articles argued that Likert items do not form an interval scale, instead, it should be taken as ordinal scales, hence, it should be analyzed accordingly (Coombs 1960; Vigderhous 1977; Jakobsson 2004; Jamieson 2004; Knapp 1990; Kuzon *et al.* 1996). Therefore, this study considers a non-parametric test as appropriate association measurement tools.

3.4 VALIDITY OF THE STUDY

Derived from the Latin term *validitas*, meaning “strength,” validity is a term used in both qualitative and quantitative research. It asserts that a finding can never truly be proven; it can only be argued (Trochim, 1999). In quantitative research, there are several ways in which to establish validity. Here, validity assumes a different meaning to the meaning used in qualitative studies. Validity refers to how well an instrument measures what the researcher wants to evaluate. However, items in the questioner were prepared using a five-point Likert-scale close-ended multiple questions. To ensure the validity of the instrument some SPSS lecturers, and some CSOs employees requested to examine it and they had assured the validity.

3.5 RELIABILITY OF THE STUDY

The research instrument concerns the extent to which the instrument yields the same results on repeated trials. The process of pilot testing (testing and retesting) of the questionnaire assisted in ensuring the reliability of the questionnaire in soliciting responses (Cook & Campbell, 1979:37) The most significant tool preferred to the reliability and internal consistency of the findings is Chronbach Alpha Statistics. Chronbach Alpha result should be above 0.70 to obtain a reliable scale and any scale with Chronbach Alpha which is less than 0.70 has to be excluded (Sekaran & Bougie, 2013). The Chronbach alpha result found from the pilot survey will be done on 24 respondents to test the reliability of the study.

Table 3.1. Reliability test

Items	Cronbach's Alpha	N of Items
Current accounting standards	0.870	6
Charities that adopt IPSAS in Ethiopia (Addis Ababa)?	0.739	6
Practical challenges face while adopting IPSAS	0.782	6
Benefits gain by adopting this IPSAS	0.736	6

Source: own survey, 2020

3.6 ETHICAL CONSIDERATION

First, respondents were informed about the objective and purpose of the study, then verbal consent would be obtained for a better understanding and participation of the respondents in the study. Besides, participants also inform their right not to participate in the study at any time. Furthermore, Participants were notified the advantage of the research and therefore the research has no risk. Finally, Participants have the right to ask the question for clarification and refuse to give information at any time in the research process.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4. INTRODUCTION

This chapter deals with data presentation, interpretation, and analysis of the study. It has two main parts: the first part is the demography of the respondents; the second part consists of data collected from the respondents through questionnaires. In order to address the research questions, 286 questionnaires were prepared and distributed to respondents, out of these questionnaires 232 were filled and returned, the rest 47 questionnaires were unreturned, and 7 questionnaires were discarded due to missing data.

4.1 DEMOGRAPHY OF RESPONDENTS

RESPONSE RATE

A total of 232 responses out of the 286 questionnaires sent out were received, achieving an acceptable response rate of 81.1%, and all the questionnaires were edited and checked for completeness and used in the data analysis.

Table 4.1 current position in the institute * gender Cross tabulation

Count		Gender		Total	percent
		Male	Female		
The current position in the organization	finance head	66	32	98	42.24%
	Deputy finance head	56	50	106	45.7%
	othersfinancial positions	17	11	28	12.06%
Total		139	93	232	100%

Table 4.1 shows that the current position of the respondents were 98 (42.24 %) finance head, 106(45.7%) Deputy finance head, 28(12.06 %) other financial positions. Moreover, the majority of male respondents work in finance head and females were work in deputy finance head positions in their organization.

Table 4.2 Educational level and gender cross-tabulation

Count		Gender		Total	Percent
		Male	Female		
Educational level	MA/MSc	53	33	86	37.06 %
	BA/BSC	70	48	118	50.88 %
	Diploma	16	12	28	12.06 %
Total		139	93	232	100 %

Table 4.2 shows that there were 139 (60%) male and 93(40%) female respondents. Furthermore, 37.06 % of the respondents were masters holders 50.88% of the respondents were degree holders, and the rest 12.06 % of them were diploma holders. In terms of proportion, the majority of male and female respondents were degree holders followed by, masters and diplomas respectively.

Table 4.3 Work experience in the organization and gender Cross tabulation

Count		Gender		Total	Percent
		Male	Female		
Work experience in the institute	5 years and less	24	17	41	17.7 %
	6-10 years	53	37	90	38.8 %
	11- 15 years	43	22	65	28.0 %
	15 and more	19	17	36	15.5%
Total		139	93	232	100 %

Table.4.3 shows that, there were four categories of work experience; less than 5 years, 6 - 10 years, 11 -15 years, and above 15 years. Accordingly, the first category accounts for 17.7 % of the respondents, the second category who had 6-10 years of experience was 38.8% of the respondents, the third category 11 -15 years were 28.0% and the last category above 15 years accounts 15.5 % of work experience. Moreover, the majority of both sex respondents are in the second category followed by the third and first category. Hence, the demographic characteristics of respondents, the lion share is taken by male respondents. Besides, the large number of respondents who participated in the study has worked from 6-10 years in the organization. This indicates that, the work experience of the respondents had adequate exposure to the work area.

4.2 DESCRIPTIVE ANALYSIS

According to Creswell (2007), an interval measurement scale is used to analyze liker scale data. Liker scale items are created by calculating a composite score (sum or mean) from four or more type Likert-type items; therefore, the composite score for Likert scales should be analyzed at the interval measurement scale. Furthermore, for Likert scale data from 1 (Strongly Disagree) to 5 (Strongly Agree) if the sample is approximately normally distributed the interpretation should be for mean up to 2.8 is “Disagree”, mean between 2.9 and 3.2 is “Neutral”, and mean above 3.2 is “Agree” Cetro (2006).

Accordingly, the 0.8 was a result found by dividing the difference between the maximum (5) and minimum (1) scores to the maximum score (5) of the questionnaire. In the process of examining the data, the standard deviation was used. Small standard deviations (relative to the value of the mean itself) indicate that data are close to the mean whereas a large standard deviation (relative to the mean) indicates that the data points are distant from the mean. The mean is a poor fit for the data. Standard deviation is a measure of how well the mean represents the data (Field 2009). All of the variables were measured using a five point Likert scale where 1 stand for Strongly Disagree and 5 stands of Strongly Agree. Therefore the interpretation made using the mean of each variable the mean falls between the two ranges, hence if the mean approaches to 1 the interpretation would be the respondents didn't agree on the raised issue or variable and if it approaches to 5 the reverse would be true.

Table 4.2.1 the current accounting standards used by local and international charities that work on children affairs in Addis Ababa

	Item	Frequency	Percent
IPSAS	Yes	73	31.5%
	No	159	68.5%
	Total	232	100%
		Frequency	Percent
IFRS	Yes	82	35.3%
	No	150	64.7%
	Total	232	100%
		Frequency	Percent
GAAP	Yes	129	55.6%
	No	103	44.4%
	Total	232	100%

Table.4.2.1 indicates that, there were three categories of accounting standards used by local and international charities that work on children’s affairs in Addis Ababa; IPSAS, IFRS, and GAAP. Accordingly, the first category accounts for 31.5 % said they used IPSAS and the rest 68.5% of the respondents said they didn’t use IPSAS in the organization. Also, the second category of accounting standards 35.3% said yes the organization used IFRS and the rest 64.7% said no the organization doesn’t use IFRS. Similarly, 55.6% of the respondents said the organization used GAAP and the rest 44.4% said no the organization doesn’t use GAAP.

Hence, from the above outcome of respondents, the lion share is taken by GAAP. Besides, the list number of respondents 31.5% said yes the organization used IPSAS. This indicates that, the adoption of accounting standards used by local and international charities that works on children’s affairs in Addis Ababa is in an infant stage.

Table 4.2.2 Charity (local and international) organizations that work on children affairs adopt IPSAS in Ethiopia (Addis Ababa)

No.	Item	N	Mean	Std. Deviation
1	Do you think your organization applies IPSAS?	232	3.3448	.95893
2	Have you been trained on IPSAS application	232	3.1336	1.01687
3	Did your organization use its existing staff for IPSAS implementation?	232	3.1207	.99918
4	Do you encounter any form of resistance in the adoption of the IPSAS	232	2.9095	.92839
5	What's your view on the use of IPSAS in your organization	232	3.0431	1.08026
6	Do you think IPSAS is better than the existing system?	232	3.1681	.95899
	Grand mean	232	3.1200	.67658

Table 4.2.2; demonstrate that charity (local and international) organizations that work on children's affairs adopt IPSAS in Ethiopia (Addis Ababa) and most of the respondents were somewhat suggesting neutral to those questions. The first query which the respondents gave higher mean score was the question supposed that, the organization applies IPSAS which is the mean score of 3.34, IPSAS is better than the existing system which is the mean score of 3.16, is there any training on IPSAS application which is the mean score of 3.13, the organization uses its existing staff for IPSAS implementation which is the mean score of 3.12, also respondent's view on the use of IPSAS in the organization which is the mean score of 3.04 and is there any form of resistance in the adoption of the IPSAS which is the mean score of 2.90 besides the average mean for charity (local and international) organizations that works on children affairs adopt IPSAS in Ethiopia (Addis Ababa) had a means a score of 3.12. Accordingly, the analysis shows that charity (local and international) organizations that work on children affairs adopt IPSAS in Ethiopia (Addis Ababa) had a means score of 3.12, which almost the score of this variable falls between the two extremes at neutral level hence, there is a gap in adopting and starting IPSAS in there financial system.

Table 4.2.3 Practical challenges face while adopting IPSAS in charities operating in Addis Ababa?

No.	Item	N	Mean	Std. Deviation
	Inadequate Information and Communication Technology (ICT)	232	3.4121	1.09585
	Skilled man power (Lack or shortage of the necessary internal technical expertise on IPSAS in the organization)	232	3.8197	1.05839
	institutional culture	232	3. 5109	1.09723
	Lack of legal framework	232	3.0172	1.05258
	IPSAS is unfamiliar in Ethiopia	232	3.6509	1.06860
	Lack of proper guidelines from regulatory bodies on the adoption process.	232	2.9267	.85218
	Lack of full understanding of the issues involved.	232	3.8483	1.09700
	IPSAS is difficult or bulky.	232	3.2198	1.02064
	Some charities accounting issues are not addressed in IPSAS.	232	3.0612	1.04937
	Problem of using fair value in comparison to historical cost method in evaluating assets.	232	3.7167	1.06041
	Problem of transitioning from recording/registration under the cash/modified cash basis to the accrual basis	232	3.4741	1.09856
	The problem of presenting budget Information in Financial Statements	232	3.0905	1.06316
	Increase administrative, compliance or other costs like IT	232	3.8007	1.03640
	Contradictory condition between IPSAS and ChSA	232	3.6272	1.08746
	Require additional reporting standard to produce a report as per ChSA requirement	232	2.8793	.99484
	IPSAS allows both cash and accrual basis of accounting.	232	3.3060	1.08760
	The cost of adopting IPSAS is too high compared to the benefits that will be enjoyed.	232	2.9741	.69271
	Grand mean	232	3.3722	1.05227

Table 4.2.3; demonstrates that there is a problem while adopting IPSAS in charities that work on children's affairs in Ethiopia Addis Ababa. Hence most of the respondents were agreed to those items the first items which the respondents gave higher mean score was the question supposed that, lack of full understanding of the issues involved which accounts 3.84, skilled man power (Lack or shortage of the necessary internal technical expertise on IPSAS in the organization) which is the mean score of 3.81, increase administrative, compliance or other costs like IT which accounts 3.80, IPSAS is unfamiliar in Ethiopia which accounts 3.65 contradictory condition between IPSAS and ChSA which is the mean score of 3.62, institutional culture which accounts 3.51, Problem of transitioning from recording/registration under the cash/modified cash basis to the accrual basis which is the mean score of 3.47, inadequate Information and Communication Technology (ICT) which is the mean score of 3.41, IPSAS allows both cash and accrual basis of accounting which is the mean score of 3.30, also the question raise about IPSAS is difficult or bulky which is the mean score of 3.21, Problem of using fair value in comparison to historical cost method in evaluating assets which accounts 3.17, problem of presenting budget Information in Financial Statements which accounts 3.09 , charities accounting issues are not addressed in IPSAS which accounts 3.06, and lack of legal framework which is the mean score of 3.01.

Furthermore, the question state that cost of adopting IPSAS is too high compared to the benefits that will be enjoyed which is the mean score of 2.97, lack of proper guidelines from regulatory bodies on the adoption process which accounts 2.92, require additional reporting standard to produce a report as per ChSA requirement which is the mean score of 2.87, and the average mean for challenges while adopting IPSAS in charities that work on children affairs in Ethiopia Addis Ababa had a means a score of 3.37. As a result, the analysis shows that almost the score of this variable falls at an agreed level. Therefore, it is an indication of IPSAS adoption in charities that work on children's affairs in Ethiopia Addis Ababa has problematic.

As (Christiaens et al , 2014) several jurisdictions choose not to apply IPSAS because they fear losing their standard-setting authority and because IPSAS is still relatively unknown IPSAS is also time- and money-consuming. It requires extra time and effort on the part of practitioners and verifiers, while requiring managers to have strong IPSAS knowledge to understand and critically examine financial information produced using IPSAS (Adamu & Ahmed, 2014).

Cost of adopting IPSAS is the other challenge. The complex financial reporting requirements of IPSAS result in increased costs for the development of manuals, training and training of staff, research , technology , unavailability of IT-accounting system were confirmed as a challenge in a study conducted in Iraq by (Alshujairi, 2014). Atuilik, Adafula, & Asare (2016) and consulting. In addition, the availability of qualified expertise familiar with international standards; the readiness of stakeholders and resistance to change are considered to be challenges in the adoption of IPSAS (PrinceWaterHouseCoopers, 2012; PriceWaterHouseCoopers, 2009). There fore this study also confiremed or most of the respondents were agreed to those challenges to adoupt IPSAS in charity that work on children's affairs in Ethiopia Addis Ababa.

Table 4.2.4 benefits gain by adopting this IPSAS in charities operating Addis Ababa

Item	N	Mean	Std. Deviation
Improve accountability	232	3.2026	1.06393
increased efficiency	232	3.3060	1.01775
Enhance transparency of the operations;	232	3.3966	1.02674
Improve the system of resource allocation;	232	2.9741	1.04828
Reporting of more information on the full costs of operations	232	3.4138	.90280
Facilitate the consolidation of financial statements	232	2.9483	.82278
Improves understandability of financial statement	232	2.9224	.95483
Bring about high-quality financial statements	232	3.1455	.90040
Encourages standardization, coordination and reliability	232	2.9224	.96470
Increases funding oppottunity from international organizations	232	3.2759	.98549
For the betterment of management of financial resources	232	3.2694	.98096
Improves overall management and planning	232	2.9903	.94957
Provides better information for decision making	232	3.0560	.93575
Strengthen internal control mechanisms	232	2.7651	.88169
Grand mean	232	3.1135	.52924

Table 4.2.4; shows that, benefits gain by adopting IPSAS in charities operating on children's affairs in Ethiopia Addis Ababa. Hence, most of the respondents were somewhat signifying neutral to those items and the other were agreed. The first items which the respondents gave

higher mean score was the question supposed that, reporting of more information on the full costs of operations which accounts 3.41, enhance transparency of the operations which is the mean score of 3.39, increased efficiency which accounts 3.30, also increases funding opportunity from international organizations which accounts 3.27, for the betterment of management of financial resources which accounts 3.26, improve accountability which is the mean score of 3.20, provides better information for decision making which is the mean score of 3.05, bring high quality financial statements which accounts 3.14, on the contrary items which the respondents gave lower mean score was the query supposed that there were low improves overall management and planning which is the mean score of 2.99, improve system of resource allocation which is the mean score of 2.97, facilitate the consolidation of financial statements which account 2.94 improves understandability of financial statement which is the mean score of 2.92, encourages standardization, coordination and reliability which is the mean score of 2.92 and strengthen internal control mechanisms which is the mean score of 2.76.

The average mean for benefits gain by adopting IPSAS in charities operating on children affairs in Ethiopia Addis Ababa had a means score of 3.1. Therefore, the analysis shows that almost the score of this variable falls at a neutral level. Therefore it is an indication of a gap in adoption IPSAS in charities that work on children's affairs in Ethiopia Addis Ababa.

From the literature, Ahmad & Khan (2010) argued that, Adopting a single global accounting language will ensure the relevance, completeness, comprehensibility, reliability, timeliness, neutrality, verifiability, consistency, comparability and transparency of financial statements and will bring about a qualitative change in accounting information reports that will enhance confidence and empower investors and other users of accounting information reports that strengthen confidence and empower investors and other users of accounting information around the world .also this study strengthen Ahmad & Khan (2010) argument and indicate adopting IPSAS is advantagiouse yet, the challenge is offset the the benefitof IPSAS.

4.3 DISCUSSION

The discussion seeks to finalize the objectives of the study and to answer the research questions. The results are discussed in this section on the basis of the data collected and the analysis carried out. Data collected using questionnaires were analyzed by means of descriptive statistics and frequency distribution analysis. The discussion sought to achieve the objectives of the study and to answer the research questions that were primarily assessed international public sector accounting standards (IPSAS) first time adoption charities that work on children's affairs in Addis Ababa Ethiopia survey; existing accounting standards uses by both local and international charities, identify local and international charity organizations that adopt IPSAS in Addis Ababa and identify the predicted benefits and challenges of IPSAS during adoption in local and international charities that works on children's affairs in Addis Ababa.

Regarding current accounting standards uses by both local and international charities in Ethiopia, the study found out that, 68.5% were not uses IPSAS rather use diverse accounting standards. Only 31.5% of the charities use IPSAS. Nevertheless, Ethiopia did not have own official accounting standard until performing of proclamation No. 847/2014 as of December 5, 2014 which states that Ethiopia will adopt the International Standards as set by the International Standard Setting Board for public sector entities. In this case, charities will either have to change or adjust their own accounting standards in order to comply with IPSAS requirements, or they will have to comply with both standards in order to fulfill with the mandatory requirements set out in Ethiopia. Therefore, charities should apply the proclamation and adjust their accounting standards that set by the government.

The next discussion focuses on local and international charity organizations that adopt IPSAS in Addis Ababa Woldehawariat, (2017) and Tanjeh (2016) ranked knowledge and awareness as first among the factors influencing the acceptance and implementation of IPSAS in Ethiopia and Cameroon. Respondents therefore argued that their organization agrees to take IPSAS, but there is still a problem with how and by whom (outsource or insource) the organization can practice IPSAS.

Regarding the predicted benefits and challenges of IPSAS during adoption in local and international charities, majority of the respondents demonstrates that there is a problem while adopting and few experiences in adopting and implementing IPSAS which is 31.5% these

indicate that there is challenges in the adoption process. lack of full understanding of the issues involved, skilled manpower (Lack or shortage of the necessary internal technical expertise on IPSAS in the organization), increase administrative, compliance or other costs like IT, IPSAS is unfamiliar in Ethiopia, the contradictory condition between IPSAS and ChSA , institutional culture, Problem of transitioning from recording/registration under the cash/modified cash basis to the accrual basis, inadequate Information and Communication Technology (ICT), IPSAS allows both cash and accrual basis of accounting, also the question raises about IPSAS is difficult or bulky were those challenges that the respondent's rate as a major challenge in the study.

Literature suggest that, IPSAS is also time and money consuming. It demands extra time and effort of practitioners and verifiers at the same time it demands managers to have strong IPSAS knowledge to comprehended and critically examine financial information produced using IPSAS (Adamu & Ahmed, 2014). Also increased cost in terms of developing manuals, education and training of staff, research, technology and consultancy. Besides, availability of qualified expertise who are familiar with the international standards; readiness from those involved and resistance to change are considered to be the challenges in adopting IPSAS (PrinceWaterHouseCoopers, 2012; PriceWaterHouseCoopers, 2009).

Concerning the benefits of IPSAS, the study findings show that there are moderate benefits gains through adopting IPSAS in charities operating on children's affairs in Ethiopia Addis Ababa. These is because there are few charities that practice IPSAS which is 31.5%.from those reporting of more information on the full costs of operations ,enhance the transparency of the operations, increased efficiency on the employee as well as the organization , increases funding opportunity from international organizations, improve management of financial resources and upsurge accountability those were the advantages that the respondent's accomplished from IPSAS in their charity organization.

Literature shows that practicing IPSAS standards has gained several advantages or benefits. As IFAC (2000), the adoption of IPSAS has become essential in improving efficiency and effectiveness in financial reporting and auditing processes across the sector. Increased standardization supports the delivery of more effective audits and helps mitigate the risks of significant material misstatements, IPSAS are also important in promoting transparency and

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

CHAPTER FIVE

5. SUMMARY, CONCLUSION, AND RECOMMENDATION

5.1 SUMMARY OF MAJOR FINDINGS

This research was conducted to assess international public sector accounting standards (IPSAS) first time adoption charities that work on children's affairs in Addis Ababa in line with the objectives the following are key findings of this study.

- Accounting standards are the most important component and contributor for the success of any organization and charities especially public sector accounting standards were a must for charity organization; the findings of the study shows that the adoption of accounting standards used by local and international charities that works on children affairs in Addis Ababa is in an infant stage even if there are rule and regulation to practice IPSAS in non-governmental and charity organization.
- The financial system should align with the new system and strategy of any organization; because it is very critical for employees to make their work easy and for an organization. In line with this, the analysis shows that a charity (local and international) organization that works on children's affairs adopts IPSAS in Ethiopia (Addis Ababa), is in start up stage. Therefore, there is a gap in adopting and starting IPSAS in their financial system.
- In Financial system challenges and prospects is a must therefore first time adoption of international public sector accounting standards (IPSAS) charities that works on children affairs has various practical challenges faced while adopting IPSAS in charities operating in Addis Ababa those were lack of full understanding of the issues involved, skilled manpower (Lack or shortage of the necessary internal technical expertise on IPSAS in the organization), increase administrative, compliance or other costs like IT, IPSAS is unfamiliar in Ethiopia, the contradictory condition between IPSAS and ChSA , institutional culture, Problem of transitioning from recording/registration under the cash/modified cash basis to the accrual basis, inadequate Information and Communication Technology (ICT), IPSAS allows both cash and accrual basis of

accounting, also the question raises about IPSAS is difficult or bulky were those challenges that the respondent's rate as a major challenge in the study.

- The financial system is one of the indications of success and competence of any organization. If the financial system is more advanced and suitable the organization goes more effective. The study findings show that there is to some extent benefits gain through adopting IPSAS in charities operating on children's affairs in Ethiopia Addis Ababa. Those are reporting of more information on the full costs of operations, enhance the transparency of the operations, increased efficiency, also increases funding opportunity from international organizations, for the betterment of management of financial resources and, improve accountability in the organization were the advantage that notifies by the sample respondents in the study.

5.2 CONCLUSION

This research intended to assess international public sector accounting standards (IPSAS) first time adoption charities that work on children's affairs in Addis Ababa.

The findings of the study show that local and international charities that operate in children's affairs wherein problems while adopting and starting IPSAS in their financial system. Hence, most of the respondents were suggesting neutral to those questions.

The analysis of this research further revealed that there are challenges in adopting IPSAS in charities that work on children affairs in Ethiopia Addis Ababa were lack of full understanding of the issues involved which accounts 3.84, skilled man power (Lack or shortage of the necessary internal technical expertise on IPSAS in the organization) which is the mean score of 3.81, increase administrative, compliance or other costs like IT which accounts 3.80, IPSAS is unfamiliar in Ethiopia which accounts 3.65 contradictory condition between IPSAS and ChSA which is the mean score of 3.62, institutional culture which accounts 3.51, Problem of transitioning from recording/registration under the cash/modified cash basis to the accrual basis which is the mean score of 3.47, inadequate Information and Communication Technology (ICT) which is the mean score of 3.41, IPSAS allows both cash and accrual basis of accounting which is the mean score of 3.30, also the question raise about IPSAS is difficult or bulky which is the mean score of 3.21 and the rest were signifying neutral therefore these suggest that there is a

chronic problem while adopting IPSAS in charity organization operating in children affairs in Addis Ababa.

On the contrary, the study findings show that there are moderate benefits gain through adopting IPSAS in charities operating on children's affairs in Ethiopia Addis Ababa. from those reporting of more information on the full costs of operations which accounts 3.41, enhance the transparency of the operations which is the mean score of 3.39, increased efficiency on the employee as well as the organization which accounts 3.30, also increases funding opportunity from international organizations which accounts 3.27, improve management of financial resources which accounts 3.26, upsurge accountability which is the mean score of 3.20 those were the advantages that the respondent's accomplished from IPSAS in their charity organization

5.3 RECOMMENDATION

Based on the findings of the research the following recommendations were drowned:-

- Each organization(charities) should modify financially to adopt International public sector accounting standards (IPSAS).
- Training is a must before providing any activities regarding International public sector accounting standards (IPSAS) for their employee especially internal technical expertise on IPSAS in the organization and financial sector.
- One of the identified gaps was the lack of adequate budget for the preparation of training manuals and training materials and facilities, in considering the benefit and asset added via using this system there is a need for increasing the allocation of funds for training and development. This should be coupled with consistent and adequate funds too so that quality finical systems could be held and increase efficiency.
- To solve the fear of the contradictory condition between International public sector accounting standards (IPSAS) and ChSA (government) should proclaim strongly as a rule and regulation for their representative ChSA.
- Regarding Information and Communication Technology (ICT) today ICT technology in Ethiopia is better than the earlier, therefore, empower skilled manpower on ICT is one solution for those problems.

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Appendix-I
ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

Dear respondents:

This questionnaire intends to gather data for a thesis to be conducted concerning **ASSESS INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS) FIRST TIME ADOPTION CHARITIES OPERATING IN ADDIS ABABA** for the partial fulfillment of the requirements for the Master of accounting and finance Degree.

Your honest reply is highly appreciated and will contribute a lot to the accuracy of this research paper. The information collected from this questioner will only be used for academic purposes and will be treated with strict confidentiality.

Thank you for your time and consideration! Your kind participation is much appreciated.

SECTION-I RESPONDENT'S PROFILE

The following questions are about the respondent's profile

The name of organization you are working in _____

Kindly indicate Instruction: Please, put a tick (✓) mark in which you want to select

1. Gender Male Female

2. Respondent's current position in their organization

Finance head

deputy finance head

others

3. Respondent's qualification level: _____

MA or above Diploma

BA/BSC High school and less

4. Respondent's work experience

< 5 years

6 -10 years

11 - 15 year

>15 years

SECTION-II The following questions are about to assess international public sector accounting standards (IPSAS) first time adoption charities operating in Addis Ababa Please indicate the level of your agreement or disagreement using (□) on the following statements based on your experience in your organization. The rating is yes or No or 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, and 5=Strongly Agree as the nature of the question shown below.

1. What are the current accounting standards used by local and international charities in Addis Ababa?

No	Description	Yes	NO
	What type of accounting system apply in your organization		
1	IPSAS (International public sector accounting standards)		
2	IFRS(international financial reporting standards)		
3	GAAP (generally accepted accounting principles)		

2. How many charity (local and international) organizations in Ethiopia (Addis Ababa) adopt IPSAS?

No	Description	1	2	3	4	5
1.	Do you think your organization applies IPSAS?					
2.	Have you been trained on IPSAS application					
3.	Did your organization use its existing staff for IPSAS implementation?					
4.	Do you encounter any form of resistance in the adoption of the IPSAS					
	If your answer is yes for question No.4 explain					
5.	What's your view on the use of IPSAS in your organization					
6.	Do you think IPSAS is better than the existing system?					

3. What are the practical challenges faced while adopting IPSAS Charity (local and international) organizations that work on children affairs

No	Description	1	2	3	4	5
1	Inadequate Information and Communication Technology (ICT					
2	Skilled manpower (Lack or shortage of the necessary internal technical expertise on IPSAS in the organization)					
3	institutional culture					
4	Lack of legal framework					
5	IPSAS is unfamiliar in Ethiopia					
6.	Lack of proper guidelines from regulatory bodies on the adoption process.					
7.	Lack of full understanding of the issues involved.					
8.	IPSAS is difficult or bulky.					
9.	Some charities accounting issues are not addressed in IPSAS.					
10.	The problem of using fair value in comparison to the historical cost method in evaluating assets.					
11.	The problem of transitioning from recording/registration under the cash/modified cash basis to the accrual basis					
12.	The problem of presenting budget Information in Financial Statements					
13.	Increase administrative, compliance or other costs like IT					
14.	The contradictory condition between IPSAS and ChSA					
15.	Require additional reporting standard to produce a report as per ChSA requirement					
16.	IPSAS allows both cash and accrual basis of accounting.					
17.	The cost of adopting IPSAS is too high compared to the benefits that will be enjoyed.					

4. What benefits gain by adopting this IPSAS in charities operating Addis Ababa?

No	Description	1	2	3	4	5
1	Improve accountability					
2	increased efficiency					
3	Enhance transparency of the operations;					
4	Improve the system of resource allocation;					
5	Reporting of more information on the full costs of operations					
6	Facilitate the consolidation of financial statements					
7	Improves understandability of financial statement					
8	Bring about high-quality financial statements					
9	Encourages standardization, coordination, and reliability					
10	Increases funding opportunity from international organizations					
11	For the betterment of management of financial resources					
12	Improves overall management and planning					
13	Provides better information for decision making					
14	Strengthen internal control mechanisms					

Please do not hesitate to contact the researcher,if additional information is needed.

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THANK YOU FOR YOUR VALUABLE INPUT, TIME, AND UNLIMITED COOPERATION.