



**ST. MARY'S UNIVERSITY**

**SCHOOL OF GRADUATE STUDIES**

**ASSESSMENT OF INTERNATIONAL PUBLIC SECTOR ACCOUNTING  
STANDARDS (IPSAS) IMPLEMENTATION CHALLENGES AND  
OPPORTUNITIES IN THE CASE OF LOCAL NGOS IN ADDIS ABABA**

**By**

**HAREGEMAR PETROS**

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**SMU**

**ADDIS ABABA, ETHIOPIA**

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## DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Assistant Professor Asmamaw Getie. 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.

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Name



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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.

Asst. Professor Asmamaw Getie

Advisor

A handwritten signature in blue ink, consisting of stylized initials and a surname, positioned above a horizontal line.

Signature & Date

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## **LIST OF ACRONYMS**

AABE	Accounting and Audit Board of Ethiopia
ACCA	Association of chartered Certified Accountant
ACSO	Agency of Civil Society Organization
AU	African Union
E.C	Ethiopian Calendar
FDRE	Federal Democratic Republic of Ethiopia
G.C	Gregorian Calendar
GAAP	Generally Accepted Accounting Principle
GPFS	General Purpose Financial statements
ICT	Information Communication Technology
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
INPAG	International Non Profit Accounting Guidance
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
IT	Information Technology
NGO	Non-Governmental Organizations
PSC	Public Sector Committee
SPFS	Special Purpose Financial statements
SPSS	Statistical Package for the Social Sciences
UN	United Nations
UNAIDS	United Nations Program on HIV/AIDS
WHO	World Health organizations

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## ABSTRACT

*This study assesses the Benefits and challenges of implementation of IPSAS in the case of local NGOs located in Addis Ababa. The objective of the study was to determine the benefit the charity organizations get after implementing IPSAS and to identify the current challenges that Local NGO's charities may encounter while adopting IPSAS. The population of study was 121 active and operational charity organization and 1 government offices were selected for this study 26 of the population were taken from the charity organization and 1 from government organization. So, the total sample were 26. Purposive sampling was done. The methods used for the study were descriptive analysis and interview were done with one auditing board of Ethiopia official. A close ended questionnaire-based Likert scale and open-ended interview was used to collect data. Data was analyzed by use of tabulating, specifically, frequencies, Mean, Standard deviation analysis were generated using SPSS version 20. The study revealed that IPSAS implementation has a benefits of increase quality of financial reports, high level of transparency and accountability, help in decision making process, promotes standardization, harmonization & consistency, improves credibility, positive result on management to develop procedures, rules, policies, build a team that reviews audit reports, increase the funding opportunity, build more confidence. Further, lack of proper guidelines from regulatory bodies, different standards/expectations imposed by donors and IPSAS, skilled manpower, additional reporting standard to produce reports as per ACSO requirement and lack of coherence between regulatory bodies and standard setting bodies are challenges still continues after implementing IPSAS. The study recommends that AABE learn from the challenges faced implementing IPSAS and use it for the new standards that will be adopted in the near future.*

**Keywords:** IPSAS, Benefit, Challenges, local charitable organization

# **CHAPTER ONE: INTRODUCTION**

## **1.1. Background of the study**

According to Ethiopian proclamation 621/2009 charitable organizations are organizations whose primary objectives are performing activities for the wellbeing or the common interest of the society. Charitable organization often depends partly on donations or they generate their own funds by doing some business. When they perform their activities they required to keep accounting transactions that should be understandable by donor and government bodies. Non-governmental organizations perform a variety of charitable works with in the society the organizations can be religious, educational, environmental, research related they can take some other form.

Nonprofit organizations like profit organization they are expected to document earnings and expenses for financial transparency and accountability. To attract donors and produce cash, they need have a solid accounting, reporting, and internal controlling structure in place, as well as generally understood standards and principles that keep them on the same page as donors and other entities. When they perform their work require information that is the donor understand in order to provide this information the organization needs to follow some generally accepted principles so, Ethiopian government accepts IPSAS to follow standardized accounting system.

According to information gathered by the researcher from Agency Charities and Societies Organization (ACSO) there are about 2542 local charities in Ethiopia.

In Ethiopia, there was no specific national accounting standard charities should follow (World Bank, 2007). There was only a general guideline for charity and society accounts and reports provisioned on proclamation number 1113/2019 (FDRE, House of Council, 2019). Before the adoption IPSAS charity organizations were funded by different foreign donors so they were reporting based on the requirement of the donors. The financial reporting proclamation number 847/2014 is issued to establish a sound, transparent, and understandable financial reporting system applicable to entities in both private and public sectors (FDRE, House of Council, 2014). Charities and Societies in Ethiopia are expected to adopt IPSAS by July 8, 2017 and will statutorily be required to issue IPSAS based financial statements for the year ending July 7,

2018. But the statement given on Nehase 15, 2012 E.C the requirement changed and the financial statements should be prepared and reported until 2016 E.C.

IPSAS are the international accounting standards applicable to 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).

Governments, Non-governmental organizations and institutions have adopted IPSAS and others are on their way to adopt these standards. AABE is given the mandate by proclamation 847/2006 and 332/2007 to control and update about the standards if organizations prepare appropriate financial report, to assist the organization board to develop financial Standards based on consistent concepts, resulting in financial information that is useful to investors, lenders and other creditors, to assist preparers of financial reports to develop consistent accounting policies for transactions or other events when no standard applies or a standard allows a choice of accounting policies and also to assist all parties to understand and interpret standards.

Therefore, the study assessed IPSAS's implementation challenges and opportunities based on current situations of Local NGO in Addis Ababa.

## **1.2. Statement of the problem**

International Public Sector Accounting Standards (IPSAS) are the public sector equivalent of International Financial Reporting Standards (IFRS). To attract foreign direct investment, countries have initiated financial management reform programs, including the adoption of accrual accounting as part of broader reform programs. Countries have used different approaches in their adoption of IPSAS and are in different stages of adoption, some having just started, while others have completed the process. Ethiopia is in process of implementing IPSAS. Success levels have varied, and they are frequently assessed by the findings of the external auditing procedure (ACCA, 2017).

IPSAS were created by the public sector committee of the International Federation of Accountants (IFAC) to assist governmental organizations in the creation of excellent financial reports. In order to promote consistency and cross-national comparability of financial reporting,

IFAC advised public sector enterprises to use accrual foundation of accounting for their general-purpose financial statements (Udeh & Sopekan, 2015).

Quality financial reporting place users a high value on since it helps to make financial decisions. The purpose of general-purpose financial statements is to address the informational needs of individuals who use financial statements but are unable to request reporting updates in response to their requirements. Taxpayers, lawmakers, creditors, suppliers, the media, and workers in the public sector are among those who use general purpose financial statements. The financial situation, financial performance, and cash flows of an entity must all be accurately depicted in financial statements prepared in line with IPSASs. A public sector firm must first adhere to the general qualitative elements of financial reporting in order to satisfy this requirement. Fundamental guidelines for creating financial statements in conformity with IPSASs include such qualitative aspects of financial reporting (Ijeoma, 2015).

Organizations are required to adhere to the standards. Therefore, it is important to remember that poor public sector accounting, auditing, and financial management can trigger economic crises. The implementation of IPSAS will improve the reliability, credibility and integrity of financial reporting. Additionally, it was found that the public sector can benefit from effective internal control and result-based financial management when IPSAS-based standards are implemented. Without a question, accountability is the hallmark of effective governance. It also paves the way for a standardized financial reporting structure (Okere, Eluyela, Basse and Ajetunmobi, 2017).

However, the Ethiopian government has fully embraced IPSAS as issued by the International Public Accounting Standard Board (IPSASB) and has mandated that all public interest organizations operating their transition to IPSAS on a national level. However, this practice has not yet been implemented by all Ethiopian charities (Mengistie, 2017).

In every situation when changes happen there may be certain types of challenges also coming along with the benefits but the benefits must exceed from its challenges in order to get a better results. After adopting the standards current situations must also be reviewed whether the benefits continued and the challenges still persists.

There are various studies about the adoption or implementation of IPSAS in other countries mainly focusing on governmental organization and also foreign charities in Ethiopia (Atuilik, Adafula, & Asare,2016; Nkwagu, Okoye, & Nkwagu, 2016; Biancone & Secinaro, 2015; Tanjeh,

2016, Hiwot,2020, Tewodros,2020, Prosper,2018 & Meskir, 2017) so, nonprofit organizations like profit organization they are expected to document earnings and expenses for financial transparency and accountability. To attract donors and produce cash, they need have a solid accounting, reporting, and internal controlling structure in place, as well as generally understood standards and principles that keep them on the same page as donors and other entities. Thus, this study will focus on local NGO whose nature of structure differs from governmental organizations and foreign charitable organizations.

Therefore, this study tries to assess IPSAS implementation challenges and opportunities in the case of local NGOs in Addis Ababa.

### **1.3. Research question**

In order to achieve the intended objective of the research, the following specific research questions guided the study.

1. What benefits do the charities currently got after adopting IPSAS?
2. What are the current challenges that Local NGO's charities may encounter while adopting IPSAS?

### **1.4. Objective study**

#### **1.4.1. General Objectives**

The general objective of this study is to assess IPSAS implementation challenges and opportunities in the case of local NGOs in Addis Ababa.

#### **1.4.2. Specific objectives**

1. To determine the benefit the charity organizations got after implementing IPSAS.
2. To identify the current challenges that Local NGO's charities may encounter while adopting IPSAS.

### **1.5. Significant of the study**

Local NGOs that located in Addis Ababa has significant importance to the public in order to achieve their mission they should have a sound financial system. To cope up with the system there should be a proper internal control and financial reporting system. So, assessing about



international public sector accounting standards (IPSAS) opportunities and challenges for Local NGOs that operating in Addis Ababa, give a good insight to non-governmental organization, regulatory bodies and other stakeholders specifically charity organizations how they maintain stability, transparency and sound internal control system throughout the financial world. Likewise, the study helps the local NGOs and the regulatory bodies as additional input for overcoming the challenges, enjoying the opportunity and improvement of a financial system controlling and monitoring system. Furthermore, this study expects to a basis for other researchers to fill gaps and address problems that has been identified by this study.

### **1.6. Scope of the study**

The scope of the study was delimited to the local NGO's in Addis Ababa that are located in the capital city of Ethiopia. The reason draws from most local NGOs based in Addis Ababa so, it was best option to get more data, limitation of time, budget constraints and convenience for this research.

### **1.7. Limitations of the Study**

Time and resource constraints were some of the challenges faced and lack of cooperation from some of the respondents due to their busy schedules, it is based on the perception of people so, and it may lead to a biased result.

### **1.8. Organization of the paper**

The study organized into five chapters. The first Chapter deals with the background of the study, statement of the problem, research questions, objectives of the study, significance of the study, scope of the study, and organization of the paper. The second chapter discussed about introduction, conceptualization and empirical review. The third chapter focused on the research design, population and sampling techniques, types of data instruments, validity and reliability of the instruments and methods of data analysis. The fourth chapter discussed the data presentation, analysis and interpretation. The fifth chapter presents summary, conclusion and recommendation based on findings.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1. Introduction**

This chapter provides an overview of the literature by different scholars and researchers on the international public sector accounting standards (IPSAS) in local charitable organizations. This section presents a review of related literature to International Public Sectors Accounting standards adoption challenges and its benefits. It consists of conceptual, empirical and identifying the gap in the existing literatures.

### **2.2. Conceptual review**

The conceptual literature review's objective is to define and characterize ideas related to the study or issue, as well as to outline a link between them. Concepts, together with their definitions, and current ideas that are applied to a specific topic are included in a theoretical review. Charities are institutions established exclusively for charitable purposes to the benefit of the public. These organizations must have an obligation to keep accounting records for the money they spent and receive from other entities in accordance with the stated accounting standards.

#### **2.2.1. Public organizations**

Public organizations are established to give a service to the society. The service may include education, security, safety, welfare, the legal system, natural resources, public transportation, infrastructure, food security, social housing, and health services. The public sector provides intangible products for everyone, i.e. services that do not seek profit but rather to benefit society as a whole (Xanthopoulou, Sahinidis, & Bakaki, 2022). The public sectors may be funded by government, public and international organizations.

#### **2.2.2. Charitable organizations**

According to proclamation of 621/2009 Charities means an institution which is established exclusively for charitable purposes and gives benefit to the public. These charitable organizations purpose shall include the prevention or relief of poverty or disaster, the advancement of the economy and social development and environmental protection or improvement, the advancement of animal welfare, the advancement of education, the

advancement of education, the advancement of health or the saving of lives, the advancement of amateur and the welfare of the youth, the relief of those in need by reason of age, disability, financial hardship or other disadvantage, the advancement of capacity building on the basis of the county's long term development directions, the advancement of human and democratic rights, the promotion of equality of nations, nationalities and people and that of gender and religion, the promotion of the rights of the disabled and children's rights, the promotion of conflict resolution or reconciliation, the promotion of the efficiency of the justice and law enforcement services and any other purposes as may be prescribed by directives of the agency. The benefit they provide shall be deemed to exist where the purpose of the charity can generate an identifiable benefit to the public, the purpose of the charity do not create a situation wherein its benefits exclude those in need and any private benefits of individuals and organizations could be acquired only incidentally and as a secondary consequence of the organizations activities. According to the proclamation the types of the organizations can be categorized as charitable endowment, charitable institution, charitable trust or charitable society.

### **2.2.3.Local NGOs**

Local NGOs are activities are limited to this state or to a specific geographical area within this state. Non-governmental organizations are non-profit organizations independent to the government. The main sources of income of such organizations are subscriptions from members, donations, legacies, granting-aid, and income from investments. Local NGOs work both at the national level and down at the community level often in the most remote areas where populations have the greatest needs and lowest access to services. According to Ethiopian proclamation no. 629/2009 Ethiopian charities or Ethiopian societies are organizations that were established in accordance with Ethiopian legislation, by Ethiopians, foreigner's resident in Ethiopia or both.

### **2.2.4.Accounting for non-profit-organizations**

As Bergman (2009) stated not-for-Profit Organizations are groups that are created as charity entities and are utilized for the welfare of society which function without any profit motive. Their primary objective is to serve a certain group or the general public. They typically don't produce, buy, or sell products, and they might not engage in credit transactions. As a result, they don't need to keep as many books of accounts as trading companies do, along with a Trading and Profit and Loss Account. The capital fund or general fund receives credit for the money that

these organizations raise. Their primary revenue streams often include subscriptions from member contributions, grants for assistance, profits from investments, etc. In these groups, preserving records is primarily done to comply with legal obligations and give them more control over how their money is spent. At the conclusion of each accounting period, they must also compile the financial statements. Public sector accounting used to be a mere record-keeping of budget. 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.

### **2.2.5. IPSAS Board**

The IPSASB first originated in 1986 when IFAC, the global voice of the accountancy profession, established the Public Sector Committee (PSC) as a standing committee with a broad mandate to develop programs to improve public financial management and accountability. Over the next 10 years, the PSC issued studies on specialized accounting issues in the public sector. In 1996, the PSC changed its role to an international accounting standard setter for the public sector with the launch of its Standards Program. In 2004, the PSC was re-launched as the IPSASB with revised terms of reference to reflect the Board's mandate to focus on developing and issuing IPSASs. The IPSASB creates accounting rules and guidelines for use by public entities. The International Federation of Accountants (IFAC) facilitates the institutions and processes that underpin the IPSASB's functioning. The IPSASB follows an open and transparent due process to ensure that IPSAS are developed in the public interest. This process provides the opportunity for all those interested in public sector financial reporting; including those directly affected by the Standards, to make their views known to the IPSASB, and ensures that all views are considered in the standard-setting development process. The IPSASB's objective is to serve the public interest by IPSAS development and upkeep, as well as other top-notch financial reporting guidelines for the public sector; and increase awareness of IPSAS and the advantages of using accrual (Hand book of IPSAS pronouncements, 2022).

The activities of the IPSASB, including the standards program, would be impossible without the support of financing partners dedicated to developing the public sector. The IPSASB is totally supported by voluntary, non-restrictive contributions (both financial and in-kind). The IPSASB also gets in-kind assistance from its 17 volunteer members from across the world, technical advisers, and official observers throughout the year, as well as help from hosts for meetings and outreach activities (Hand book of IPSAS pronouncements, 2022).

### **2.2.6. IPSAS**

IPSAS are financial reporting guidelines for public sector organizations. IPSAS are developed by the IPSASB. They are the public sector equivalent of International Financial Reporting Standards (IFRS), which apply to private sector companies and are developed by the International Accounting Standards Board (IASB). As of January 2016 the IPSASB had issued 39 IPSAS recently according to 2022 handbook of international public sector accounting pronouncements 4 standards added. 4 of the 39 IPSAS apply to financial reporting on an accrual basis of accounting. These IPSAS are called “accrual–basis IPSAS”. The IPSASB supports reporting on an accrual basis and considers that financial reports prepared under the cash basis of accounting do not adequately address the needs of report users. However, cash–basis reporting is still used by many governments. The IPSASB developed its cash–basis IPSAS, Financial Reporting under the Cash Basis of Accounting, to improve the quality of governments’ cash–basis financial reporting. The IPSASB considers that governments should use the cash–basis IPSAS as a stepping stone towards adoption of accrual–basis IPSAS (Jensen, 2022). The vast majority of IPSAS addresses IFRS–covered financial reporting subjects and demand substantially the same accounting treatment as their corresponding IFRS or International Accounting Standard (IAS). "IFRS–converged IPSAS" are the name given to this IPSAS. An appendix to each IFRS–converged standard describes the distinctions between the IPSAS and its corresponding IFRS. Terminology variations (IPSAS, for instance, uses the term "entities" rather than "companies"), revisions to address public sector–specific issues (IPSAS 17, for instance, has special requirements for heritage assets), and implementation guidance to address public sector–specific circumstances are a few examples of differences.

Over the past ten years, the adoption of International Public Sector Accounting Standards (IPSAS), the counterpart of International Financial Reporting Standards (IFRS) that regulate financial accounting in private commercial enterprises, has gathered speed. The IPSASs governs financial accounting procedures for government entities other than for–profit public companies (Wang & Miraj, 2018).

The detailed requirements of IPSAS call for the presentation in the financial statements of all assets acquired, including real estate, machinery, and intangible assets, as well as their gradual depreciation or amortization over the course of their useful lives. Such requirements will call for better asset management on the part of the organizations (Sanni, 2017). The primary target

audience for IPSAS adoption is underdeveloped nations. Government accounting rules that are either comparable to or more exacting than IPSAS already exist in the majority of developed nations. They face minimal domestic or foreign pressure to adopt IPSAS, despite the fact that their national standards diverge significantly from those of IPSAS. However, the situation is different for developing nations (James, 2006). In order to account for its financial aid to developing nations, the World Bank supports the adoption of IPSAS.

Additionally, IPSAS is regarded as the greatest approach to government accounting that the international accounting community has to offer. IPSAS have been accepted by nations of all political and economic systems and have become the de facto global benchmarks for assessing public accounting processes. Governments, professional accounting organizations, and international organizations all support the independently developed accounting standards, or IPSAS, which are protected by a rigorous due process (World Bank, 1998).

The goal of the IPSAS, as stated by (Diniz, 2015) is to enhance the information from public sector accounting, allowing for comparability and providing tools for social control of public entities, with a view to further understanding of bookkeeping information and its disclosure in the financial statements, prompting significant changes in management, whether in the way that public equity is managed or in the form of recognition, measuring, and disclosure. In order to increase openness and accountability, IPSAS strives to raise the standard of general-purpose financial reporting by public sector organizations. This will result in more informed evaluations of the resource allocation choices made by governments.

### **2.2.7. Accounting basis of IPSAS**

The two most common ways for documenting income and spending are cash basis and accrual basis. (Nweze, 2013) states that in recent years, the IPSAS Board has addressed developing countries in two ways. First, it issued a set of comprehensive “cash basis IPSAS” in 2003 which were closer to traditional Government Accounting practice and are less costly to implement. Secondly, the IPSAS board has issued the standard on the disclosure of external assistance under the cash basis of accounting. The cash basis standard excludes the recognition of grants receivable and loans payable, and other non-cash asset and liabilities.

The adoption of IPSAS by governments will improve both the quality and comparability of financial information reported by public sector entities around the world. Every firm must choose one approach and stick with it for the duration of its existence. The IPSASB issues IPSAS

dealing with financial reporting under the cash basis of accounting and the accrual basis of accounting (Ijeoma et al. 2014).

### **2.2.8. Financial reporting**

Financial reporting is the dissemination to stakeholders of a venture's financial statements and related information. Delivering dependable data on reporting organizations is the main objective of financial reporting in order to support the making of very well economic choices.

Financial statements prepared in accordance with IPSASs must portray honestly the financial condition, financial performance and cash flows of a business. A public sector firm must first adhere to the broad qualitative elements of financial reporting in order to satisfy this criterion. Fundamental guidelines for creating financial statements in conformity with IPSASs include such qualitative aspects of financial reporting (Ugwumadu, 2015). Understandability, relevance, dependability, and comparability are the four main qualitative traits. These guidelines guarantee that the information needed for decision-making is given to the consumers of financial statements. Timeliness, cost-benefit balance, and qualitative characteristic balance are some restrictions on the relevance and dependability of information. A complete set of financial statements in accordance with IPSASs includes the following elements: a statement of financial position, a statement of financial performance, a statement of changes in net assets/quality, a cash flow statement, and If a company publishes its approved budget, a comparison of the budget and actual amounts is presented in separate supplemental financial statements or as a budget column in the financial statements; the notes include a summary of significant accounting policies and other explanatory notes.

### **2.2.9. IPSAS in Ethiopia**

IPSASs are principle-based standards rather than rule-based standards that are intended for use by public sector and non-profit organizations. Nearly every part of the business will be impacted by the conversion from GAAP to IPSAS. This process must be prepared for, including changes to accounting policy, IT systems, processes, and other areas, before the conversion to IPSAS may take place (AABE, 2017).

International Public Sector Accounting Standards (IPSAS) were adopted by Ethiopia with Proclamation 847/2014, granting the Accounting and Audit Board of Ethiopia (AABE) complete authority.

The board issue standards and directives relating to financial reporting and auditing and ensure compliance therewith, conduct inquiry or investigation and impose administrative sanction in accordance with the provisions of this Proclamation where appropriate on public interest entities and public auditors to enforce compliance with financial reporting and auditing standards, receive and register financial statements of reporting entities, advise the Government on any matter relating to financial reporting, accounting, auditing and corporate governance.

It is uncommon for the public sector to undergo reform in Africa, but Ethiopia has already achieved the continent's third-best system after effectively raising its financial management to international norms. Ethiopia receives the majority of the continent's help (Peterson, 2010).

### **2.2.10. Benefits of IPSAS**

Accounting standards effectively bring uniformity throughout the entire accounting system. It offers standardized guidelines and procedures for handling financial transactions and occurrences. The company also prepares and presents financial statements in accordance with the standard format outlined by these accounting standards. This results in overall accounting techniques becoming standardized. There are a number of benefits apparently associated with IPSAS adoption and implementation. The creation of an international accounting standard helps countries that follow similar rules in other countries to present information in the same way (Gebreyesus, 2021).

Non-governmental organizations' general purpose financial reporting should be able to offer data that is helpful for making decisions and show the entity's accountability for the funds committed to it by supplying details on the sources, distribution, and applications of financial resources; giving details on how the organization paid for its operations and satisfied its monetary needs; delivering data that is helpful in assessing the entity's capacity to finance its activities and fulfill its obligations; Providing information about the financial condition of the entity and changes in it; and delivering aggregate data that may be used to assess how well the company is performing in terms of service costs, efficiency, and successes. Additionally, general purpose financial statements can play a predictive or prospective function by offering details that can be used to forecast the amount of resources needed for ongoing activities, the resources that could be created by ongoing operations, and the risks and uncertainties involved. NGO's financial reporting also provides information to users. One of the elements affecting a donor's decision to make a charitable donation is the information available to them.



Additionally, the accessibility of information can be seen as one of the strategies to increase stakeholders' confidence in the initiatives and the organizations as a whole (Mordecai, 2004). According to Parsons (2007), some donors who had made some donations in the past used the financial accounting data to decide how much money to donate. Some donors are, in a certain sense, more likely to respond to a fundraising, especially when favorable financial accounting information is given. More research suggested that the donors' choice might be directly influenced by both financial and non-financial information. According to Parsons (2008), additional information such as that on the effectiveness of the organization's resource allocation to its programs, the organization's financial stability, the information available to donors, and the reputation of the organization may also have an effect on donations.

According to (Gebreyesus, 2021) stating that whether or not resources were acquired and utilized in conformity with the legally authorized budget; and stating whether or not resources were obtained and used in line with legal and contractual obligations, including any financial restrictions put in place by the proper legislative authorities.

UNAIDS emphasizes the need for IPSAS to raise the caliber of general purpose financial reporting by governments, non-profits, and other public sector groups. Adoption of IPSAS will enhance the comprehensiveness, quality and comparability of financial reporting. Additionally, it will result in improved financial statement comparability with other international organizations and national governments as well as enhanced financial report and statement consistency throughout the UN system. The harmonization of UNAIDS' accounting processes with IPSAS fosters more trust and recognition among funders and other important stakeholders because IPSAS represent the global standard for the public sector and nonprofit organizations.

Accountability to donors, sponsors, and the Program Coordinating Board will be held to higher standards, and best practices will be followed. (Bédard, 2017) noted that internal control systems are crucial for businesses' internal decision-making procedures and the accuracy of their outward financial reporting. Due to the availability of thorough cost information, informed decisions, better and transparent resource allocations, and enhanced planning have been achieved, increased management of commitments, risks, and uncertainties as well as greater understanding of revenues and costs.

According to ACCA 2017, there was an equally obvious necessity for the introduction of IPSAS, the IFRS equivalent, in the public sector. Developing nations have generally looked to

make the switch to IPSAS for two reasons. The first has been the formation of a new administration or a change in political control within an existing government, which has led to a desire to improve accountability, transparency, and general financial management procedures. The second has been the rise in the number of funders and donors who want funding in order for the nation to enhance its methods of financial management and reporting.

### **2.2.11. Challenges of IPSAS**

Adopting and implementing IPSAS to have a clear strategy, with realistic timescales, milestones and resources. Some of the current challenges pertaining to IPSAS adoption are broader change management and program management issues; others are more basic, such as poor IT infrastructure, shortage of qualified and trained personnel, bad record keeping, and paucity of core accounting information under previous financial reporting practices. IPSAS deals with both the cash basis of accounting and the accrual basis of accounting. The shift from cash or modified accrual-based accounting to full accrual accounting under IPSAS can be a challenging as it involves a huge volume of work and also major changes in business processes and practices (Pontoppidan, 2010).

IPSAS also time and money consuming short-term costs yet governments and their public sector entities do not have to act on their own. There are expenses associated with IPSAS implementation. Funding is necessary for statutory authorities charged with upholding accounting laws to adopt IPSAS. These expenses cover consulting, technology, training, and research (Delloite, 2011).

### **2.3. Empirical Review**

Hiwot, (2020) studied international public sector accounting standards/IPSAS/ in non for profit organizations. Her study highlighted that non-profit organization (NGO) implementation of IPSASs is challenged by low partner involvement, low technical capacity, and implementation sequencing. In addition expert competence, exceptional investment costs, low feasibility in the given time, compatibility with regional standards, and suitability for the non-profit sector are competing for implementation. In addition, IPSAS implementation in NGOs creates gaps in information, communication, monitoring, and evaluation.

Tewodros, (2020) analyzed the challenges towards the adoption of International Public Sector Accounting Standards: The case of foreign charities based In Addis Ababa. The study disclosed

that government policy such as quick government decisions; lack of policy and lack of clarity effect the implementation of IPSAS. The study concluded that the implementation of IPSAS is in an encouraging stage, requiring just refresher trainings, capacity building, and close supervision by supervisory agencies. This is not to say that IPSAS is without challenges. The main challenges of IPSAS adoption in Ethiopia are a scarcity of highly qualified professionals and trained human resources, a lack of proper guidelines from regulatory bodies on the adoption process, and increased administrative, compliance, or other costs and the researcher suggested that To strengthen the acceptance and execution of IPSAS, AABE must continue its efforts to boost the level of awareness among international charities by hosting familiarization workshops, generating communication materials, and so on.

Prosper, (2018) in his study examined international public sector accounting standards (IPSAS) implementation at African union. The paper evaluates the factors that the African Union relied on to implement IPSAS after its adoption for a year. It identified the advantages or gains for the African Union as a result of IPSAS implementation. It was able to draw attention to the difficulties the African Union faced throughout the time period. According to the study's findings, the slow implementation of IPSAS standards has been attributed to a lack of ongoing and targeted training for key staff members as well as a lack of a permanent technical team to review technical and operational issues, suggest policy changes, and oversee the enforcement of recommendations. The study found that management and decision-making have improved, as have transparency, accountability, and comparability. The study disclosed that the driving causes of IPSAS implementation in AU were to synchronize its operations with the fiscal year, satisfy the criteria of partners, attract funders, and be competitively comparable with other International Organizations.

Meseker, (2017) conducted the study on perception of foreign charities in addis ababa on the benefits and challenges of adopting international public sector accounting standards (IPSAS) in Ethiopia. The study revealed that Transparency, improved internal control, understandability, accountability, comparability, credibility, and better interpretation and acceptability of financial reporting are among the anticipated benefits of IPSAS. The main problems of implementing IPSAS include a lack of competent experts and trained human resources, a lack of sufficient regulatory body guidance on the adoption process, and higher administrative, compliance, or other expenditures. It concludes that Despite the stated benefits, international charities in

Ethiopia do not appear to agree in this study that the benefits of IPSAS exceed the challenges it poses. The use of IPSAS by international charities in Ethiopia is required by the government, not because the advantages exceed the challenges. The paper finished up by suggesting that the timescale for adoption and full involvement in the IPSAS transition by international organizations be revised.

#### **2.4. Existing research gap**

As it can be seen from the empirical literature review, there are a few studies regarding adopting IPSAS most of the studies focus on first time adopters, focused on the challenges and benefits during the adoption of IPSAS; the others focused on the whole charitable organizations that operate in Ethiopia, foreign charitable organizations that operate in Ethiopia, So their study may benefited first time adopters and not specific therefore this study had been more specific and focused on local charitable organizations that operated in Addis Ababa and study about current benefits and challenges after adopting IPSAS.

## **CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY**

### **3.1. Introduction**

The purpose of this study was to identify IPSAS implementation benefits and challenges of local NGO's operated in Addis Ababa. This chapter will provide a discussion on the research methods and procedures that will be adopted in this study. It also discusses the research design especially with respect to the choice of design. It also discusses the population of study, sample and sampling techniques; data collection method, as well as data analysis and presentation method that are employed in the study and highlights the sources of information for the research. This research captures the benefits and challenges faced by local charitable organizations based in Addis Ababa in the process of adopting IPSAS.

### **3.2. Research Design and approach**

A research design is a set of steps taken by the researcher to provide valid, impartial, accurate, and cost-effective answers to questions (Kumar, 2011).

To accurately depict the traits of a specific person, circumstance, or group, studies with this topic are known as descriptive research studies (Kothari, 2004). So, in this study descriptive research method will be used it is designed to describe the current status of IPSAS implementation benefits and challenges of local charitable organization located in Addis Ababa. The study uses mixed approach according to William, 2007 this approach helps to understand very well the nature of phenomenon from the participant's point of view.

### **3.3. Population and sampling Techniques**

#### **3.3.1. Population**

The populations targeted by the study are the local charities who are starting implementing IPSAS and operated in Addis Ababa. According to the document collected from ACSO web site, the total number of local charities registered in Ethiopia and operating in the country are 2542 out of these 709 are operate in other regions, 80 out of the total their location not specified the remaining 1753 operate in Addis Ababa and the data collected from AABE showed that there are 236 charitable organizations who are adopting and reporting according to IPSAS 104 are foreign charitable organizations 11 charitable organizations outside Addis Ababa 121 are operated in

Addis Ababa. So, this study will assess 121 local charitable organizations that located in Addis Ababa.

### 3.3.2. Sample Size

Sample size might also be influenced by cost, time, money, stress, administrative assistant, the number of researchers, and resources (Cohen, Manion, & Morrison, 2007). So, the researcher uses the sample size for descriptive research would be 26 so, the researcher would focus on the accounting departments, management team or any other person who are related with IPSAS implementation and chose one respondent to complete the questionnaire who directly participated in the adoption of the standard, one employee of AABE who monitors and provides supportive supervision for charity organizations and the adoption of the standard, respectively. The sampling procedure was followed using purposive sampling method as shown in the table below

**Table 1 Sample Size determination**

<b>Sector</b>	<b>Target population (organizations)</b>	<b>Sample size (respondents).</b>
Charity organizations	121	26
<b>Total</b>	<b>121</b>	<b>26</b>

### 3.3.3. Sampling Techniques

Considering the context and limitations, a sample was used to generalize to a population. (Kothari, 2004) explains that the organizers of the inquiry purposefully chose the particular units of the universe for constituting a sample on the basis that the small mass that they so selected out of a huge one had been typical or representative of the whole. The sampling procedure adopted for the research work was non-probability sampling, which was purposive sampling. Costs constraints, limitation of time and convenience mentioned as major reasons for choosing purposive sampling for this researched process.

### **3.4. Types of Data Instruments of Data Collection**

Local charities operating in Addis Ababa were considered a source of data for this analysis. This study gathered both primary and secondary data. According (Zikmund, 2013) direct engagement of study participants is required in the survey. The primary data collected through questioner and interview. Therefore, the method employed to gather primary information was a survey design involving a structured questionnaire. Structured questionnaires are used more frequently in descriptive studies to identify general patterns (Saunders, Lewis & Thornhill, 2003). The questionnaire survey was administered to the person who directly or indirectly participated in adoption and implementation of IPSAS on the organization. The questionnaire had been a self-administered questionnaire which had been delivered to the respondent and collected later. It has close-ended questions to have opinion of the respondents. The data collected using five-point Likert scales with ratings of Strongly Agree (SA; or 5), Agree (A; or 4), Neutral (N; or 3), Disagree (D; or 2), and Strongly Disagree (SD; or 1). The questionnaire is divided into three parts; Section A (demographic information); Section B (Benefits of adopting IPSAS), Section C (Challenges of adopting IPSAS).

In addition to that interview has been held with one AABE officer. Secondary data obtained through literature review of research findings and existing literature on each study variable.

Multiple secondary data sources are used to gather the secondary data. The organization's financial report, organizational profile, journals, articles, proclamations and directives issued by the federal government, publications, reports, e-publications, and other internet sites are among these materials. These resources gave the researcher information on how to create survey instruments, analyze survey measurement findings, separate the study constructs, and provide concluding remarks. The validity and reliability of the data and interpretation has been enhanced by using the aforementioned various methods for data collection and information acquisition.

### **3.5. Validity and Reliability of the instrument**

Validity refers to how accurately an empirical measure captures the underlying meaning of the concept being studied (Kumar, 2011). The relevance of data validity depends on the goal of the research and how closely it ties to the topic. The face validity test was undertaken by administering the questionnaire to employees who are working at local charitable organization

and they were requested to make any comments on the questions and terms which were unclear. The instruments were adjusted accordingly and thereafter getting expert input from the supervisor where the recommendations were incorporated that was then adopted in the survey.

The questionnaire was also tested for reliability. A research tool is said to be reliable if it is constant and steady, which makes it predictable and accurate. An instrument's reliability increases with its degree of consistency and stability. Therefore, a scale or test is reliable to the degree that repeated examinations performed on under constant circumstances will give the same result," so the saying goes (Kumar, 2011). According to Field (2005) a Cronbach's  $\alpha > 0.7$  implies the instrument is relatively good measurement tool and reliable. The reliability test was conducted for all items. The Alpha of the instrument is 0.757 that is 75.7% for all items the results obtained are presented in table 2.

**Table 2 Validity and Reliability of the instrument**

<b>Case Processing Summary</b>			<b>Reliability Statistics</b>	
	N	%	Cronbach's Alpha	N of Items
Valid	13	100.0	.757	21
Cases Excluded <sup>a</sup>	0	.0		
Total	13	100.0		

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

<b>Statement</b>	<b>Number of items</b>	<b>Coefficient (Alpha)</b>
Benefits of adopting IPSAS	11	.877
current challenges while adopting IPSAS	10	.781



### **3.6. Methods of Data Analysis**

Following the completion of the data collection, the data had been edited, structured, coded, and entered into SPSS version 20 for analysis and interpretation purposes. The gathered data had been displayed used graphs, tables, and/or mathematical techniques. The data were analyzed using descriptive statistical methods. These include frequencies, percentages, means and standard deviations were summarized and give condensed picture of the collection data. The research findings, conclusions and recommendations are then presented.

## **CHAPTER FOUR: RESULTS AND DISCUSSION**

### **4.1. Introduction**

This chapter presents an analysis of the results obtained from the field. The results cover the general information of the respondents and the four research objectives. After the field work data was edited and coded. Thereafter, data was analyzed using SPSS Version 20 software.

It uses descriptive and inferential statistics. The primary data used for this study was collected from the heads of the accounting units and professionals working under the head of the local charities works in Addis Ababa.

### **4.2. Demographic analysis**

#### **4.2.1. Response rate**

For this survey study a total of 26 questionnaires were distributed to a sample of charities and a total of 24 questionnaires were collected after three weeks of effort this represents response rate of 92.31%. All the questionnaires were edited and checked for completeness and used in the data analysis.

This section is divided into five subsections: subsection one covers the profile of respondents, subsection two explore IPSAS influence on quality of financial statements, subsection three deals with improvement of internal controlling system by IPSAS the fourth subsection explores current benefits of IPSAS and the final subsection explains the current challenges.

#### **4.2.2. Respondents Profile**

This study depended on the local charitable organizations finance and management teams to assess the expected benefits and challenges of implementing IPSAS. Accordingly, it was important to check the profile of these teams to see the relevance of their perception. Primarily, respondents were requested to provide their position, educational background and years of work experience in charities financial management.

**Figure 1 Respondents Position**

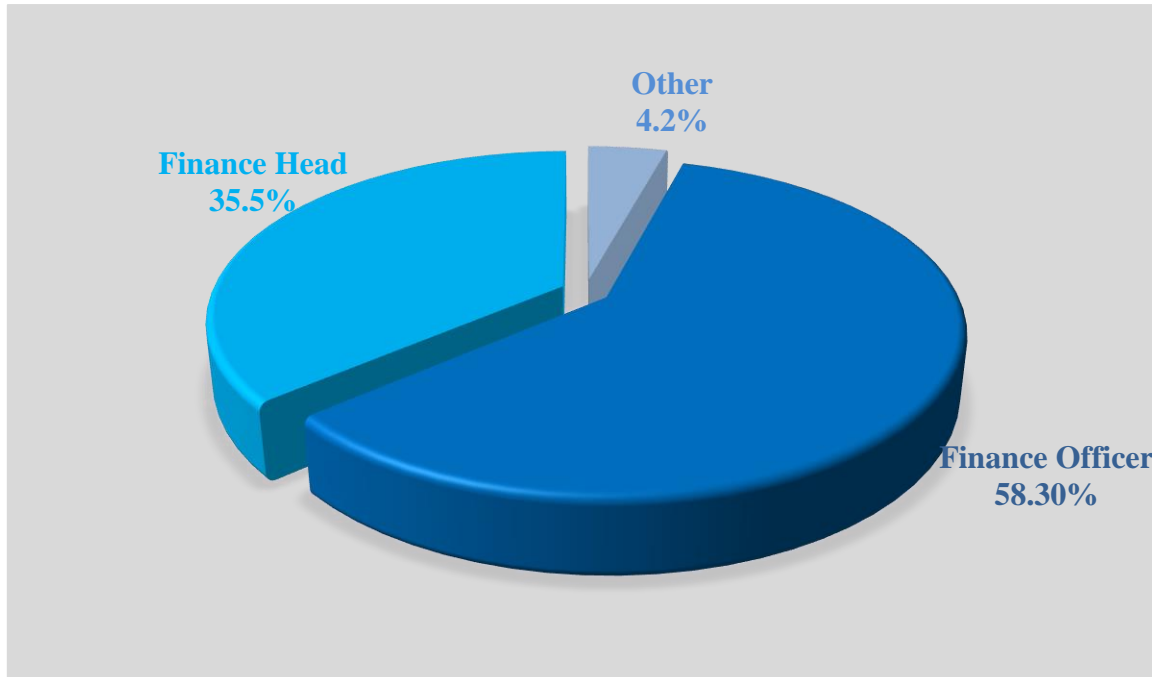
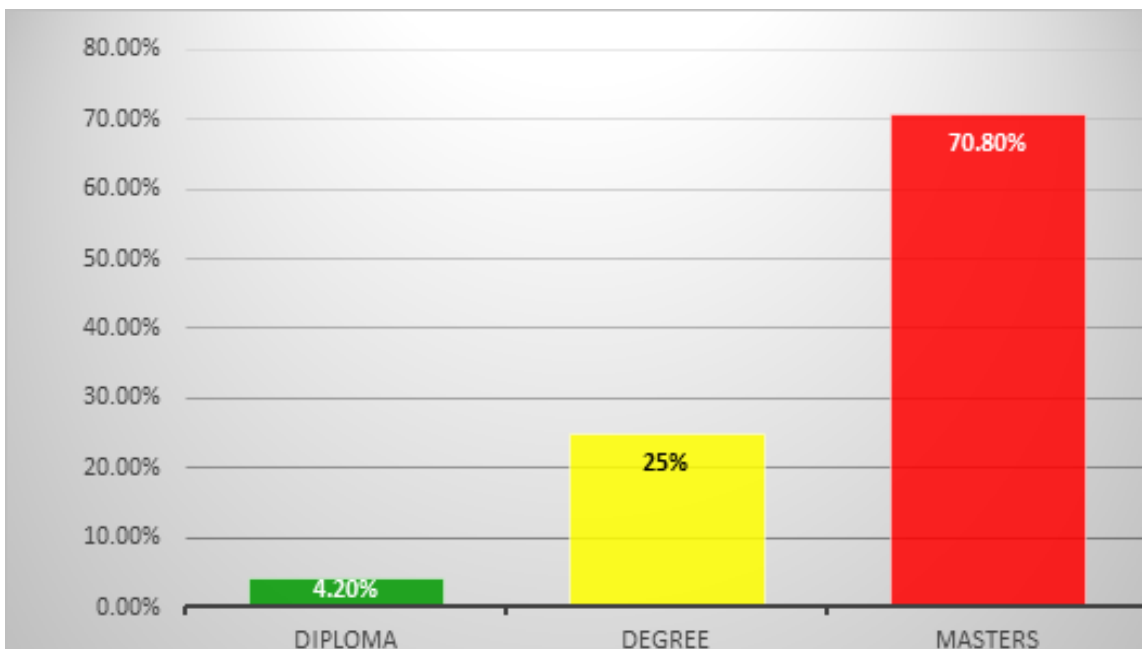


Figure 1 demonstrates that majority of respondents 58.3% are Finance officers, 35.5% are Finance Heads while the remaining 4.2% are from other departments.

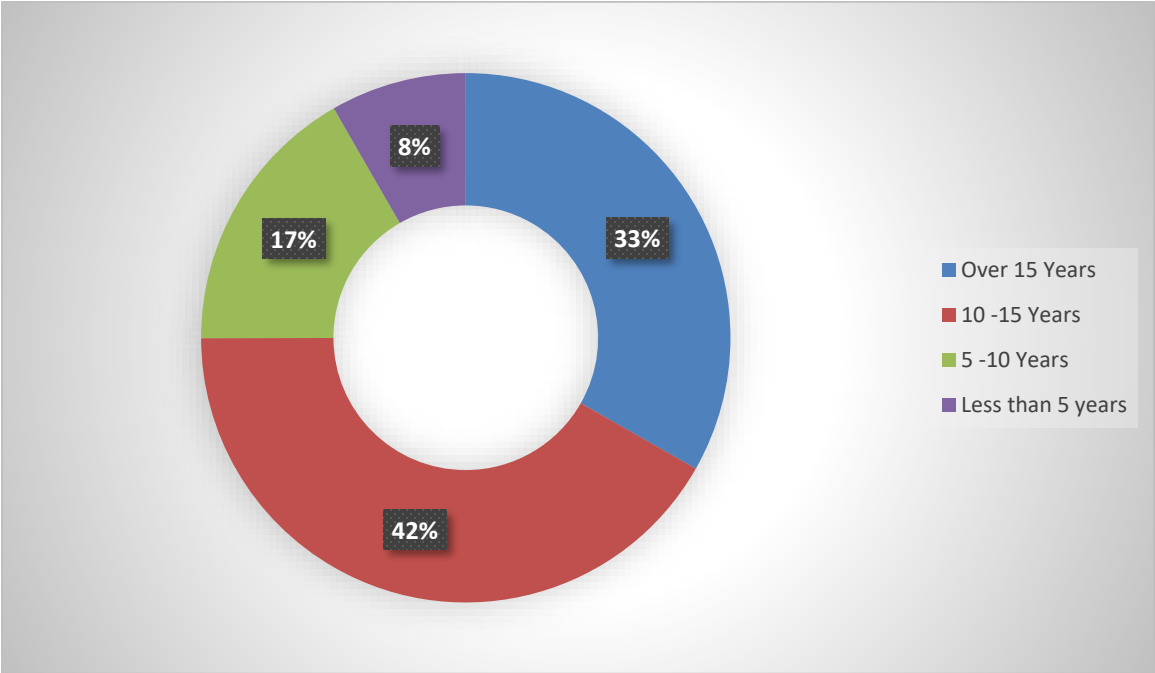
Therefore, it can be assumed that they know about the organization’s financial status and the responses they gave in this research reflect their organization’s point of view.

**Figure 2 Educational Background**



Responses regarding educational background of the respondents pointed out that, 70.8% percentage holds their masters 25% of respondents have their Degree and the remaining 4.2% respondents are Diploma holders. This shows that the respondents will be in a position to understand the issues related to IPSAS in charitable organizations. The significance of this is that, the respondents are able to make the comprehensive influence of IPSAS on their organizations.

**Figure 3 Respondents work experience on local charitable organizations**



From the chart above, 33.3% of the respondents indicated that they had worked in charitable organization for over 15 years, 41.7% of the respondents indicated that they had worked in charitable organization for 10 to 15 years, 16.7% of the respondents indicated that they had worked in charitable organization for 5 to 10 years and 8.3% of the respondents indicated that they had worked in charitable organization for less than 5 years. Accordingly, this indicates that their year of experience in the sector shows that they are familiar with the charities sector and also the operating environment.

### **4.3. Descriptive Analysis and Discussion**

#### **4.3.1. Benefits of adopting IPSAS**

The following Table 3 shows that the benefits of adopting IPSAS in local charitable organizations based in Addis Ababa.

From Table 3 below, it was revealed that the mean score for the eleven statements set to measure the benefits to IPSAS ranged between 3.71 and 4.08. The means of the statements are as follows: The third and fourth statements showed the lowest score (mean=3.71) that IPSAS help to establish policies, procedures and rules with regard to acceptable business practices, conflicts of interest and operational ethics and IPSAS help your organization to build a team that reviews audit reports and provides solutions for non-compliance. The first and the last statements showed the highest respondents agreeing (mean=4.08) that showed that IPSAS is better than the existing system and Financial reports disclose financial and non-financial matters which help in decision making process.

The key users of financial information inside charity reports and accounts tend to be past, present, and potential funders, donors, and financial supporters. Financial reporting is one technique to assist donors in deciding which charity they should donate to. The availability of accounting information provides donors with a sense of comfort and reassurance. Because donors may not seem to know a great deal about the specific activities of the charities they give to, knowing that accounting information is there allows them to feel reassured and provides a sense of comfort in that they know they can look up information at any time if needed. Donors generally believed that accounting information is important as it provides them with greater confidence to make future donations, as well as helping to solidify the trust they have in the charity to use the money for its intended purpose and to assist those who need help. The annual report itself plays an important stabilizing role in regards to the initial trust donors have in charities. Donors are primarily concerned with whether money has been spent on those activities for which it was intended and thus they take comfort from the existence of an annual report as a signal that funds have indeed been used for the proper purposes (Matthew 2018).

Accrual accounting improves decision making by providing information on full cost of operations and resources used to deliver services to the public and information on assets and

liabilities at the end of accounting period (Monari, 2015). This implies that better accounting leads to better reporting, which provides information for better decision-making, which should in turn lead to better use of public resources. The charitable organizations get their donors trust, a better system, minimize compliance from donors and they get more funds and they increase project implementation capacity after adopting and implementing IPSAS. According to Clarke (2009), if accounting reports are not prepared following the standards, then the meaning of comparisons between performance in different time periods and the performance between entities are virtually impossible. So, if there are different standard that will not be familiar with donors their compliance requirement will increase, minimize funding opportunity, funding organizations confidence become minimized, the charitable organizations may not get a donor or volunteers who supports their objectives. There was no national accounting standard in Ethiopia until execution of proclamation No. 847/2014 as of December 5, 2014. Before the execution many charitable organizations use their donors suggested standards so, one organization may oblige to prepare a number of different financial reports as per their requirements thus, IPSAS help them to prepare financial reports using one standard this implies that IPSAS is better than the existing systems.

**Table 3 Benefits of Adopting IPSAS**

Statement		SD	D	N	A	SA	T	Mean	S/D
Financial reports disclose financial and non-financial matters which help in decision making process	F	0	0	5	12	7	24	4.08	.717
	%	0	0	20.8	50	29.2	100		
Improve the stewardship of assets and liabilities (gives better information about assets, liabilities and improved management of commitments, risks and uncertainties)	F	0	1	4	12	7	24	4.04	.806
	%	0	4.2	16.7	50	29.2	100		
IPSAS help to establish policies, procedures and rules with regard to acceptable business practices, conflicts of interest and operational ethics	F	2	1	5	10	6	24	3.71	1.021
	%	8.3	4.2	20.8	41.7	25	100		
IPSAS help your organization to build a team that reviews audit reports and provides solutions for	F	1	2	4	13	4	24	3.71	.999
	%	4.2	8.3	16.7	54.2	16.7	100		

non-compliance									
IPSAS minimize time to be spent in supportive supervision	F	1	1	2	17	3	24	3.83	.868
	%	4.2	4.2	8.3	70.8	12.5	100		
IPSAS improves the project implementation capacity	F	1	1	5	11	6	24	3.83	1.007
	%	4.2	4.2	20.8	45.8	25	100		
IPSAS increase the funding opportunity to your organizations	F	1	1	4	13	5	24	3.83	.963
	%	4.2	4.2	16.7	54.2	20.8	100		
IPSAS minimize compliance requirements of donors	F	1	1	4	13	5	24	3.83	.983
	%	4.2	4.2	16.7	54.2	20.8	100		
IPSAS help funding organizations build more confidence	F	2	0	2	15	5	24	3.88	1.035
	%	8.3	0	8.3	62.5	20.8	100		
IPSAS increase willingness towards supporting organizations objective	F	1	1	9	9	4	24	3.58	.974
	%	4.2	4.2	37.5	37.5	16.7	100		
IPSAS is better than the existing system	F	1	1	3	9	10	24	4.08	1.060
	%	4.2	4.2	12.5	37.5	41.7	100		

#### 4.3.2. Current challenges while adopting IPSAS

The following Table 4 shows that the challenges of adopting IPSAS in local charitable organizations based in Addis Ababa.

From Table 4 below, it was revealed that the mean score and standard deviation for the current challenges to ten statements set to measure ranged between 2.5 and 3.67. The means of the statements are as follows: The highest (M=3.67, SD=0.868) different standards/expectations imposed by donors and IPSAS and the seventh statements showed the lowest mean (M=2.5, SD=0.885) that showed that problem of presenting budget Information in financial Statements.

From the above analysis we can infer that the majority respondents reacted that after adopting IPSAS they face lack of proper guidelines from regulatory bodies, conflicting between IPSAS and ACSO definition of asset, operational and admin cost presentation, similarly donors and IPSAS follow different standards, Lack of skilled man power specially within the organization, for the question IPSAS is difficult or bulky most respondents tick on Agree by writing on the comment section IPSAS is not difficult but the disclosure with the statements makes it bulky so, from this we can infer that IPSAS difficulties minimized when people become familiar with the

standard. Regarding the budget presentation in financial statements the majority of respondents disagreed that IPSAS is not a challenge to present on their financial reports some of the organizations faced that their budget recorded as income the others record as payable to donors' report purpose so, this is not acceptable by IPSAS thus this will create a contradiction between IPSAS, their financial system and donor requirements so, from this we can infer that the budget presentation on financial reports a challenge to some organizations but not to others. In addition to this the majority of the respondents face the challenges additional reporting standards by ACSO requirement at the time of discussion the respondents were reflects that ACSO doesn't want all the disclosures but they want a minimized report that specifically show the 20/80 distributions between admin and program expenditures and also the majority of respondents neutral and agreed rated equally by most respondents some leave a comment compared to first time adoption the cost become reduced when the personnel's become familiar with it.

On the final question the majority replied that there is lack of coherence between the two regulatory bodies and standard setting organizations. This indicates that if they require different types of reports it shows that there is communications gap between the two regulatory bodies.

**Table 4 Current challenges of adopting IPSAS**

Statement		SD	D	N	A	SA	T	Mean	SD
Lack of proper guidelines from regulatory bodies on the reporting process.	F	4	4	6	8	2	24	3.00	1.251
	%	16.7	16.7	25	33.3	8.3	100		
Conflicting between IPSAS and ACSO requirement (e.g. asset definition, operational and admin cost presentation, etc.)	F	6	0	7	9	2	24	3.29	.955
	%	25	0	29.2	37.5	8.3	100		
Different standards/expectations imposed by donors and IPSAS	F	2	0	8	10	4	24	3.67	.868
	%	8.3	0	33.3	41.7	16.7	100		
Skilled manpower (Lack or shortage of the necessary internal technical expertise on IPSAS in the organization)	F	2	6	6	8	2	24	3.08	1.139
	%	8.3	25	25	33.3	8.3	100		
Inadequate Information Communication	F	2	8	8	6	0	24	2.75	.944



and Technology (ICT)	%	8.3	33.3	33.3	25	0	100		
IPSAS is difficult or bulky	F	6	4	5	7	2	24	2.79	1.351
	%	25	16.7	20.8	29.2	8.3	100		
Problem of presenting budget Information in financial Statements	F	2	12	6	4	0	24	2.5	.885
	%	8.3	50	25	16.7	0	100		
Additional reporting standard to produce reports as per ACSO requirement	F	4	0	9	10	1	24	3.33	.816
	%	16.7	0	37.5	41.7	4.2	100		
The cost of adopting IPSAS is too high compared to the benefits that will be enjoyed.	F	6	0	8	8	2	24	3.25	.944
	%	25	0	33.3	33.3	8.3	100		
There is lack of coherence between regulatory bodies and standard setting bodies there by making adoption of the standard difficult.	F	2	2	8	11	1	24	3.29	.999
	%	8.3	8.3	33.3	45.8	4.2	100		

One of AABE expert indicated that registered in ACSO not all of them adopt IPSAS and it is still in early stage the time frame stated by AABE is not practicable, proper guidelines provided by AABE using seminars, training and technical support also given and the charitable organizations who are registered bring their reports on time but there is a new standard is on a way for NGO named INPAG it should be implemented 2025 G.C

## **CHAPTER FIVE: SUMMARY, CONCLUSIONS & RECOMMENDATIONS**

### **5.1. Introduction**

The study was intended to find Benefits and challenges of adopting the International Public Sector Accounting Standards (IPSASs) in local NGOs organizations working in Addis Ababa. The focus of the study was comparing what benefit the charitable organizations get after adopting IPSAS with existing system. To assess the following two specific objectives were raised: First to assess the benefit the charity organizations get after implementing IPSAS secondly to identify the current challenges that Local NGO's charities may encounter while adopting IPSAS

By purposively selecting 26 charities, questionnaire that developed from literature was administered and quantitative data was collected from the total of 24 finance and management team. Using descriptive statistics such as mean, standard deviations, and percentages were used. This chapter includes the summary of findings, conclusions and recommendations based on the study findings.

### **5.2. Summary**

The majority of respondents were finance officers and in addition to this the majorities have Masters. Regarding their experience related with charitable organizations were 33% have 15 years followed by 41% have 10 to 15 years' experience.

The respondents agreed that the benefits of IPSAS are the financial reports disclose financial and non-financial matters which help in decision making process, improve the stewardship of assets and liabilities, IPSAS helps management to develop procedures, rules, policies with regard to acceptable business practices, conflicts of interest and operational ethics, build a team that reviews audit reports and provides solutions for non-compliance and minimize time spent supportive supervision, project implementation capacity of the organization are improved, increase the funding opportunity, funding organizations build more confidence after adopting IPSAS, IPSAS is better than the existing system and towards supporting organizations objectives the respondents equally agreed and responds neutral.

The respondents also revealed that there are a number of challenges facing the implementation of

IPSASs the key among them are lack of proper guidelines from regulatory bodies on the reporting process, conflicting between IPSAS and ACSO requirement, different standards/expectations imposed by donors and IPSAS, skilled manpower, IPSAS is difficult or bulky, additional reporting standard to produce reports as per ACSO requirement and lack of coherence between regulatory bodies and standard setting bodies thus regarding problem of inadequate Information Communication and Technology system and presenting budget Information in financial Statements the majority respondents replied disagreed.

### **5.3. Conclusion**

This study assessed the opportunities and challenges of implementing IPSAS in local charities operating in Addis Ababa. From the findings of the study, it was observed that implementing IPSAS the financial reports disclose financial and non-financial matters which help in decision making process, improve the stewardship of assets and liabilities, the implementation of IPSAS help on management to develop procedures, rules, policies with regard to acceptable business practices, conflicts of interest and operational ethics, build a team that reviews audit reports and provides solutions for non-compliance and minimize time spent supportive supervision, capacity of the organization are improved, increase the funding opportunity, funding organizations build more confidence after adopting IPSAS, therefore we can conclude that IPSAS is better than the existing system.

However, the study also concludes that implementation of IPSASs have challenges which includes lack of proper guidelines from regulatory bodies on the reporting process, conflicting between IPSAS and ACSO requirement, different standards/expectations imposed by donors and IPSAS, skilled manpower, IPSAS is difficult or bulky, additional reporting standard to produce reports as per ACSO requirement and lack of coherence between regulatory bodies and standard setting bodies. Except inadequate Information Communication and Technology system and presenting budget Information in financial Statements respondents agreed that the above challenges are still emerged after they implement IPSAS therefore, we can conclude that currently as indicated in the literatures local charitable organizations that are operating in Addis Ababa some challenges still persists and need improvement regarding them.

## **5.4. Recommendation**

As indicated in the analysis, not all respondents agree on the benefits and challenges; a few respondents disagree about the benefits; this shows that they didn't get the benefits or didn't face the challenges; thus, charitable organizations and regulatory bodies must work together in order to overcome these drawbacks. The regulatory bodies should work coherently together in order to get a better result regarding some activities that contradicts IPSAS and ACSO requirements.

Accepting international standards is not sufficient; the regulatory bodies must work diligently towards implementing them in order to get positive outcomes that are advantageous to the country.

Only a few organizations adopt IPSAS. So, I recommend that AABE learn from this and encourage or impose on them a law requiring the implementation of the new standards that are set for NGOs.

For small NGOs IPSAS's cost is higher than its benefits, so there should be a standard suitable for small local charitable organizations.

Most grants donated for the direct objectives of the project may not provide funds to adopt IPSAS so, if the government supports charitable organizations financially and technically, most of the organizations may adopt the standards.

I recommend that AABE arrange for an experience sharing program between organizations that adopt and implement IPSAS and those that do not.

## **5.5. Future studies**

Further study can be suggested regarding IPSAS implementation by expanding the sample size with different backgrounds, experiences and beliefs on local NGO's, on governmental organizations with wider institutional, organizational characteristics factors that could affect the reliability of financial reporting.

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# **APPENDIX**

## **QUESTIONNAIRE**

**St. Mary's University, Department of Accounting and Finance**

**Dear respondent,**

My name is Haregemar Petros a student of St. Mary's University. I am carrying out a study towards my master's academic requirement and my topic is to assess international public sector accounting standards (IPSAS) implementation challenges and opportunities in the case of local NGO's in Addis Ababa. Your organization has been identified to participate in this study and your contribution is considered very important to make this study complete. Please note that there are no right or wrong answers. Your information will remain anonymous, confidential and strictly be used for academic purpose only.

Thank you for participating in this exercise

Yours Sincerely,

Haregemar Petros

Email: [hareg.petros@gmail.com](mailto:hareg.petros@gmail.com)

Tel. +251 913-61-22-53

### Section A: General Information

This section is concerned with individual information as highlighted which you are requested to share with the researcher by putting an appropriate tick based on the choices provided.

Names of your organization \_\_\_\_\_

1. Kindly indicate your Position in the Organization

Finance Officer  Finance Head  Management Staff  Other \_\_\_\_\_

2. Educational Background

Diploma  BA/BSC Degree  MSc/MBA/MA  Other \_\_\_\_\_

3. How long have you been working on charities financial management?

Less than 5 Years  5-10 Years  10-15 Years  Over 15 years

### Section B: Current Benefits of IPSAS

Please indicate to what extent you agree or disagree with the statements provided regarding current benefits of adopting IPSAS by putting a tick against the options provided

1=strongly disagree (SD) 2=Disagree (D) 3=Neutral (N) 4=Agree (A) 5= Strongly Agree (SA)

S.no.	Statement	SD	D	N	A	SA
		1	2	3	4	5
1	Financial reports disclose financial and non-financial matters which help in decision making process					
2	Improve the stewardship of assets and liabilities (gives better information about assets, liabilities and improved management of commitments, risks and uncertainties)					
3	IPSAS help to establish policies, procedures and rules with regard to acceptable business practices, conflicts of interest and operational ethics					
4	IPSAS help your organization to build a team that reviews audit reports and provides solutions for non-compliance					
5	IPSAS minimize time to be spent in supportive supervision					
6	IPSAS Improves the project implementation capacity					
7	IPSAS increase the funding opportunity to your organizations					
8	IPSAS minimize compliance requirements of donors					
9	IPSAS help funding organizations build more confidence					

10	IPSAS increase willingness towards supporting organizations objective					
11	IPSAS is better than the existing system					

**Section C: current challenges IPSAS**

Please indicate to what extent you agree or disagree with the statements provided regarding current challenges of adopting IPSAS by putting a tick against the options provided

1=strongly disagree (SD) 2=Disagree (D) 3=Neutral (N) 4=Agree (A) 5= Strongly Agree (SA)

S.no.	Statement	SD	D	N	A	SA
		1	2	3	4	5
1	Lack of proper guidelines from regulatory bodies on the reporting process.					
2	Conflicting between IPSAS and ACSO requirement (e.g. asset definition, operational and admin cost presentation, etc.)					
3	Different standards/expectations imposed by donors and IPSAS					
4	Skilled manpower (Lack or shortage of the necessary internal technical expertise on IPSAS in the organization)					
5	Inadequate Information Communication and Technology (ICT)					
6	IPSAS is difficult or bulky					
7	Problem of presenting budget Information in financial Statements					
8	Additional reporting standard to produce reports as per ACSO requirement					
9	The cost of adopting IPSAS is too high compared to the benefits that will be enjoyed.					
10	There is lack of coherence between regulatory bodies and standard setting bodies thereby making adoption of the standard difficult.					

**If you have any additional comments Please add here**

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*Thank you!*

## **Interview Guide**

1. Do charitable organization who are adopting IPSAS implement and report according to IPSAS?
2. What is the status of IPSAS implementation?
3. Are proper guidelines given to charitable organizations to implement and report IPSAS?
4. Challenges of supervising charitable organizations?
5. Do they bring their report on time?