

APPROVAL FORM

The undersigned certify that they have supervised the student Sidney Mutusva dissertation entitled: A Feasibility Study on the Adoption of Accrual Based IPSAS and Its Effect on Government Financial Reporting: A Case of Attorney General’s Office in the partial fulfilment of the Bachelor of Commerce in Accounting (Honours) Degree at Midlands State University.

.....

SUPERVISOR

.....

DATE

.....

CHAIPERSON

.....

DATE

.....

EXTERNAL EXAMINER

.....

DATE

RELEASE FORM

NAME OF STUDENT : SIDNEY MUTUSVA

REGISTRATION NUMBER : R1236OZ

DESSERTATION TITLE : FEASIBILITY STUDY ON THE ADOPTION
OF ACCRUAL BASED IPSAS AND ITS
EFFECT ON GOVERNMENT FINANCIAL
REPORTING: A CASE OF ATTORNEY
GENERAL'S OFFICE

YEAR THIS DEGREE GRANTED : 2014

Permission is here granted to the Midlands State University to produce single copies of the project and to lend or sell such copies for scholarly and scientific use only. The author reserve the right for other publications and the dissertation nor extensive extracts from it may be printed or otherwise reproduced without the author's written permission.

Signed:.....

PERMANENT ADDRESS 12757 Unit N
Seke
Chitungwiza

DATE: 03 October 2014

DEDICATION

I dedicate this project to my wife Lucy, two sons Craig Takunda and Carlton Kuzivakwashe for unwavering support.

ACKNOWLEDGEMENTS

Due appreciation goes to my supervisor Ms L Nyamwanza for the guidance and tutelage throughout the research. I acknowledge the support rendered by the staff at the Attorney General's Office. Special mention goes to Takawira 'Sniper' Chirume for helping and support, you are a star. Finally I thank my wife, sons and my family in its entirety for being patient and supportive for the duration of the project.

God Bless you all!

ABSTRACT

The research was a feasibility study on the adoption of accrual based IPSAS and its effect on government financial reporting: A case of Attorney General's Office. In coming up with this paper, this researcher compiled related literature from various scholars and also formulated research objectives which guided this researcher. The researcher focused on the technical staff of the Attorney General 'Office who are the accounting and finance department personnel. The researcher compiled data using questionnaires and interviewed management. Secondary data was obtained from organizational documents and other related publications. Data obtained thereof was presented using tables, bar graphs and pie charts. The main findings of the study was that current cash based IPSAS being implemented have the weaknesses that include , inconsistence in presentation and disclosure, lack of transparency and accountability, failure to match revenues and expenditures as per the accrual concept. Thus the framework merely presents a receipts and payment summary, without a full set of the requisite financial statements, which include the statement of Comprehensive Income, Statement of Financial Position, the statement of cash flows and the notes to the financial statements. The recommendations are that there should be a stepped transition from cash based IPSAS accounting, through the modified IPSAS until we adopt and implement the accrual based IPSAS

Key Words: Cash based IPSAS, Accrual based IPSAS

Table of Contents

	Content	Page
	The Approval Form	i
	Release Form	ii
	Dedication Form	iii
	Acknowledgements	iv
	Abstract	v
	Table of Contents	vi
	List of Tables	ix
	List of Figures	x
	CHAPTER 1: INTRODUCTION	1
1.0	Background of the study	1
1.1	Statement of the Problem	3
1.2	Research Question	3
1.2.1	Main research question	3
1.2.2	Sub Research Question	3
1.2.3	Research Objectives	4
1.3	Assumptions	4
1.4	Delimitations of the study	4
1.5	Limitations	4
1.6	Significant of the study	5
1.6.1	To the Researcher	5
1.6.2	To the Attorney General Office	5
1.6.3	To the University	6

1.7	Definition of key terms	6
1.8	Chapter Summary	6
	CHAPTER 2:LITERATURE REVIEW	7
2.0	Introduction	7
2.1	Cash based IPSAS and its weaknesses	7
2.1.1	Cash based IPSAS	7
2.1.2	Weaknesses of cash based IPSAS	7
2.1.2.1	No matching of expenditure and revenues	8
2.1.2.2	Relatively Unknown Concept	8
2.1.2.3	Lack of Transparency and Accountability	9
2.1.2.4	Inconsistent Presentation and Disclosure	9
2.2	Benefits derived from accrual based IPSAS over cash based IPSAS	10
2.2.1	Improved Accountability	10
2.2.2	Increased Transparency and Internal Control	11
2.2.3	Improved Fiscal Financial Management	11
2.2.4	Consistency and Comparability	12
2.2.5	Improved Financial Credibility	13
2.2.6	Reporting Flexibility	13
2.3	Challenges likely to be faced in adopting and implementing accrual based IPSAS	14
2.3.1	Lack of Training and Capacitation	14
2..3.2	Lack of appropriate regulatory framework	15
2.3.3	High Cost of Compliance	16
2.3.34	Lack of awareness and technical capacity	18

2.4	Implications of adoption and implementation of accrual based IPSAS on current government accounting	18
2.4.1	Implication on Presentation and Disclosure	18
2.4.2	Formulating accounting policies	20
2.5	Chapter Summary	20
	CHAPTER 3: RESEARCH METHODOLOGY	21
3.0	Introduction	21
3.1	Research Design	21
3.2	Descriptive research design	21
3.3	Research Approaches	22
3.3.1	Quantitative and Qualitative Research Methods	22
3.4	Population, Sample, Sample design	22
3.4.1	Target population	23
3.5	Sampling Technique	24
3.6	Data types and source	24
3.6.1	Primary data	24
3.6.2	Secondary data	24
3.7	Data collection instruments	24
3.7.1	Questionnaire	25
3.7.2	Interviews	25
3.8	Validity and Reliability	26
3.8.1	Validity	26
3.8.2	Reliability	26
3.9	Data presentation and Analysis	27

3.10	Chapter summary	27
	CHAPTER 4: DATA ANALYSIS AND PRESENTATION	28
4.0	Introduction	28
4.1	Data analysis from questionnaires	28
4.1.1	Questionnaire response rate	28
4.2	Data analysis from Interviews	39
4.3	Chapter summary	41
	CHAPTER 5: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS	42
5.0	Introduction	42
5.1	Chapter Summaries	42
5.2	Findings	43
5.3	Recommendations	44
	Reference	45
Appendix A	Questionnaire Cover Letter	51
Appendix B	Questionnaire	53
Appendix C	Interview Guide	56

LIST OF TABLES

	Table	Page
1.1	Assets written off	1
3.1	Population, Sample, Sample Design	23
3.2	Likert scale	25
4.1	No matching of revenue and expenditures	35
4.2	Consistency and comparability	37
4.3	Improved Financial credibility	38

LIST OF FIGURES

	Figures	Page
2.1	Main benefits identified for accrual accounting concerning public institutions governance	14
4.1	Questionnaire response rate	28
4.2	Accrual accounting increases accountability	29
4.3	Relatively unknown concept	30
4.4	Transparency, presentation and disclosure	32
4.5	Accountability, Fiscal management and Transparency in Internal controls	34
4.6	Reporting flexibility	35
4.7	Lack of training	36
4.8	Lack of appropriate regulatory framework	37
4.9	High compliance costs and lack of technical capacitation	37
4.10	Implication of the adoption of accrual based IPSAS	39

CHAPTER 1: INTRODUCTION

1.0 Background to the study

According to the Auditor General's report (2013) on the Attorney General Retention Fund financial statements highlighted that no adequate financial reporting and disclosures were made from the current cash based IPSAS, there were no statement of financial position and statement of comprehensive income were prepared in compliance with IPSAS, but a mere statement of revenues and expenditures were made. Further the non-current assets are written off in the year of purchase and no depreciation is calculated and there by Attorney General's Office cannot measure its worthiness in terms of assets.

The Table 1.1 below shows the assets that were written off in the year of purchase and no depreciation was calculated.

Date of Purchase	Asset	Cost of Purchase	Amount written off.	Year written off	Balance
2011	Motor vehicle (Mazda BT50- AAC2657)	\$42 000.00	\$42 000.00	2011	-
2011	Heavy Duty photocopiers x 5	\$50 000.00	\$50 000.00	2011	-
2012	Presidential Executive Desk	\$5 000.00	\$5 000.00	2012	-
2012	Desk Computers x 20	\$44 000.00	\$44 000.00	2012	-

The table 1.1 above shows a list of the assets that were purchased and which were subsequently written off during the year of purchase against the principle of International

Accounting Standard 16 (IAS 16). There was no depreciation calculated on the assets and they were treated as expenditure in the year of purchase the standards stipulate that the assets should be written off over its useful life. The accrual based IPSAS require these assets be recorded and depreciation be calculated to conform to the requirements of the standards and best international practice.

The cash based accounting and current cash based IPSAS, which were adopted in 2012, have not yet been fully implemented to satisfaction. Although it has been a milestone, as it enabled alignment of its accounting to that of the international standards there are inherent weaknesses in it (Mudariki, 2012). Cash based accounting system is basically the matching of expenditure when cash is received or paid unlike accrual accounting which recognizes the effect of transactions when they occur, (Ahmad, 2013).

According to Chan (2005), government transparency and accountability of public funds is the cornerstone to public financial management. Trang (2012) noted that public sector financial management has to be reformed in order to achieve, good governance. There is a wide range of benefits that arises from high quality financial reporting, which include among others, improved domestic revenue mobilisation, integration with the global world and the facilitation of lines of credit, (Hegarty, 2004).

The adoption of the accrual based International Public Sector Accounting Standards (IPSAS) by the government had its implications on the financial management framework in Zimbabwe. Ijeoma and Oghoghomeh (2014) noted that weaknesses in public sector accounting, financial management and auditing exposes government to the susceptibility of financial crisis. This means that there is need for government reporting to be fortified to meet international standards.

However according to Amirkhanyan (2013), most countries that have adopted the accrual based accounting has failed to achieve full compliance because of a slow rate of

implementation. Zimbabwe is not an exception in this regard; since the full implementation has been slow and faced with a wide range of inconsistencies and encumbrances.

1.1 STATEMENT OF THE PROBLEM

The rationale for adoption of accrual basis IPSAS in Zimbabwe is based on need by the public sector to provide financial information that is comprehensive, reliable and to meet the best international practice requirements. However the adoption of the accrual based IPSAS has its own negative implications on the government financial reporting in general and the Attorney General Department in particular. Adequate financial reporting and disclosures are not made from the current cash based IPSAS, since no financial position statement and statement of comprehensive income are prepared, but a mere statement of revenues and expenditures are made. Hence the study wishes to explore the implications of the adoption of the accrual based IPSAS on government financial reporting in Zimbabwe.

1.2 RESEARCH QUESTIONS

1.2.1 Main research question

- What are the implications of the adoption of accrual based IPSAS to government financial reporting?

1.2.2 Sub research questions

- What are the weaknesses of the current cash based IPSAS?
- What are the benefits derived from accrual based over cash based IPSAS
- What are the challenges likely to be faced in adopting and implementing accrual based IPSAS?
- What are the implications of the adoption and implementation of accrual Based IPSAS have on the current government accounting framework?

1.2.3 Research Objectives

- To explore the weaknesses of the cash based IPSAS
- To determine the benefits derived from accrual based over cash based IPSAS
- To evaluate challenges likely to be faced in adopting and implementing accrual based IPSAS
- To proffer the implication of adoption and implementation of accrual based IPSAS on the current government accounting.

1.3 ASSUMPTIONS

The research was based on the assumption that all the information collected during telephone and personal interviews is not biased.

The sample is truly representative of the population.

The period under review had produce adequate results which had not compromise the quality of the findings.

1.4 DELIMITATIONS OF SCOPE

The study was limited to The Attorney General's Office at New Government Complex in Harare and had focus on the period 2009 to 2013. Respondents had been limited to current employees of The Attorney General's Office. The study was conducted from 1 September to 30 September 2104.

1.5 LIMITATIONS

Financial: The research is not funded by any institution or other individuals but from the researcher's own resources.

Confidentiality: Due to official secrecy act employees of the Attorney General’s Office may not be able to give the researcher some of the information required for the study. The researcher had have to include a confidentiality clause in the correspondences to the department highlighting that the information had only be used for academic purposes only and permission had be sought from the authorities to conduct the research.

Time: The researcher is in full employment at Attorney General’s Office and therefore has to strike a balance been work-related activities and carrying out the dissertation. Further there had been some modules to be completed concurrently with the dissertation project. The researcher had use leave days and after hours to conduct the research.

1.6 SIGNIFICANCE OF THE STUDY

1.6.1 To the Researcher

The research study seeks to help the researcher to develop appropriate skills in researching as a way of advising policy makers. This research is carried out in partial fulfilment of the requirement of the Bachelor of Commerce Honours Degree in Accounting.

1.6.2 To the Attorney General’s Office

The study had help Attorney General’s Office in the adoption of accrual based IPSAS as a way of transparency and accountability of public funds.

1.6.3 To the University

The research should be useful for future research by other students of the various Universities or research institutions.

1.7 DEFINITION OF KEY TERMS

IPSAS – International Public Sector Accounting Standards

IPSASB – International Public Sector Accounting Standards Board

IFAC – International Federation of Accountants

IMF – International Monetary Fund

IASB – International Accounting Standards Board

GAAP – General Accepted Accounting Principles

1.8 Chapter summary

The research proposal presented the introduction, the background, the research problem and the research questions & objectives. It then highlighted the limitations, delimitations and the assumptions.

CHAPTER 2: LITERATURE REVIEW

2.0 Introduction

This chapter represented an overview of other authorities, writers and researchers said about the adoption of the accrual based IPSAS.

2.1 Cash based IPSAS and its weaknesses

IPSAS are a set of accounting standards issued by the International Public Sector Accounting Standards Board (IPSASB), to improve the quality of general purpose financial reporting by public sector entities. There are weaknesses that have been identified with the use of cash based IPSAS and some of which are highlighted below.

2.1.1 Cash based IPSAS

International Federation of Accountants (IFAC) (2008) defined cash based IPSAS as a basis of accounting that recognizes transactions and other events only when cash is received or paid. Under this method cash is not counted until the actual cash is received or paid and this means that revenue and expenditure is recognised when the payment is received or paid, (Tudor and Mutiu, 2006). This is the current situation in the Attorney General's office in the preparation of financial statements in which transactions are recognised when cash is received or when payment is made. This is in line with the cash based budgeting adopted in 2009 by government (National Budget Statement, 2009).

2.1.2 Weaknesses of cash based IPSAS

These are some of the weaknesses identified with the use of cash based IPSAS.

2.1.2.1 No matching of expenditure and revenues

According to Tudor and Mutiu (2006) cash based IPSAS has a number of weaknesses which include among them that, no attempt is made to match expenditure with the revenue generated. They went on to highlight that the statement of comprehensive income and statement of financial position may not give a proper picture of recent activities and present activity conditions.

Cash based IPSAS also misrepresent the true operations of the activities and incorrectly reflect the revenue generated. In the Attorney General's Office, the above issues are not addressed as there is no statement of comprehensive income and statement of financial position are prepared and presented in the financial statements.

2.1.2.2 Relatively Unknown Concept

Christiaens and Reyniers (2009) pointed out the other weakness of the cash based IPSAS is that IPSAS are still relatively unknown in the public sector and there is need to teach the users and preparers of the financial statements about how they work. According to Ocansey and Enahoro (2014) highlighted that there is a weaknesses in laws and regulations in governing the implementation of IPSAS. The implementation should be in line with the current regulations and in Zimbabwe the Public Finance Management Act [Chapter 22:19] is silent about the basis on which to use the preparation of financial statements in the public sector.

The Treasury Instructions also are archaic and they are not in harmony with current trends in the financial reporting. They were last updated in the 1990s there by making them irrelevant with the current trend operations. The operations and preparation of financial statements according to cash based IPSAS is virtually unfamiliar within the Attorney General's Office and preparers of the statements as they base on the requirements of the PFMA Act and the

Treasury Instructions which have been in operation before the adoption of the cash based IPSAS.

2.1.2.3 Lack Transparency and Accountability

Ijeoma and Oghoghomeh (2014) pointed out that the persistent use of cash based IPSAS brings in lack of appropriate accountability and transparency and inadequate disclosures. This can be seen in the department of Attorney General as it cannot account properly and disclose the financial position. Assets are written off in the year of purchase and there is no valuation and depreciation is calculated on the property, plant and equipment.

The assets are written off regardless of their nature or value in the year they are purchased, which means they are treated or recorded as expenditure and cannot be identified in the financial statements. They are only recorded in the asset register showing the asset number and location only without the value or net book value or carrying amount. Although Adam *et al* (2011) opined that there are some assets which are difficult to measure for the purpose of accounting and disclosure. These include heritage, infrastructure like roads, dams and art.

2.1.2.4 Inconsistent Presentation and Disclosure

The presentation and disclosure of the financial statements of the Attorney General's Office are just mere statements showing revenue generated or released by the Treasury and expenditure expended during the period. This accounting presentation is inconsistent with the accrual concept, presentation and disclosure as required by IAS 1 or IPSAS 1.

However Ernst and Young (2011) proffered that cash based IPSAS has the advantages in that, they are simple to use since data is taken from primary sources like bank statements, deposit books etc. This means that the preparation of financial reports takes minimal time. Cash based IPSAS financial reports can be understood by people with limited accounting

knowledge and the preparation of financial statements can be done without the need to adjust entries.

2.2 Benefits derived from accrual based IPSAS over cash based IPSAS

There are a wide variety of benefits from accrual based IPSAS over cash based IPSAS and accounting and reporting is the key to good and sound financial management. These benefits are of paramount importance if adopted and implemented in the public sector institutions and organisations.

2.2.1 Improved accountability

According to UNAIDS (2013) report noted the following are the benefits of adopting accrual based IPSAS within the organisation. It improved accountability within the organisation and the stakeholders, increased transparency; better understanding of the revenue and expenditure flow of the organisation and it aligned its financial reporting to best practices there by allowing for consistency and comparability.

The adoption of accrual based IPSAS there is great identification of the assets and liabilities, this is not available with cash based IPSAS in violation of matching principle and the public institutions had have a greater capacity to build up and track performance metrics, (Ernst and Young, 2011).

IFAC (2012) noted that the adoption of the accrual based IPSAS accounting improves accountability in that all the aspects of public sector financial reporting are harnessed and therefore the user of the financial information had be able to note all the revenues, assets, liabilities and expenditure which thereby links with the statement of the cash flows. Ofoebgu (2014) has noted that the adoption of the IPSAS goes a long way in promoting accountability, since all the governments debts, contingent liabilities and assets had be fairly presented in the

financial statement. These financial statements are public information and hence reliability of the financial management system is enhanced in the process.

2.2.2 Increased transparency and internal control

Ernst and Young, (2013) opined that the adoption of accrual based IPSAS bring great transparency and accountability and financial statements prepared in accordance with internationally recognised standards provide basis for comparing government to government and within the government departments. Transparency was also said to help government to demonstrate and users to evaluate the accountability and use of public funds.

International Seabed Authority (2012) noted that the establishment had created a more coherent internal controls and accountability framework which are based on segregation of duties and automated approval procedure workflow. Abdullah (2014) argued that the existence of a strong, active and incomparable accrual based IPSAS are essential to attracting accountability and transparency in the public sector.

As noted by Ernst and Young, (2013) in New Zealand the adoption increased fiscal transparency, greater fiscal debate, enhanced credibility and clearer political decisions based on the fiscal debates. This is said to have reduce potential corruption with the public institutions. There is still need for transparency within the Attorney General as the stakeholder and even some employees remain in the dim not knowing how the department has spend tax payers money has been expend and successes achieved on the revenue generated.

2.2.3 Improved Fiscal Financial Management

Bunea-Bontas and Petre, (2009) observed that the adoption of accrual based IPSAS had improve the management of resources because performance can be measured more reliably by taking into account full costs for the period. They also noted that long term financial

decisions can be done and improve the management of public resources in a transparent manner, (Karlsson and Nilsson, 2010). The borrowings of private sector financial management concepts into public sector through the IPSAS have improved the financial management systems of governments (Ofoebgu, 2014).

The adoption on all Government sector including State enterprises, budgetary units and municipalities had make consolidation easier and more comprehensive, (Karlsson and Nilsson, 2010). The consolidation of the financial statements from the Attorney General and other government institutions had be easily done since a single framework had be in use and comparability becomes easier between departments and other state enterprises.

2.2.4 Consistency and Comparability

IPSAS 1 requires the inclusion of a statement of changes in equity assets or equity in the financial statements (IPSAS). This had to bring greater transparency and consistency reporting of liabilities the use of financial resources. Abdullah (2014) has proffered that the use of accrual based IPSAS in Iraq has brought about accountability and consistency. This had impact on the continual use of the framework, since the time of adoption and implementation. Further Ofoebgu, (2014) also opined that accrual based IPSAS brings consistency in presentation and disclosure and comparability of financial statements between periods and governments hence enabling the integration of the global world financial systems.

This is not present in the Attorney General's Office financial statements as the department cannot be compared with other government department and there is no consistency in the presentation and disclosure. Comparability of financial statements between periods is also difficult as there is no consistency in their preparation.

2.2.5 Improved Financial Credibility

Ijeoma and Oghoghomeh, (2014) highlighted a number of benefits which include both political and economic. These include among others accountability, transparency, improved credibility on government accounting and reporting, control of government department and economic benefits also include building external funding from both donors and other organizations like International Monetary Fund (IMF) and World Bank, service delivery had improve due to improved accountability, improves the Public Private Partnership (PPP's) since they had be running similar set of accounting standards i.e. IPSAS and IAS.

Zimbabwean government has not been getting funding and grants from the Brettonwood Institutions because the country has no statement of financial position which gives the net worth of the country and Attorney General has not been also getting funding from both international and local donor to fund its programmes such as the Pre-Trial Divergence Programme which deal with the rehabilitation and fair trial of minor offenders.

2.2.6 Reporting Flexibility

Ahmad et al, (2013) also acknowledged the benefits of accountability in the public sector extending the presentation and flexibility which was not available in the cash based IPSAS. This gives room for the management to make informed decisions in the operations of the public sector institutions. However, according to Chan (2009) observed that in spite of the benefits derived in the adoption of the accrual based IPSAS there is lack of conceptual frame work which generally deals with such things like objectives, scope, recognition criteria, definitions and qualitative characteristics of the financial information. This will enable the public institutions to deals with other general principles rather than specific that are outlined in the accrual based IPSAS.

Deacon *et al* (2011) identified the benefits of implementing accrual based IPSAS into three categories which are accountability, efficient control, improved decision making, compatibility and financial efficiency. This has been highlighted in the following diagram.

Figure 2.1: Main benefits identified for accrual accounting concerning public institutions governance



Figure 1: Main Benefits of Accrual

Source: Adapted from Deaconu et al. (2011)

2.3 Challenges likely to be faced in adopting and implementing accrual based IPSAS

The adoption and implementation of accrual based IPSAS had likely face a number of challenges which may hamper the efforts.

2.3.1 Lack of Training and Capacitation

According to Adhikari and Mellembvik (2010) the challenges of adopting the accrual concept includes lack of training on government accounting and the gap between the accounting system and the IPSAS. This is evidenced by the system used by the Attorney General's Office which is disintegrated and is not compliant with the requirements of the IPSAS.

Poggiolini (2014) emphasized that following are the challenges in the adoption of accrual based IPSAS which include that the historical cost information had not be available for the purpose of initial measurement for the preparation of statement of financial position. She further mentioned that the classification of assets according to their nature i.e. Property, Plant and Equipment (PPE), investment property, inventories and intangible assets could prove to be difficult. Also ownership of the assets could be a challenge as to who owns what and owned by whom. The asset register of the department does not classify but it just identify the asset with location i.e. province, station or office location. Also the office is in possession of some assets which cannot be identified with the office and these may come as donations but the owner still vests with the donor. For example there are vehicles which were donated by the Reserve Bank of Zimbabwe but the ownership has not been transferred to the department but they appear on the asset register so the ownership cannot be ascertained.

The adoption and implementation of the accrual based IPSAS require professional training to the preparers of the financial statements i.e. the preparers should be qualified accountants who able to understand the complexity requirements to deal with the financial end periods. This will take time to train the personnel that had to implement the accrual based IPSAS (Ernst and Young, 2011). Ofoebgu (2014) also noted that lack of training amongst accountants has hindered the smooth adoption and implementation of accrual based IPSAS in Nigeria. Further, Hadden (2010) noted that in Asian countries, the problem of capacity-both in terms of quantity and quality- has hampered the successful implementation of the accrual based IPSAS, especially in country that were war torn.

2.3.2 Lack of appropriate regulatory framework

According to Pricewaterhousecoopers (PwC), (2009) stated that for the adoption of accrual based IPSAS the legislation has to be embraced by all government institutions; these include the House of Assembly, Audit Office and other stakeholders. This brings a subject of political

support in the implementation of better accountability in public sector due to different view of accountability.

Politicians have a role to play as they represent the electorate and they need to know the current position of the financial statements and the financial position. This can be achieved by introducing legislation that supports the adoption and implementation of accrual based IPSAS by the Cabinet and House of Assembly are institutions vested with management of public funds by the Constitution of Zimbabwe amendment number 20. Mangualde (2013) noted that some politicians had not be having to use resources for a long term benefit i.e. after their term of office has expired so they would prefer to use cash expenditure for their immediate benefit.

According to <http://www.aicpa.org/>, the adoption of an appropriate financial reporting framework for public sector hinges on whether the requirements of GAAP are met or whether a totally new framework , which should be notified to the critical users can then be adopted. This means that the need to adopt the accrual based IPSAS by the Government of Zimbabwe in general and the Attorney General in particular will require clear awareness and education to the intended users. This enables the acceptance and buys in from all the stakeholders.

2.3.3 High Cost of Compliance

According to Ijeoma and Oghoghomeh (2014) alluded that the adoption of accrual based IPSAS is very expensive and its implementation do not justify cost. This includes a robust implementation that is training of all the accounting personnel so that they become conversant with the requirements of the accrual based IPSAS. Baba (2013) postulated that the adoption and implementation of IPSAS had include consultancy costs, cost of training the personnel and cost of adjusting the existing system to effect the changes that had brought by the adoption. This had entail that the costs associated with the implementation had be very

high and this has led the government too slowly and reluctantly adopt and implement the accrual based IPSAS.

Bunea-Bontas and Petre (2009), concurred that the adoption of the accrual based IPSAS is very costly and the costs is associated with the purchase of software and test runs of the system, identifying and valuing existing assets and developing the trainers and preparers and users of the financial information. Given the current financial crisis this could prove to be costly for the department as the purchase of software, costs of engaging professional evaluators of existing, hosting of training workshops, consultancy fees for external consultants and test runs of the entire system.

PwC (2009), pointed out that the key Government department who had be responsible in the roll out and awareness of the accrual based IPSAS had need fund. This enables them to effectively and efficiently carry out their mandate. Failure to give the needed financial support mean that, the adoption and implementation had be slowed down or stalled. The current fiscal challenges were revenues generated and collected by government in Zimbabwe are outmatched by the expenditures, (Zhou, 2012) and (Maseko, 2013), had provide a stumbling block to the achievement of the accrual based IPSAS.

The resource implication also means that there had to have need of external support to these roll out and the preparatory stages, implementation, testing and full roll over (European Commission (EC), 2012). The resource envelopes current being received from treasury are not adequate and the roll out had need external support to the Attorney General Department if smooth transition from cash based IPSAS through the Modified mode until full accrual is to be achieved. EC (2012) also noted that in most countries that have tried to transit to the accrual based IPSAS, the costs have actually outweighed the benefits envisaged. Clearly defined cost benefit analysis of the adoption has to be carried out if the country is to achieve intended results on the adoption and implementation of the accrual based IPSAS.

2.3.4 Lack of awareness and technical capacity

Baba (2013) also acknowledged that there are a number of challenges which include low level of awareness, inadequate technical capacity among the preparers of the financial statements in government and lack of capacity building in order to implement the of the accrual based IPSAS. Baba (2013) also highlighted weak regulations to enforce the implementation and attributed not only from the line ministries but from the institutions entrusted with public finance. This can concurs with the situation at the Attorney General as awareness lacks from regulatory formulators, implementers as well as the preparers of the financial statements

The technical capacity of the Attorney General's Office accounts staff is very low since most are not even conversant with the current SAP system which form the basis for the adoption of the accrual based IPSAS and they are said to require comprehensively knowledge of accounting principles (Revival, 2011).

2.4 Implications of adoption and implementation of accrual based IPSAS on current government accounting

A number of implications have been identified in the adoption and implementation of accrual based IPSAS. These have hampered efforts to fully implement these changes and some different according countries but generally some are similar in each and every country with no exception of the Attorney General's Office. According to Chan, (2008) alluded that the adoption and implementation of accrual based IPSAS has a number of implications and these can be addressed differently within nations.

2.4.1 Implication on Presentation and Disclosure

The IPSASB (2014), noted that the first time adopter of the accrual based IPSAS had be exempted from complying with certain requirements of the Financial Presentation, like the

capitalization of Borrowing costs on qualifying assets for which the capitalization date is prior to the date of adoption as per IPSAS 5. This means that the borrowing costs had be treated as expenditure at adoption contrary to the cash based IPSAS which periodically capitalizes borrowing cost. Further IPSAS 19-Provisions, Contingent Assets and Contingent Assets, which requires that on presentation, the assets and corresponding liabilities, are shown on the face of the financial statements. Implication on the adoption of accrual based IPSAS means that there has to be a 3 year relief granted for the entities. The liabilities relating to the dismantling of the assets had also be exempt from presentation (IFAC, 2012)

According to Khan and Mayes (2009), noted that the current cash based IPSAS do not disclose the assets and liabilities of the public sector. The implication on the adoption and implementation of accrual based IPSAS is that the assets and liabilities which form part of the fiscal reporting of the public sector had be disclosed European Financial Advisory Group (EFRAG), 2013). These include the contingent liabilities on employee benefits like pension and other work related benefits (EY, 2013).

Clear and mandatory disclosures enables the public sector to evaluate the long-term impact of decision making, unlike the cash based IPSAS which focuses on cash flow position,(IFAC,2012) Most liabilities and provisions are not disclosed in the government financial statements , which creates a risk of failing to honour financial obligations when they fall due.

The adoption of accrual based IPSAS has further implications in that the disclosures of assets, liabilities and contingent liabilities, which determine the economic effects of the public financial management of a country had be clearly disclosed so that economic users of government statistics had be guided accordingly, (PwC,2013). Ijeoma (2014) noted that the more disclosure the government makes in its financial reporting, the more transparent and user friendly its financial status can be established. This is often paramount in donor aided

institutions were the investing community demands accountability and financial integrity from the government. In this case the Attorney General department had be under great scrutiny since it receives such donor funding.

2.4.2 Formulating accounting policies

Ofoebgu, (2014) have noted that the need for financial management reforms is driven by the desire to improve accountability. The Adoption and implementation of Accrual based IPSAS then have implications on the formulation of accounting policies. Further Adhikari and Mellemvik (2010) noted that developing countries have to accept accounting developments in terms of rules and standards fronted by the developed in order for them to ensure legitimacy and external support. This implies that the Attorney General department had be forced to accept standards and rules which might not necessarily appropriate to them, but just for their accounting legitimacy to be acceptable. Furthermore, Adhikari and Mellemvik (2010) argued that developing countries have further challenges brought about by the need to harmonise, IFRs, IPSAS and other statistical models around financial reporting.

2.5 Chapter summary

The chapter looked at other authorities in the adoption of accrual based IPSAS and the next chapter would be about the research methodology.

CHAPTER 3: RESEARCH METHODOLOGY

3.0 Introduction

The purpose of this chapter was to address the method of data collection used in this particular research. The issues addressed comprised the following; the research design, population, sample, data gathering procedures and the method of statistical analysis. The methods used include questionnaires and interviews.

3.1 Research Design

Research design refers to issues related with planning the procedure of how a research had be conducted to make sure that valid results had be obtained and significance for future use in the area of study (Collis and Hussey, 2009). The research design therefore is a plan for the whole research study that gives the structure of researches plan of action. The plan of the study covers the technique to be used. The descriptive research method was used in this research.

3.2 Descriptive research

According to Aluko (2010), descriptive researches present an accurate description of observation of phenomena. The descriptive research method allows a researcher to investigate a section of the population with the results being generalized to the entire population. In this regard, the researcher observed that the descriptive research approach was the most appropriate one for this research because the subject matter is highly technical and only finance professional appreciate the subject matter in detail.

The research only concentrated with those who seem to have the requisite technical knowhow of the International Public Sector Accounting Standards (IPSAS) and government accounting procedures. The data is discrete and different from historical data that comes to the researcher through written records. In regard to this particular research, observation was through the

benefit of questionnaires and interviews, hence the need for employing the descriptive survey method.

Descriptive research is chiefly used in studies that have individual people as units of analysis. The descriptive research method also allows the researcher to study relationships or events as they happen in human life situations. Information sought through the descriptive research can generally be obtained by interview and questionnaires (Dooley, 2004). Numerous researchers have used this method because they are excellent vehicles for measurement of information prevalent in a large population.

3.3 Research Approaches

The researcher used two methods of data collection which are qualitative and quantitative to ascertain the research under review.

3.3.1 Quantitative and Qualitative Research Methods

According to Aluko (2010) quantitative data involves numbers or figures. This means it relies on the collection of data based on numbers. The data collected had be analysed statistically and obtained by way of survey. The researcher used quantitative method as it allows flexibility in the treatment of data as in comparative analysis, statistical analysis and repeatability of data in order to verify reliability of data collected.

The qualitative methods investigates the why and how of decision making, not just what, where and when (Caswell and Symonds, 2009). Qualitative research involves any research that uses data which does not include figures. The method eliminates the pre-determined areas by the researcher and brings out the concepts which are of importance to the research.

3.4 Population, Sample, Sample design

Table 3.1 Population, sample and sample design

Respondent Group	Population	Sample	% Sample to Population	Data collection Method
Director Finance	1	1	100%	Interview
Chief Accountants	2	2	100%	Questionnaires/Interview
Accountants	8	6	75%	Questionnaires
Accounting Assistants	20	16	80%	Questionnaires
TOTAL	31	25	81%	

3.4.1 Target Population

A total number of 31 people were involved in the accounting operations of the Attorney General's Office. The chosen population is made up mostly of management and supervisors who are responsible for implementing policies and procedures. The chosen population has knowledge of accounting system hence their selection as the target population for the research.

3.5 Sampling Technique

The sample consists of the management i.e. director and chief accountants as they are the responsible in the decision making of the organization. It also includes accountants and accounting assistants who are the implementers of the policies, decision and involved in the day to day running of the accounts department.

3.6 Data Types and Sources

The main media of data collection for primary data was questionnaires. Interviews were also conducted to get clarifications on areas on which they were needed, and also to facilitate some concerns, which could not be addressed well in the questionnaires to be clarified and attended to. Each factor was separately addressed in the questionnaire and in the interviews. Secondary data was obtained from the internal financial statements. Data is divided into two main sources i.e. primary and secondary data.

3.6.1 Primary Data

Primary data refers to data structures of variables that have been specifically collected and assembled for the current research problem. The primary data for this research was collected using questionnaires and interviews. This data was sourced from the accounting and finance section of the Attorney General's Office.

3.6.2 Secondary Data

Secondary data is data at hand prior to the research. The data would not have been collected to serve answers to the research questions but information can be drawn from such source. Secondary data already exist at the time of the research and was not originally gathered to answer the problem at hand.

3.7 Data Collection Instruments

The main data collection instruments which are normally used by researchers are interviews and questionnaires although these had also take different forms which have their own merits and demerits. The research used both questionnaires and semi structured interviews.

3.7.1 Questionnaires

The questionnaires were designed in such a way that they attracted responses relevant to address the research objectives. The questionnaire was divided into sections and each section was meant to each one objective of the research. Collis and Hussey (2009) defined a questionnaire as a list of structured questions carefully selected targeted to particular group of people, selected by a technique in a view to get reliable response from the group.

The questionnaire is going to employ the Likert scale format. It is primarily used to answer questionnaire in a response scale of a psychometric (Venek, 2012). The Likert scale takes the following structure.

Table 3.2 Likert scale

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

Questionnaires are less costly than most of the data collecting instruments. In this study the questionnaires had be delivered to the respondents personally. The respondents in this study are literate and can complete the questionnaires without any problems. Questionnaires do not ask for names, thereby the ethical issue of confidentiality on the part of respondents is guaranteed. Respondents can consult some records where necessary since instant replies are not required. This is an advantage as the respondents give correct information and the use of estimation is reduced. These are some of the reasons for the selection of the use of questionnaires due to some confidentiality of the information and the official secrecy act the respondents had be able to give their vies without indicating their names and under

3.7.2 Interviews

Saunders *et al.* (2009) noted that for variables from a descriptive study a semi-structured interview can be used in order to understand its relationship. The researcher carried out personal interviews with Director of Finance and Chief Accountants. Saunders *et al.* (2009) also said that managers are more likely to be in agreement to interviews rather than complete a questionnaire, in particular where the interview topic is seen to be interesting and pertinent to their work.

An interview can be used in a variety of contexts and situations and in conjunction with other research methods. A preliminary interview may identify problems which can either be incorporated into a questionnaire or form the basis of a later and more searching interview. It may range from a highly structured redesigned list of questions to a free-ranging conversation. The real benefit of an interview is that the researcher had have a personal touch thus face to face with the respondent and can clear up any misunderstandings immediately. The interviews provide the opportunity to clarify and probe issues concerned and a face to face encounter had try to bring out the subject matter as it encourages the interviewee to

3.8 Validity and Reliability

3.8.1 Validity

A research instrument is only valid if it measures what it is supposed to measure. It is that quality of a data gathering instrument or procedure that enables it to measure what it is supposed to measure. The instruments in this research were correctly structured so that they had not misled and valid data was obtained from the respondents.

3.8.2 Reliability

Gray (2009) said that if you apply repeatedly a certain technique to the same object, it should give you the same results each and every time there by confirming reliability. This implies

that if the same method is used, the same information would be collected each time in repeated observation of the same event. Reliability can be compared to a ruler that gives consistent measures all time an object was measured. Collected data was critically sorted and analysed to maintain data integrity.

3.9 Data Presentation and Analysis

Data had been presented using pie charts, bar graphs and tables that had be generated by making use of Microsoft excel. Besides the use of pie charts, bar graphs and tables the some of the data had be presented qualitatively. The data was processed into information and thereafter analysed.

3.10 Chapter summary

This chapter looked at the research methodology to be adopted in this particular research, the population size and its characteristics, sampling techniques to be applied in this research topic, the related data collection instruments as well as data presentation and analysis. The above sub headings were carefully crafted taking into consideration how they apply to this particular topic and indicating a road map of the research.

CHAPTER 4: DATA ANALYSIS AND PRESENTATION

4.0 Introduction

This chapter had collated analysed and presents the results from the data collected using the primary data collection instruments. These instruments used were questionnaires and interviews.

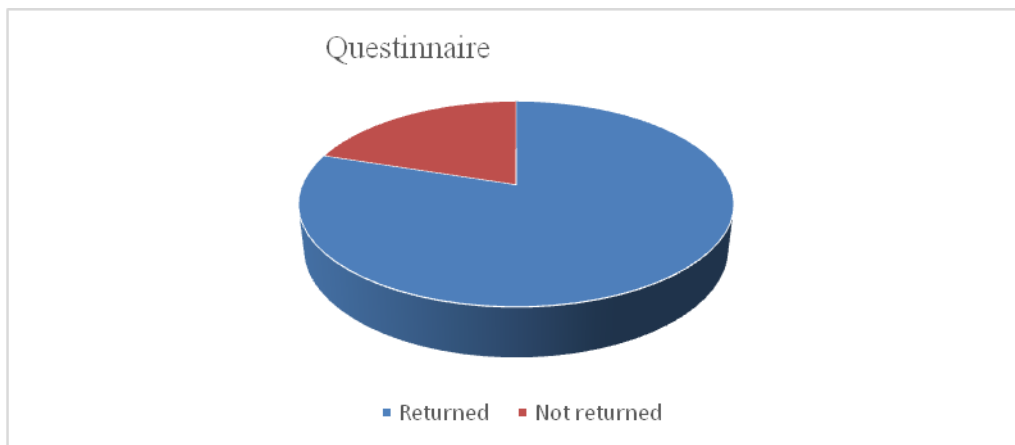
4.1 Data analysis from Questionnaires

An analysis had been carried out on both the response rate and the results from the results from questionnaire.

4.1.1 Questionnaire response rate

Out of a total of 25 questionnaires administered by the researcher, 20 were retained while 5 were not retained since the respondents were out of office on Attorney General Business.

Figure 4.1: Questionnaire Response rate



Question 1: Accrual based IPSAS is the way to go if government wants to improve accountability and transparency in financial reporting.

Figure 2.2: Accrual increases accountability

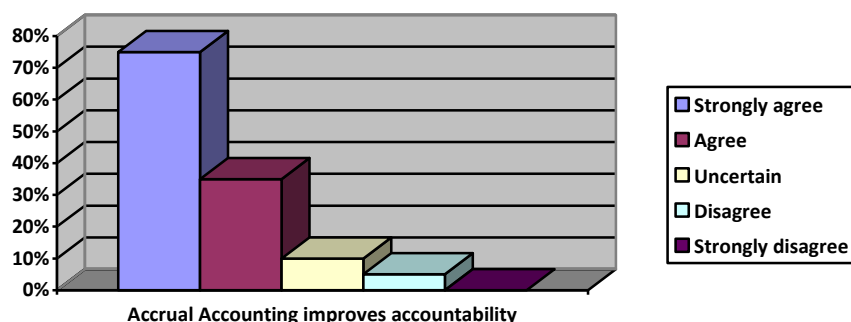


Figure 4.2 above shows that out of the 25 responds received, 15/20(75%), strongly agreed, 7/20(35%) agreed that the adoption of accrual based IPSAS are the way to go if government is to improve accountability and transparency. This is a reflection what was noted by Ofoebgu (2014) that accrual based IPSAS improves accountability and transparency in financial reporting. 2/20 or 10% were either neutral or in agreement or disagreement and 5% disagreed completely with adoption of the accrual based IPSAS.

Question 2: Weaknesses of the Cash based IPSAS

i. No matching of expenditures and revenues as per the accrual concept

Table 4.1: No matching of expenditures and revenues as per the accrual concept

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree	Total
Responses	15	3	1	1	0	20
Percentages	68%	20%	4%	4%	-	100%

A combined total of 88% of the respondents either strongly agreed (68%) or agreed (20%) to the belief that the cash based IPSAS has the weaknesses of not matching expenditures to the revenue. These reflect what was eluded by Tudor and Mutiu (2006) that there is no matching

of revenue and expenditure with cash based IPSAS. 4% or 1/20 were uncertain, while only a single responded disagreed. Those who were uncertain and disagree are not conversant with the cash based system.

ii. Relatively unknown concept in Zimbabwe

Figure 4.3: Relatively Unknown Concept

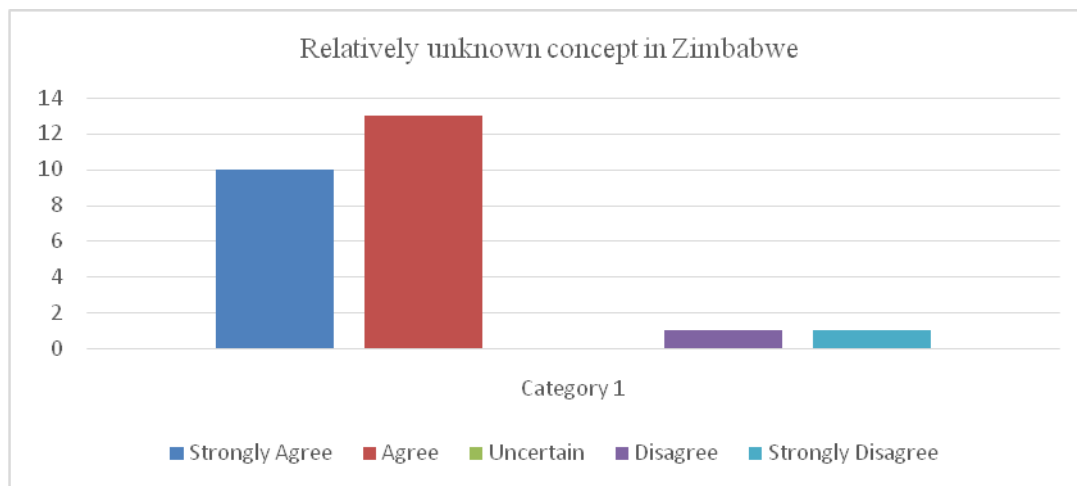


Figure 4.3 10/20 respondents or 40% and 13/20 25%, strongly agreed and agreed that the concept of cash based IPSAS is a relatively unknown concept in Zimbabwe. As Christiaens and Reyniers (2009) pointed out the weakness of the cash based IPSAS is that IPSAS are still relatively unknown in the public sector and there is need to teach the users and preparers of the financial statements about how they work. A combined 8 percentage points either were uncertain (4%) or disagreed (4%) to that assertion on cash based IPSAS meaning they were indifferent with knowledge of the cash based IPSAS. The 4% strongly disagree that is a relatively a new concept in Zimbabwe which somehow show that a certain percentage are aware of the existence of cash based IPSAS.

iii. Lack of transparency and inconsistency in presentation and disclosure

Figure 3 below is made up of two variables, that is, lack of transparency and inconsistency in terms of presentation and disclosure as weaknesses of the cash based IPSAS

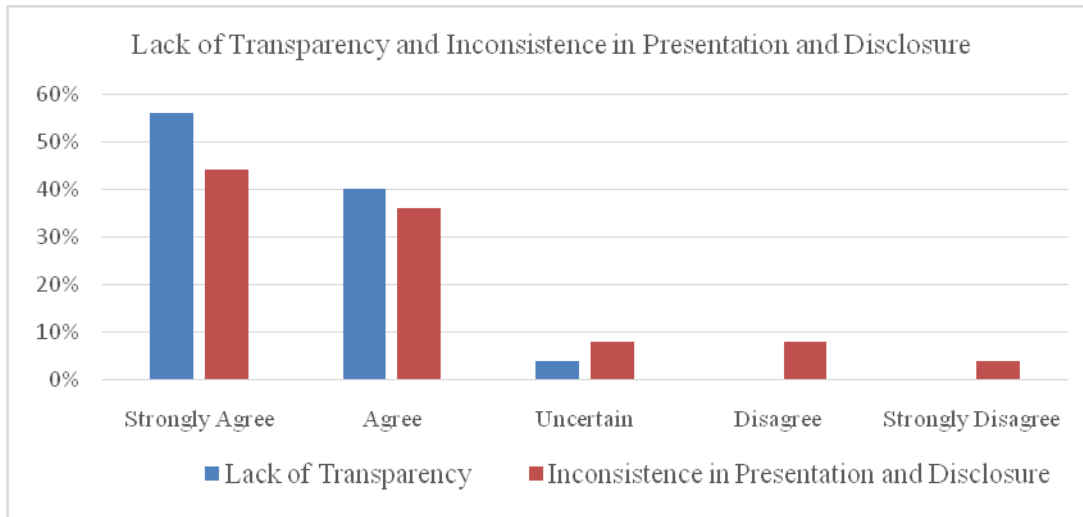
iv. Lack of transparency

As shown above 14/20 or 56% of the respondents strongly agreed and 10/20 (40%) agreed that lack of transparency in the cash based IPSAS has made it unreliable and makes it difficult to integrate with other departments and countries statistically. Ijeoma and Oghoghomeh (2014) pointed out that the persistent use of cash based IPSAS brings in lack of appropriate accountability and transparency. This can be reflected in the department of Attorney General as it cannot account properly and disclose the financial statements. Only 4% of the respondent's opined uncertainty on whether lack of transparency is a weakness of cash based IPSAS or there are other factors to consider. This was pointed out by Christiaens and Reyniers (2009) that the cash based IPSAS are still relatively unknown in the public sector.

v. Inconsistence in presentation and disclosure

There were 11/20 respondents who strongly agree that inconsistent presentation and disclosure is one of the key weaknesses of cash based IPSAS which makes it imperative for the adoption and implementation of accrual based IPSAS. 9/20 agreed while a combined 4/20 either were uncertain or disagree. A single responded disagreed that inconsistency is a weakness in cash based IPSAS. Ernst and Young (2011) proffered with this those that disagreed as the cash based IPSAS has its own advantages as they are simple to use since data is taken from primary sources like bank statements, deposit books etc. This means that the preparation of financial reports takes minimal time and can be understood by people with limited accounting knowledge.

Figure 4.4: Transparency, Presentation and Disclosure



Question 3: Benefits of accrual based IPSAS

The figure 5 below has three variables for which respondents had differing view on them. The three variables, namely improved accountability, increased transparency and improved fiscal financial management had been analysed below:-

i. Improved accountability

Of the respondents 18/20 strongly agrees, 4/20 agreed, 2/20 were uncertain while 1 disagree that improved accountability is a major benefit of the adoption and use of the accrual based public sector accounting. This means that 88% of the respondents strongly agree and agree to the assertion of improved accountability. IFAC (2012) supported that the adoption of the accrual based IPSAS accounting improves accountability in that all the aspects of public sector financial reporting are harnessed and therefore the user of the financial information had be able to note all the revenues, assets, liabilities and expenditure which thereby links with the statement of the cash flows. It also benefited the UNAIDS as it reported that it improved within the organisation (UNAIDS, 2013).

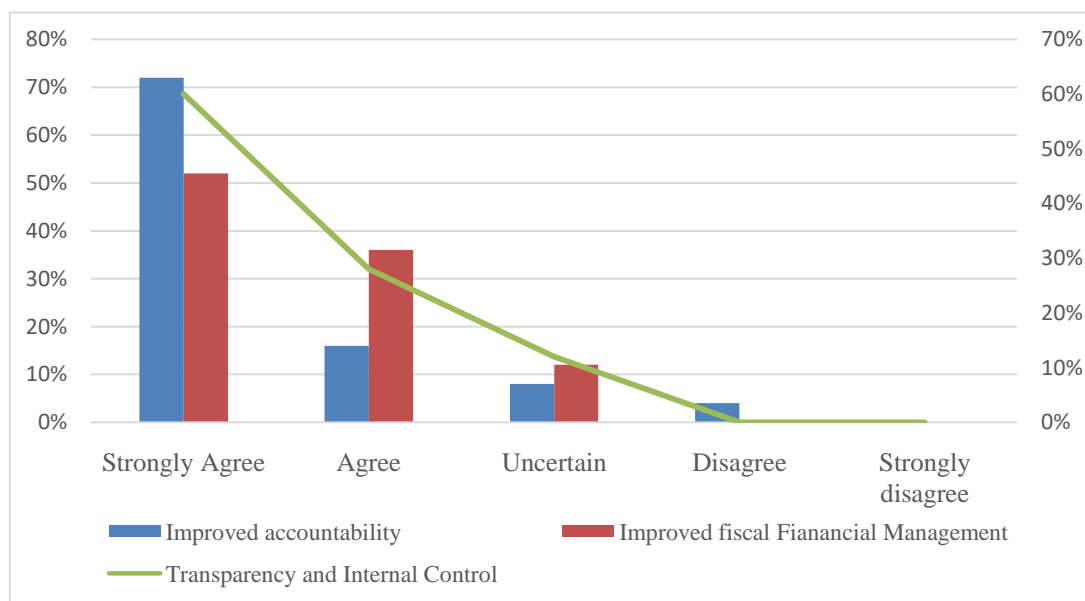
ii. Increased transparency and internal control

Transparency is key elements in financial management, coupled with the element of internal control. From the data collected 15/20 or 60% strongly agreed that transparency and internal controls has to be achieved through the adoption and implementation of the accrual based IPSAS. Ernst and Young (2013) observe the same sentiments that the adoption of accrual based IPSAS bring great transparency and accountability and financial statements prepared in accordance with internationally recognised standards provide basis for comparing government to government and within the government departments. Transparency was also said to help government to demonstrate and users to evaluate the accountability and use of public funds. The other (7/20) of the respondents agreed, while 12% (3/20) were uncertain. No single response was obtained for disagree and strongly disagree.

iii. Improved Fiscal Financial management

A total of 13/20 strongly agreed. Bunea-Bontas and Petre (2009) observed the same saying the adoption of accrual based IPSAS had improve the management of resources because performance is measured more reliably while 9/20 agree that introduction of the accrual based public sector accounting had achieve improved fiscal financial management, this gives a combined 88% of agreement.

Figure 4.5: Accountability, Fiscal Management and Transparency in Internal



iv. Consistency and comparability

Table 4.2: Consistency and comparability

Source: Primary Data

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree	Total
Responses	8	8	3	1	0	20
Percentages	40%	40%	15%	5%	-	100%

A total of 16/20 respondents either agreed or strongly agreed, that consistence and comparability had been achieved through the adoption of the accrual based accounting in the Attorney General department. Ofoebgu, (2014) also opined that accrual based IPSAS brings consistency in presentation and disclosure and comparability of financial statements between periods and governments hence enabling the integration of the global world financial

systems. The other 3/20 was uncertain and not able give their opinion on the issue, while 1/20 disagreed completely.

v. Improved financial credibility

Table 4.1 : Improved financial credibility

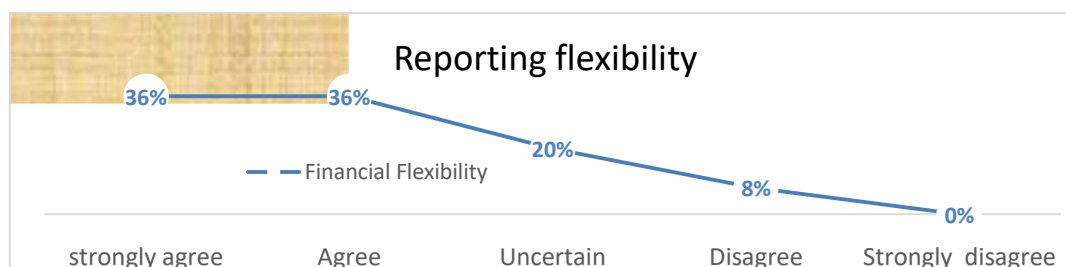
Source: Primary Data

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree	Total
Responses	8	8	3	1	0	25
Percentages	40%	40%	15%	5%	-	100%

The table above shows that there 40% of the respondents strongly agree, while another 40% agree that the adoption implementation and use of the accrual based IPSAS had improve financial credibility. This gives a combined 80% of agreement to the notion that adoption of IPSAS had increase financial credibility. This result has been highlighted by Ijeoma and Oghoghomeh, (2014) that the credibility was to improve giving confidence to both external and internal financial institutions.

vi. Reporting Flexibility

Figure 4.6: Financial Flexibility

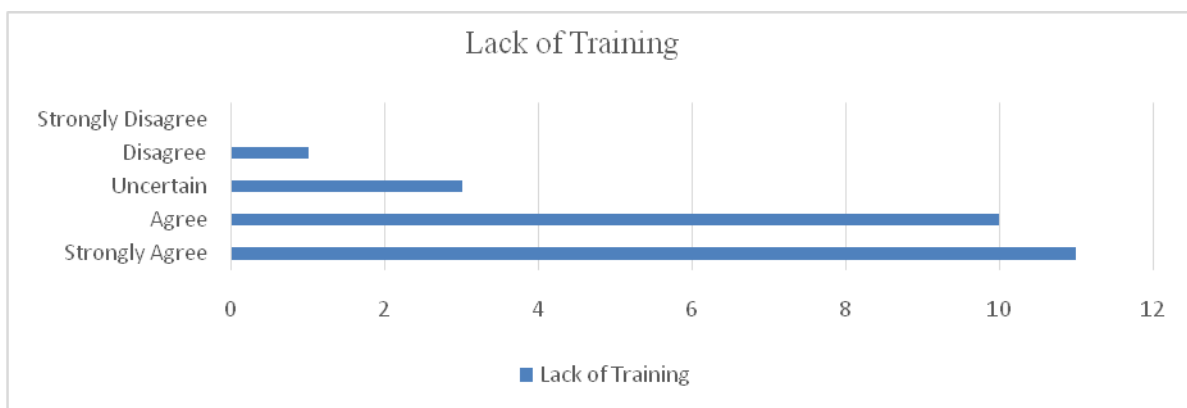


A total of 72% of the total respondents, either strongly agreed (36%) or agreed (36%), that the adoption of accrual based IPSAS had improve reporting flexibility for the Attorney General Department. This was also acknowledged by Ahmed *et al* (2013) that accrual based IPSAS extend the flexibility which is not available in the Attorney General’s office and this shows that it gives the management room to make informed decisions in the department. The other 20% were uncertain and 8% disagreed with the assertion. There were no respondents for strongly agree from the sample selected

Question 4: The challenges in implementing accrual based IPSAS

i. Lack of training and capacitation

Figure 4.7: Lack of Training

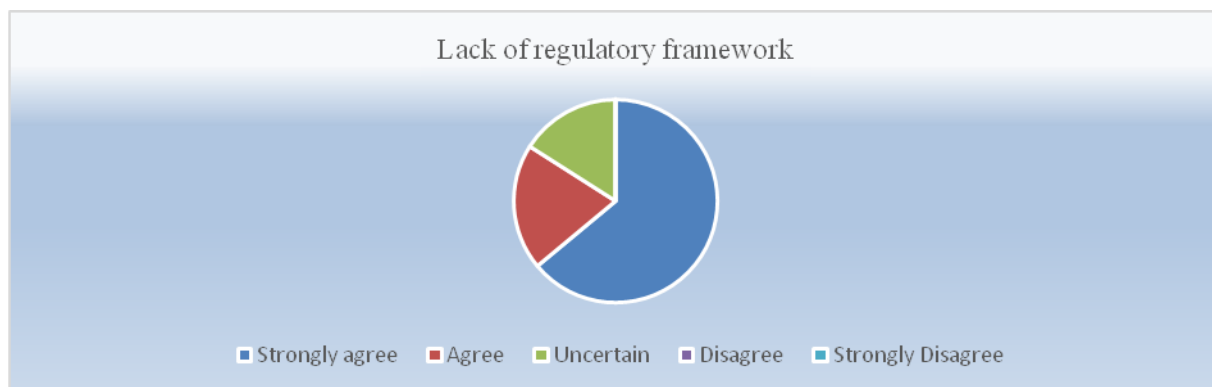


A total of 11/20 respondents representing 55% and 10/20(50%) either strongly agreed or generally agree that lack of training and capacitation are some impediments in the implementation of accrual based IPSAS. Adhikari and Mellemvik (2010) also are in agreement that the challenges of adopting the accrual concept include lack of training on government accounting and the gap between the accounting system and the IPSAS. 5/20 or 25% were uncertain, while 1 out of 20 disagreed that lack of training and capacitation are implementation challenges and believe that there is enough training in the Attorney General’s office. Ofoebgu (2014) also agreed that lack of training amongst accountants has hindered the

smooth adoption and implementation of accrual based IPSAS giving reference to Nigeria which may have the same situation with Zimbabwe.

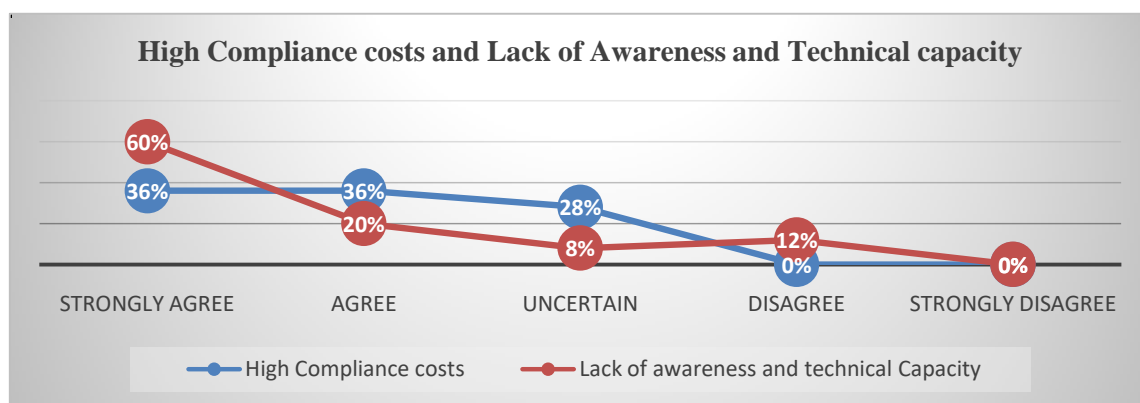
ii. Lack of appropriate regulatory framework

Figure 4.8: Lack of Appropriate regulatory framework



The results was that 16/20 representing 80% of the sample strongly agree, while 5/20 or 25% agree that lack of a regulatory framework is key challenge to the successful implementation of the accrual based IPSAS in Zimbabwe in general and Attorney General in particular. 4/20 was uncertain and there were no responses related to disagree and strongly disagree. According to Pricewaterhousecoopers (PwC), (2009) stated that for the adoption of accrual based IPSAS the legislation has to be embraced by all government institutions; these include the House of Assembly, Audit Office and other stakeholders.

Figure 4.9: High Compliance costs and Lack of Technical Capacity



iii. High Cost of Compliance

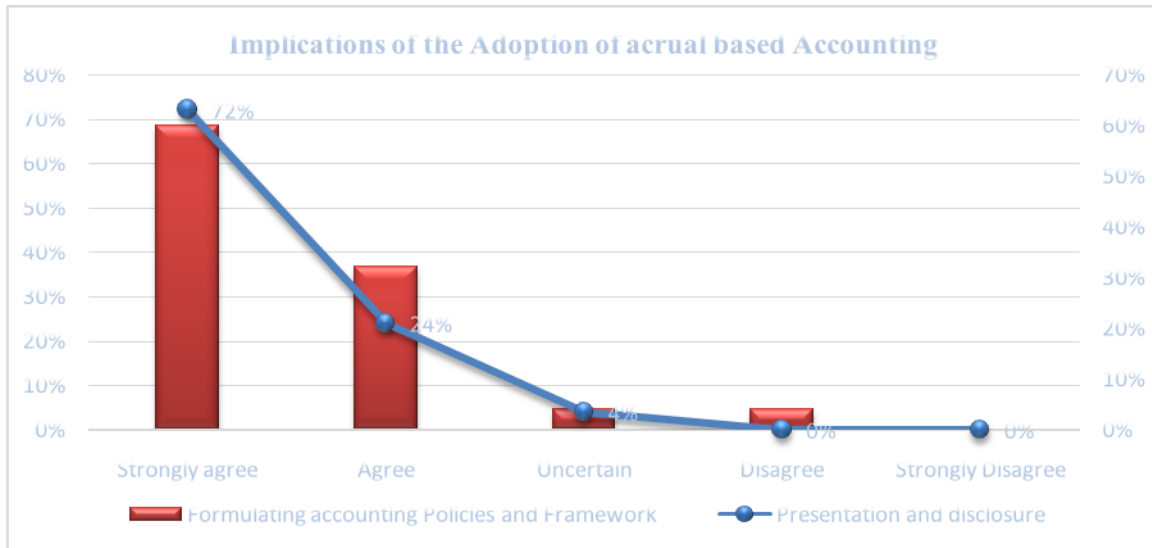
Relating to high costs of compliance, it can be noted that a total of 72% representing 36% who strongly agree and another 36% had affirmative that, faced with high compliance costs, the implementation of accrual based IPSAS had be slow in Zimbabwe. Baba (2013) postulated the same that the adoption and implementation of IPSAS had include consultancy costs, cost of training the personnel and cost of adjusting the existing system to effect the changes that had brought by the adoption. This had entail that the costs associated with the implementation had be very high and this has led the government too slowly and reluctantly adopt and implement the accrual based IPSAS. 28% of the respondents were uncertain about the impact of high compliance costs on accrual based IPSAS adoption and implementation.

iv. Lack of awareness and technical capacity

Figure 4.9 above denotes that, 60% of the respondents strongly agreed that lack of awareness and technical capacity are major challenges faced in the implementation of accrual based IPSAS. The rate of those agreeing was 20% of the total sample selected while 8% and 12% were uncertain and disagreed respectively to the assertion that lack of awareness and technical capacity is a major challenge in the adoption and implementation of accrual based IPSAS at the Attorney General Department. Baba (2013) concurred with same result that there are a number of challenges which include low level of awareness, inadequate technical capacity among the preparers of the financial statements in government and lack of capacity building in order to implement the of the accrual based IPSAS.

Question 5: Implication of adopting accrual based accounting on Government Accounting

Figure 4.10: Implications of the adoption of accrual based Accounting



i. Implications on presentation and disclosure

A combined total of 96% of the respondents were in agreement that the adoption and the implementation of accrual based accounting by the Attorney General department had have some implications on its financial statements’ presentation and disclosure.. The implications on the adoption and implementation of accrual based IPSAS is that the assets and liabilities which form part of the fiscal reporting of the public sector had be disclosed European Financial Advisory Group (EFRAG), 2013). These include the contingent liabilities on employee benefits like pension and other work related benefits (EY, 2013). The remainder consisting of 4% was however uncertain whether the adoption had some implications.

ii. Implications on Accounting framework and policies

Data collection on this showed that 68% and 36% of the respondents strongly agreed and agreed respectively to the assertion that the adoption of accrual based accounting had have some implications on the formulation of accounting framework and policies, which had be a migration from the current cash, based IPSAS to accrual. Those that were uncertain consist of 4% while another 4% disagreed that there had be some implications on the accounting

formulation and policies. This implies that the Attorney General department had be forced to accept standards and rules which might not necessarily appropriate to them, but just for their accounting legitimacy to be acceptable.

4.2 Data Analysis on Interviews

Only two interviews were conducted as the other interviewee was away on official duty and the following are the responses to the interviews.

i. What are the weaknesses of the current cash based IPSAS?

Respondent 1: The first respondent highlighted the lack of transparency and accountability as one of the weakness to cash based IPSAS and he also said the current system has distinction to cash based accounting and the cash based IPSAS as they are not even are which IPSAS they had be using in the preparation of financial statements.

Respondent 2: as mentioned by the first respondent, the accountability aspect was highlighted and he mentioned the issue of inconsistency within the accounting operations attributing to the lack of knowledge of the IPSAS.

ii. What are the benefits derived from accrual based over cash based IPSAS

Respondent 1: Improved accountability was the main highlight on this question and this was also noted in the UNAIDS (2013) report that the adoption of cash based IPSAS improves accountability within the department and the financial had be aligned to the best international practices.

Respondent 2: the same sentiments were said about accountability although he went further to mention the issue of consistency, comparability and reporting flexibility. He said this had give the Attorney General's office financial credibility and be able to compare its performance and be able to compare with other departments as well. This was proffered by

Abdullah (2014) that the accrual based IPSAS bring accountability and consistency giving reference to the Iraq experience.

iii. What are the challenges likely to be faced in adopting and implementing accrual based IPSAS?

Respondent 1: The main challenges in adopting accrual based IPSAS according to him was the cost given the current financial crisis that the government of Zimbabwe is in. This was also pointed out by PricewaterhouseCoopers that the cost of implementing needs huge financial support from the central government.

Respondent 2: He mentioned issue about the regulatory framework for the adoption. He outline that the regulations have to be changed in order for the adoption to be in line with the current laws. He mentioned the current laws are silent on which basis should we prepare our financial statements. He also highlighted the technical capacity given the current low levels of capacitation.

iv. What are the implications of the adoption and implementation of accrual Based IPSAS have on the current government accounting framework?

Both respondents mentioned the issue on presentation and disclosure that they had be some changes in the presentation and disclosure of financial statements. This includes the issues to do with assets and liabilities, so many changes have to be embraced during the transitional period and they highlighted the issue of asset valuations and classification. According to Khan and Mayes (2009) noted the same sentiments about the transitional changes from the cash based to accrual based IPSAS.

4.3 Chapter summary

Data obtained from primary instruments, consisting of questionnaires and interviews were collated, presented and analysed in this chapter. A combination of tables, diagrams and

figures was used to determine the implications of the adoption of accrual based accounting IPSAS from the current cash based accounting. A total of five questions were each analysed in this chapter. The next chapter had now deal with conclusions, finding and recommendations envisaged from the data collected.

CHAPTER 5: FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

The chapter is going to give summaries of the previous chapter, findings, conclusions and then give recommendations on the adoption of accrual based accounting IPSAS at the Attorney General Office.

5.1 Chapter Summaries

Chapter 1

The background of the topic of the study was introduced and the study was that the government of Zimbabwe in 2102 adopted the cash based IPSAS from cash based accounting and this cash based has not been fully adopted. Hence moving to accrual would it bring the desired results of being compliant to international accounting standards.

Chapter 2

The chapter 2 looked at other authorities in the adoption of accrual based IPSAS and several authors had their opinion about the transition from cash based IPSAS to accrual based IPSAS. The main author to contribute was Grace Ofoebgu and Chan L. James who wrote so journals about the research subject.

Chapter 3

This chapter the researcher used the descriptive methodology and used the interviews and questionnaires to gather data from the targeted 25. This was targeted to the Attorney General's Office finance and administration personnel. A Likert scale questionnaire was administered to the targeted respondents and only 20 responded to the questionnaires.

Chapter 4

Data obtained from primary instruments, consisting of questionnaires and interviews were collated, presented and analysed in this chapter. A combination of tables, diagrams and figures was used to determine the implications of the adoption of accrual based accounting IPSAS from the current cash based accounting. A total of five questions were each analysed in this chapter. The next chapter had now deal with conclusions, finding and recommendations envisaged from the data collected.

5.2 Findings

The study found out that the current cash based IPSAS being adopted by the Government has weaknesses that include among others, inconsistency in presentation and disclosure, lack of transparency and accountability, failure to match revenues and expenditures as per the accrual concept. Thus the framework merely presents a receipts and payment summary, without a full set of the requisite financial statements, which include the statement of Comprehensive Income, Statement of Financial Position, the statement of cash flows and the notes to the financial statements.

Secondly, the adoption and implementation of the accrual based IPSAS could address the weaknesses in the cash based IPSAS ,by enhancing transparency and internal control, accountability, integration with other statistical data and reporting flexibility. This has to improve the fiscal financial management within the government of Zimbabwe in general and the Attorney General Office in particular.

Further the study found out that, the adoption and the implementation of the accrual based accounting could face a number of challenges, chief among them being, the high costs of compliance, lack of training and capacitation, harmonization of central government, provincial government and the local authorities. The other challenges would be low levels of

awareness and capacity and the lack of an appropriate regulatory framework for the crafting, presentation and disclosure of government financial statements

Lastly, there might be some implications on the adoption and implementation of IPSAS based accounting on the presentation and disclosure and on the formulation of appropriate government accounting framework and policies. These may in fact impact also on the internal control systems and the Public Finance Management Act (PFMA)

5.3 Recommendations

It is recommended that if the government of Zimbabwe and Attorney General's Office was to change there should be a stepped transition from cash based IPSAS accounting, through the modified IPSAS until we adopt and implement the accrual based IPSAS. There is therefore need to set up a committee of experts that had oversee the adoption and implementation phases, comprising captains of the industry, senior government officials and technical experts from the Bretton woods institutions like the IMF and world bank to oversee the project.

Financial and technical assistance has to be guaranteed from the onset, so that the project does not stall midway through the implementation. Capacity building initiatives have to be embarked on so that the challenges envisaged had be smoothed and ironed out with technically alert personnel in accounting field.

Reference

Books

1. Aluko, F.S (2010g) *Social Science Research: A Critique of Quantitative and Qualitative Methods and Proposal for an Eclectic Approach*
2. Babbie, E. (1989). *The practice of social research*. Belmont, CA: Wadsworth.
3. Collins, J and Hussey, R. (2009) *Business Research: A Practical Guide for Undergraduate and Postgraduate Students*.(3rd Ed), Basingstoke, UK
4. International Federation of Accountants (IFAC) (2008), *Handbook of International Public Sector Accounting Pronouncements*, IFAC, New York, 1213 p.
5. International Federation of Accountants (IFAC) (2012), *Handbook of International Public Sector Accounting Pronouncements*, IFAC, New York,
6. Saunders, M.N.K, Lewis, P and Thornhill, A. (2009) *Research Methods for Business Students* Prentice Hall, London

Journals

1. Abushamsieh, K., Lopez-Hernandez, A. M and D. Ortiz-Rodriguez, D. (2104) *The development of public accounting transparency in selected Arab countries*, International Review of Administrative Sciences, 2014.
2. Adam, B., Mussari, R, Jones, R. (2011). The Diversity of Accrual Policies in Local Government Financial Reporting: *An Examination of Infrastructure, Art and Heritage Assets in Germany, Italy and the UK*. Financial Accountability & Management, 27(2), pp. 106-133.
3. Adhikari, P. & Mellemvik, F. (2010) *The Adoption of IPSAS in South Asia: A comparative study of Seven Countries*, Research in Accounting in Emerging

Economies [Online] Emerald Database (10), pp 169 – 199. Available from: <http://www.emeraldinsight.com> [Accessed: 30 August 2014]

4. Ahmad, B (2013) *Institute of Certified Public Accountants of Nigeria (ICPAN, Nigeria.*
5. Amirkhanyan,L (2013) Harmonizing Public Sector Accounting Practices Through IPSAS Challenges And Opportunities: *Ways of Improvement of Accounting and Auditing in Non-Profit Organizations in Armenia: A Thesis Submitted for PHD Armenia University of Economics, Armenia*
6. Baba, B.U (2013) Assessing *Nigeria's Journey towards IFRS Adoption: Information Management and Business Review* Vol. 5, No. 10, pp. 505-513, Oct 2013
7. Broadbent, J., & Guthrie, J. (2008) *Public Sector to Public Services: 20 years of 'contextual' Accounting Research.* Accounting, Auditing & Accountability Journal. 21(2). pp 129-169.
8. Bunea-Bontas, C.A and Petre, M.C (2009), *Arguments for introducing accrual based accounting in the public sector,* Rochester, Rochester.
9. Chan, J.L. (2006) *International Public Sector Accounting Standards and Government Accounting in Developing Countries.* [Online] Available from: [http:// www.blog-pfm.imf.org/](http://www.blog-pfm.imf.org/)
10. Chan, J.L. (2008) *International Public Sector Accounting Standards: Conceptual and Institutional Issues*
11. Christiaens, J. and Reyniers, (2009) *Impact of IPSAS on Reforming Governmental Financial Information system: A Comparative Study*

12. Dang-Duc, S (2011) *Compliance with Accounting Standards by SMEs in Transitional Economies: Evidence from Vietnam*. Journal of Applied Accounting Research 12(2). pp 96 – 107
13. Deaconu, A, Nistor, C. S and Filip, C (2011) *The Impact of Accrual Accounting on Public Sector Management: An Exploratory Study for Romania (August 17, 2011)*.
14. Ernst and Young (2013). *IPSAS Explained: A summary of International Public Sector Accounting Standards*
15. Hadden, D (2010) *Public Financial Management in Government of Kosovo*. Freebalance
16. Hughes, Jesse. (2008) *International Public Sector Accounting Standards, Public Administration and Public Policy, 2008*
17. Ijeoma, N. B. (2014) *The Impact Of International Public Sector Accounting Standard (IPSAS) On Reliability, Credibility And Integrity Of Financial Reporting In State Government Administration In Nigeria* International Journal of Technology Enhancements and Emerging Engineering Research, Vol 2, Issue 3
18. Ijeoma, N. B, Oghoghomeh. T (2014) *Adoption of International Public Sector Accounting Standards in Nigeria: Expectations, Benefits and Challenges*. *Journal of Investment and Management*. Vol. 3, No. 1, 2014, pp. 21-29.
19. IPSASB. (2008). *IPSAS Adoption by Government*, September. Available at <http://web.ifac.org/download/IPSASB> [Accessed on 15 September 2014].
20. International Seabed Authority (2012) *Implementation of Public Sector Accounting Standards*, Eighteenth Session, Kingston, Jamaica 16-27 July 2012
21. Khan, A. and Mayes, S. (2009) *Transition to Accrual Accounting*. Technical Notes and Manuals 09/02

22. Mudariki, G. (2012) Government to comply with IPSAS. *Zimbabwe Independent* [Online] 14th September. Available from: [http:// www.theindependent.co.zw](http://www.theindependent.co.zw)
23. Mangualde, B. R (2013) *Perceptions of Benefits and Challenges of Public Sector Accounting Reforms: A Cross-Sectional Comparison between Brazilian and English Local Governments*. A thesis submitted to The University of Birmingham for the degree of Master of Science by Research: University of Birmingham.
24. Navarro, A.G, and Bolívar, M.PR.(2012) *Adopting IPSAS to improve governmental accountability in Spain: an empirical study*, *International Journal of Critical Accounting*, 2012.
25. Ocansey, E.O.N.D. and Enahoro, J.A (2014) *Comparative Study of the International Financial Reporting Standard Implementation in Ghana And Nigeria*, *European Scientific Journal* May 2014 Ed vol.10, No.13
26. Ofoebgu, G. (2014) *Towards Successful Implementation of International Financial Reporting (IFRS) in Nigeria: Unresolved Issues*, *International Journal of Research in Management* 03/2014; 2(4):1 - 20.
27. Oulasvrta, L. (2012) The Reluctance of a Developed Country to Choose International Public Sector Accounting Standards of the IFAC. A critical case study. *Critical Perspectives on Accounting*. (25 December 2014). Pp 272- 285
28. Parry, M, & Wayne, A. The cash basis IPSAS: An alternative view. *International Journal on Governmental Financial Management*. pp 23-29
29. Robert B, Hodge,F, Hopkins P, and Rennekamp K. (2008) *Does Coordinated Presentation Help Credit Analysts Identify Firm Characteristics?*, *Contemporary Accounting Research*, 2014.

30. Simpson, S, N, Y. (2012) Developments in Public Sector Accounting Practices: *The Ghanaian Experience*, in Venancio Tauringana, Musa Mangena (Ed) Accounting in Africa (Research in Accounting in Emerging Economies, Volume 12), Emerald Group Publishing Ltd, pp 209 -226
31. Trang L.T.N. (2012) *Application of IPSAS Standards to the Vietnamese Government Accounting and Financial Statements*, A Thesis Submitted in partial fulfilment of the Requirements of University of Tampere for Master Program in Public Finance Management: University of Tampere
32. Tudor, T.A and Mutiu, A. (2006) Cash versus Accrual Accounting in Public Sector, University Babes Bolyai, Cluj Napoca, Romania
33. UNAIDS (2013) *IPSAS Benefits to UNAIDS*. Information Note 2013, Geneva, Switzerland [Online] Switzerland: Available at <http://unaids.org> [Accessed 23 September 2013]
34. Van der Stede, W.A. (2005) *Assessing the quality of evidence in empirical management accounting research: The case of survey studies*, Accounting, Organizations and Society, 200510/11
35. Zimbabwe. *National Budget Statement (2009)*. Harare, Printflow
36. Zimbabwe. *Public Finance Management Act 2009. Chapter 22:19* (2009) Harare: Printflow
37. Zhou, G (2012) Fiscal Management in Zimbabwe, *International Journal of Economics and Business Modelling*, Vol.3 (1)
38. <http://www.aicpa.org/>

APPENDIX A

Established 2000

Midlands State University



Midlands State University

P. Bag 9055

Gweru

28 July 2014

The Attorney General

Attorney General's Office

New Government Complex

Harare

Dear Sir

REF: RESEARCH PROJECT ASSISTANCE

I am a final year student at the Midlands State University, pursuing a Bachelor of Commerce Honours Degree in Accounting. It is a requirement that I must carry-out a research during the final year, to be issued to the faculty for approval. The research project is a partial fulfilment for the granting of the Bachelor of Commerce Honours Accounting Degree. My research topic is entitled:-

“A feasibility study on the adoption of accrual based IPSAS and its effect on government financial report”

I particularly desire to obtain responses from the directors, Deputy Directors, accountants and other relevant personnel in the Department. It had be greatly appreciated if the relevant respondents complete the attached questionnaires. I am looking forward to your assistance in data gathering in respect of the above stated issue by answering the attached questionnaires. The information provided had be solely used for the purpose of this research and had be treated with the confidentiality it deserves.

Thank you for your co-operation.

Yours faithfully

.....

Mutusva Sidney (R12360Z)

Approved/Not Approved



Signature.....

For: Attorney General

APPENDIX B

QUESTIONNAIRE

A FEASIBILITY STUDY ON THE ADOPTION OF ACCRUAL BASED IPSAS AND ITS EFFECT ON GOVERNMENT FINANCIAL REPORTING: A CASE OF ATTORNEY GENERAL'S OFFICE

Dear Director, Chief Accountant, Accountant and Accounting Assistant

The Researcher Sidney Mutusva registration No. R12360Z a student at Midlands State University, undertaking a Bachelor of Commerce Accounting (Honours) is Collecting data on **A Feasibility Study on the Adoption of Accrual Based IPSAS and Its Effect on Government Financial Reporting: A Case of Attorney General's Office**. You are being requested to contribute to the study by answering questions on this questionnaire. The purpose of the study is to give a feasibility study on the implications of the adoption of accrual based IPSAS in Zimbabwe. Any information provided would only be used for academic purpose. As a result it would be kept confidential and utmost secrecy would be maintained.

I thank you in advance for your cooperation.

Instruction: Please tick (✓) or mark your thought and where appropriate give your opinion for the open ended questions using the following Likert scale.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
5	4	3	2	1

No.	Questions	SA	A	N	D	SD
1.	Accrual based IPSAS is the way to go if government wants to improve accountability and transparency in financial reporting					
2.	The following are weaknesses of cash based IPSAS					
	i. No matching of expenditures and revenues as per the accrual concept					
	ii. Relatively unknown concept in Zimbabwe					
	iii. Lack of Transparency and Accountability					
	iv. Inconsistent Presentation and disclosure					
3.	How do you rate the following benefits of accrual based IPSAS?					
	i. Improved accountability					
	ii. Increased transparency and internal control					
	iii. Improved Fiscal Financial management					
	iv. Consistency and comparability					
	v. Improved financial credibility					
	vi. Reporting Flexibility					

4.	In your opinion are the following challenges in the implementation of Accrual Based IPSAS					
	i. Lack of training and capacitation					
	ii. Lack of appropriate regulatory framework					
	iii. High Cost of Compliance					
	iv. Lack of awareness and technical capacity					
5.	Adoption of accrual based IPSAS has the following implications on Government Financial reporting					
	i. Presentation and Disclosure					
	ii. Formulating accounting policies					

APPENDIX C

INTERVIEW GUIDE

A FEASIBILITY STUDY ON THE ADOPTION OF ACCRUAL BASED IPSAS AND ITS EFFECT ON GOVERNMENT FINANCIAL REPORTING: A CASE MOF ATTORNEY GENERAL'S OFFICE

1. What are the weaknesses of the current cash based IPSAS?
2. What are the benefits derived from accrual based over cash based IPSAS
3. What are the challenges likely to be faced in adopting and implementing accrual based IPSAS?
4. What are the implications of the adoption and implementation of accrual Based IPSAS have on the current government accounting framework?