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The Opportunities and Challenges of Adopting International Public Sector Accounting Standards in Charity Organization in Ethiopia

A Thesis Submitted to St. Mary University School of Graduate Studies in Partial Fulfillment of The Requirements for the Degree of business administration in Accounting and Finance

By

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SGS/0593/2010A

June 2020

Addis Ababa, Ethiopia

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APPROVED BY BOARD OF EXAMINER

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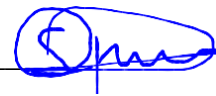
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DECLARATION

This research project is my original work prepared under the guidance of Assistance professor Mohammed Seid. I further declare that the thesis has not been presented for award of any degree in any university.

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ENDORSEMENT

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

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June /2020

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Acronyms & Abbreviations

IFRS= International Financial Reporting Standard

GAAP= General Accepted Accounting Principle

IAS= International Accounting Standard

NGO= Non-governmental Organization

IPSAS= International Public Sector Accounting Standard

AABE= Accounting and Auditing Board of Ethiopia

CHSA- Agency of Charity and Society

EU= Europeans Union

WFP= World Food Program

UNHCR= United Nation Higher Commission for Refugee

IMF= International Monetary Fund

WB=World Bank

WHO= World Health Organization

PFM= Public Financial Management

IPSASB= International Public Sector Accounting Standard Board

UN= United Nation

Abstract

The purpose of this study is to opportunity and challenge of adopting IPSAS in charity organization in Ethiopia. The study used 310 active and operational identified populations from charity organization, samples are taken and it adds two regulatory offices which is Accounting and Auditing Board of Ethiopia (AABE) and The Agency for Civil Society Organization (ACSO). The population of study 310 active and operational charity organization and 2 government offices were selected for this study. 31 of the population were taken from the charity organization And 2 from government organization. So, the total sample was 33. Judgment sampling was done. A close ended questionnaire based on likert scale was used to collect data. Data was analyzed by use of tabulating, specifically, frequencies count and validity test and regression and correlation analysis were generated using SPSS version 20. The study result concluded that the financial report is presenting by the use of IPSAS it is enhancing transparency and accountability of the public as same time the donors. However there was a challenge to get a qualified accountant, there was high cost to implement IPSAS in charity organization in Ethiopia and there was a lack of readiness of government departments like ACSO and AABE. It was recommended recruiting and train qualified staff, strengthens of the stander setters and regulatory bodies and need to support the local charity organization by decision makers.

Keywords: Adoption of IPSAS, Benefit, Opportunities, Accountability and Transparency

Chapter one

1. Introduction

1.1 Background of the study

International public sector accounting standard in government service and charity organization are to improve the quality of general purpose financial reporting by public sector entities, leading to better informed assessments of the resources allocation decisions made by governments as well as donors there by increase transparency and accountability. The charity organization in Ethiopia used of accounting system is focused on expenses and income for the organization therefore; it has not contributed to manage the organization budget in particularly funded by different stakeholder and also expenditures. In general, it's to create more favorable operation environment to the stakeholders. Due to accounting system financial information provided by Charity in Ethiopia is not full, consistent, standardized and comparable, which may lead to untrusted financial management (Adam, 2009).

The trend of openness and economic integration is happening sharply. Charity Organization has taken part like many UN organizations in the area and around the world such as WB, IMF, WHO and UNHCR. It has to comply with commitments in which has the medium term commitment of issuing a system international public sector Accounting Standards. IPSAS will enable the organization accounting to provide standardized, comparable and internationally recognized financial information. The financial information will be used to make decisions of donate and collaboration of working together (WBMS, 2007).

In the content of the market economy, the Charity organization accounting not simply records bookkeeping as before, but also must recognize, treat, analyze and provide financial information for many different users fully and comprehensively. This results from an increased the trust of the organization this not only trusts but also the services provision requirements of transparency accountability. The Charity organization in Ethiopia accounting needs to be innovated together with reform connects with the market mechanism so as to promote effective and efficiently use of the donated budget (Land, 2011).

The Ethiopian government has establishing sound, transparent and understandable financial reporting systems which contain the financial position and financial performance applicable to entities to Charity organization. This shows that the Ethiopian government has understood the importance of financial statement for Charity organization. The lack of these reporting standards is contributed to the lack of reliable information about the number of Charity Organization in Ethiopia. In addition to the proclamation is avoiding the inconsistency and unreliable reporting among the Charity Organization (FRSP 847/2014).

The international public sector accounting standards have a series of 42 financial reporting and accounting standard. Now a day this accounting standard more than 137 countries is used (Mike 2019). So to minimize the different financial reporting characteristics it needs one accounting world language through the adoption of international public sector accounting standard for public and NGOs and also IFRS for business organization. In general IPSAS reporting standard have three themes firstly, the adoption of IPSAS accounting enhances transparency and accountability both the donor and the organization. Next IPSAS leads to greater local charity organization performance and outputs through improved resource allocation and, lastly IPSAS allows charities organization to identify full cost of their activities, which pivotal to ensure greater efficiency (Carlin 2013).

1.2 Charity organization in Ethiopia

Charity organization or Non-Governmental organizations in Ethiopia (NGOs) have a long history of services in Ethiopia. Their involvement in the economic and social life of the country began in early 20th century. NGOs in Ethiopia have been participated into the development of the country. There are two types of NGOS one is indigenous and the other is international.

This study is concerned with the benefit and challenges to adoption of IPSAS on the local NGOs. They are distinctive from other organization by (i) Service being the main objective (ii) Absence of profit motive, (iii) Public support, (v) accountability to the resource providers by stewardship function through appropriate accounting control system such as fund accounting and budgeting and (VI) management Such as democratic management.

1.2.1 Accounting features of charity organization in Ethiopia

- Governance by board of directors: As with a business corporation elected or appointed directors, trustees or govern charity organization.
- Measurement of cost expirations: Cost expiration or expenses, rather than expenditures, are reported in the statement of activities of most charity organizations, allocation of expenses (including depreciation) and revenues to the appropriate accounting period thus is a common characteristic of charity organizations
- Use of accrual basis of accounting: charity organizations employ the same accrual basis of accounting used by business enterprises. As against this, most of the charity organizations are maintaining their accounts on cash or modified cash basis of accounting.

1.2.2 Financial reporting to charity organization

Local charity organization in Ethiopia is increasing from the last three ten years. The growth not only in numbers but it increases the sources of finance. Currently the Ethiopian government has issued two proclamations establishment of institution of Accounting and Auditing Board of Ethiopian financial reporting proclamation No 847/2014 with the following objects

- To establish a body that undertakes regulatory responsibility in financial reporting
- To support various building blocks of the economy and reduce the risk of financial crisis corporate failure and negative economic impact, it is necessary to ensure that the previous of financial information meets internationally recognized reporting standards.
- To have a uniform financial reporting law enhancing transparency and accountability by centralizing the decentralized financial reporting structures of Ethiopia,
- To establish sound, transparent and understandable financial reporting system applicable to public enterprise.

Therefore, the purpose of this study is opportunities and challenges of adopting IPSASs in Charity Organization in Ethiopia.

1.3 Statement of the problem

IPSAS was introduced by the financial federation of accountants (IFAC 2014) through one of the standard boards; the international Public sector accounting standard board (IPSASB) in response to increased calls for greater transparency and accountability in the management of public funds prepared a sound financial performance reporting and disclosure requirements under IPSAS provide useful information to stakeholders and acceptable by any donors (IAS, 2019). The charity organization in Ethiopia has a problem to prepare performance financial report and management of public funds. The preparation of performance financial report and management of public budget does not give insight into actual assets, finance and revenue which is fair and true value of financial report. Therefore the international public sector accounting standards is increased transparencies which provide a better understanding of financial performance greater accountability to make informed decision about resource utilization, and improved financial information to support charity, management of asset, and decision making (ICPAK, 2014).

Charity in Ethiopia works with different stakeholders which are funded by domestic, UN and Others. These charities organizations financial reports are a global approach and also acceptable by Auditing and Accounting Board of Ethiopia to their financial activities. Therefore, the charity organization is prepared the financial statement in global approaches which is used to IPSAS. The international public sector accounting standards are a set of accounting standards issued IPSAS board for use public sector entities around the world in the preparation of financial statement (IFAC 2019). The preparation of financial statement is a complex process of aggregating data to form economic and financial statements differ by type of institution according to their kind, depending on how their funding and business profile. To ensure the global approach view of true financial position of charity organization in Ethiopia, there is a need to be global approach and acceptable financial report (Gyas, 2010). The charity organization in Ethiopia are lacking of standard, humanizing accounting system and financial report. This leads to the financial report generate by charity organization in Ethiopia is not globally approach financial report.

Financial statements are structured representation of the financial types these are statement of financial position, statement of performance , statement of cash flow, comparison of budget and actual and notes to financial statement of an entities that are useful to a wide range of users in making and evaluating decision about the allocation of resources (IPSAS 1, 24). Cash basis accounting system was previously adopt by Charity in Ethiopia do not give insight into actual state of assets, liabilities, revenue and expenses. Therefore, The International Public Sector Accounting Standard is needed to have a clear financial reporting framework for the public entities like charity organization in Ethiopia.

The Federal Democratic Republic Ethiopia Financial Reporting proclamation No. 847/2014 on July 8/2017 provide for financial reporting have a uniform financial reporting law enhance transperence and accountability. It is necessary to ensure that the provision of financial information meets international recognized reporting standards. This proclamation is solved the severed problem of preparation of financial statement will be solved. However the charity organization in Ethiopia were uncertain whether the adoption and implementation of IPSAS improve the accountability and transparency of charity organization doing in the country and as the same time to increase the understanding and knowledge of the donors and leads to professional and educational responsibility (Habtu Mulata, 2015).

According to the field investigation charity organizations in Ethiopia have been the lack of reporting uniformity, transparency and accountability on performance report, disclosure and fund management. So, I am trying to examine the adoption of IPSAS Challenge and opportunities in accordance to accountability, transparency and uniformity of report. To my best knowledge, study on the adoption of IPSAS of charity organization in Ethiopia has not been carried out so far. This study fills the gap and creates a better environment for charity organization work in Ethiopia to use IPSAS and related topics to its first time adoption.

1.3.1 Research Questions

To examine the adoption of IPSAS in charity organization in Ethiopia, intended to address the following specific question:

- Does the adoption of IPSAS improve the level of transparency in charity organization in Ethiopia?

- Does the adoption of IPSAS increase the level of accountability in the local charity organization in Ethiopia?
- To what extent the perception stake holder on the adoption of IPSAS as a good communication on financial report?
- Does IPSAS increase professional responsibilities?
- What are the challenges of the current Local Charity in Ethiopia use IPSAS?

1.4 Objectives of the study

This study is aimed to provide insight towards challenging and opportunities of the adoption of the International Public Sector Accounting Standard (IPSAS) in Local Charity in Ethiopia.

1.5 Specific objectives

- To identifies whether the adoption of the International Public Sector Accounting Standard (IPSAS) improves transparency in the Charity organization in Ethiopia financial reporting
- To assess the adoption of International Public Sector Accounting Standard (IPSAS) increase accountability in charity organization in Ethiopia.
- To ascertain whether the adoption of the international public sector accounting standard the perception of the donors towards to IPSAS and to increase the fair and true value of financial report in global approaches as well as professional responsibility in charity organization in Ethiopia.
- To examine the major challenges to implement IPSAS in charity organization

1.6 Significance of the study

- **For the users'**

The significant of this study, therefore, is to contribute the scarce literature by investigating the factor which challenge and opportunities the adoption of IPSAS in charity organization in Ethiopia. Moreover, to assist and build the capacity of charity organization in Ethiopia, stakeholders and government to find the techniques and shifting plan for smooth running to the adoption of IPSAS in Ethiopia.

- **For further research**

Research in IPSAS will find the contribution from this study as a basis for further studies or improvements on the existing knowledge.

The important of this research paper also used for the partial fulfillment of the required for the master of accounting and finance in saint Mary University.

1.7 Scope of the Study

The scope of the study is the charity organization in Ethiopia. It is focus on 31charities organization around in the main city of Addis Ababa in Ethiopia. The reason draws from time, budget constraints it is convenience for this research.

1.8 Limitation of the study

The highly limitation of this study was some registered charity organization was not function properly because of lack of donors. In addition to it is difficult to get research papers, books and other materials on the study of the charity organization in Ethiopia.

Chapter Two

Literature Review

2.1 Introduction

This chapter starts discussion with the meaning of IPSAS, why government's organization and Non- Government Organization need to adopt IPSAS, the benefit of IPSAS and main goals of IPSAS to developing countries like Ethiopia and the reporting quality. Finally the chapters end by discussing the accounting practice and experience of other countries in adopting of IPSAS

2.2 Definition of IPSAS

International Public Service Sector Accounting Standard (IPSAS) are a set of accounting standards issued by the IPSAS by the IPSAS board for use by public sector entities around the world in the preparation of financial statements. These standards are based on international financial report standard (IFRS) issued by the international accounting standards boards (IASB)

The main goal of IPSAS implementation

- Support more efficient of financial and human resources available to the organization
- Financial policies, regulations and rules better respond to the current needs of the organization.
- Support efficient and effective conduct of work
- Improve the quality of financial reporting resulting in benefits for governance accountability and transparency.
- It is modern progressive organization that attains and remains up-to-date with best management practice.(IPSAS hand book 2011)

2.3 Basic Concept of Public Sector

Public sector includes the general government sector (often briefly referred to as government) and public sector corporations (Bergmann 2009). Most countries have different level of government such as federal, state, regional, central, local level, Government levels implement either activities decentralized or ones contracted with the other agencies and organization.

Government are selected by citizens to make collective decisions on their behalf to provide goods and services which cannot readily be provided by private firms, and for social welfare proposes. Their provision is founded collectively through taxation levied on citizens rather than through sales of products to them. Governments are agent of citizens whose role is to make collective decision in the public interest which are intended to enhance the economic and social wellbeing of the nation. Governments supply some commodities more efficiently and effectively than private firms. Public goods and services are characterized by non-rival and non- excludable consumption characters tics and are non-commercial items, which are not for sale, and they do not generate their own revenues such as the services provided by the defense forces, systems of law and order, public roads and recreational facilities. Users do not have poverty rights to these goods. Governments also have other responsibilities including the macroeconomic management of the nation and its international relations (Barton, 2005).

The public sector environment differs from the private sector environment. According to (Athukorala and Reid 2003). Among other things:-

- A) Government fiscal activities intentionally impact the economy
- B) Government generally has power to create money and to coercively impose levels and taxes;
- C) Government objectives are broader than those of private sector organizations and include equity, justice and poverty reduction;
- D) In many cases government not only owns an organization, but also is the major purchaser of its goods and services; and
- E) Governments are accountable to a wider group of stakeholders.

Furthermore, public sector activities are closely considered through the following mechanisms:

- I. Budgets and forecast: The executive branch generally prepares annual budget and multi-year forecasts for scrutiny and consideration by the legislative branch.
- II. Appropriations: The legislative branch (Example, Parliament) generally authorizes the executive branch (Example, the government) to incur expenditures.

- III. Reports (or outturns): At year end, and sometimes during the year, the executive branch generally prepares financial statement for scrutiny and consideration by the legislative branch.

2.4 Types of Public Accounting

Public accounting can be divided into budget accounting, financial accounting and management accounting. It classifies in terms of purpose of using information. Each kind of accounting has its own characteristic.

The first kind of accounting is budget accounting. Financial planning and controlling are two of the main tasks of public sector financial management, being brought together under the umbrella of the term budgeting. Budgets are more authoritative in the public sector than on the private sector, as they are the legal basis for any financial transaction and thus conditional in a legal sense (Bergmann, 2009). Budget are an essential element in the planning and controlling the financial affairs of a nation or a regional or a local government or business enterprise. Public budget is a compulsory and a legal document. Public agencies and bodies have to follow a public budget and cannot spend more public money than what the public budget justifies.

As such, budget accounting is the core area of public sector accounting, providing information serving the needs of budget control. It is primarily responsible for presenting of budget and reporting budget execution. Budget reports include a budget outturn calculation, a budget statement of financial performance and a budget cash flow statement. Technically, it is possible to prepare a budget statement of financial position or a budget balance sheet, but this is less popular and also less needed because it does not present any transaction and is therefore not a basis of financial authorization (Bergmann, 2009). “Complete budgetary accounting (or appropriation accounting) must be the common denominator of every accounting system. It should track appropriation, supplementary estimates, measurements and the users of appropriation (release of funds, commitments, expenditures at the verification stage, and payments” (Schiavo and Tomnasi, 1999).

Equally important, another kind of governments accounting is management accounting according to Bergmann 2009, management accounting is popular in private sector. In fact, there has been no distinction made between financial and management accounting in most entities

until recently. Nevertheless, management accounting has been interested in more by the public sector constituency because of the requirement of new public management (NPM) emphasizing the product prospective and competition to public sector markets, and of big market-oriented public sector entities with many organizational units. With public sector entities taking a responsibility of provision the goods and services, and having units/centers, namely cost ones, profit ones, and investment ones, they need a management accounting system to calculate their product costs and define revenues. It is generally accepted the management accounting is to provide the information to the management and the government. Management accounting is developed for internal decision making needs of business managers. When being adapted to the public sector, it is especially suitable for public sector corporations and entities responsible for sale incomes and profitability.

The final kind of accounting is financial accounting and reporting. Financial accounting and reporting provide information of sources, allocation and use of financial resources to external and internal users including lenders, politicians, tax-payers, budget-decision makers, citizens, etc. Information provided by it allows the readers to access the current and the future financial situation of the entity. Financial accounting is called the language of business. The increasing importance of financial accounting in the public sector, as epitomized by the emergence of the IPSAS on the world scene, reflects the belief in the power of objective financial recordkeeping, which has been credited with inducing business-like behavior (Chan, 2006).

Government accounting has four kinds covering cash, modified cash, modified accrual and full accrual in terms of bases of accounting system. This classification refers to accounting principles such as matching, substance over form, relevance, going concern, etc. that determine when the transaction or events should be recognized for financial purpose (Schiavo and Tommasi, 1999).

Cash accounting records the inflow and out flow of cash is regardless of when revenues are earned and expenses are incurred. It recognizes the transactions and events only when cash or Cash equivalent such as bank accounts, cashless payment is received or paid. Future liabilities such as payment of a retirement pension are not reflected in the official budgets and statement until the pension comes due and payment is made. There is no full balance sheet , only cash receipts, cash disbursement, and opening and closing cash balances are recognized in the balance sheet. A cash accounting system is simple. Cash base accounting and budget accounting

coincides in many countries. Cash-based budgeting does not require cash accounting, but cash accounting requires cash budget.

Modified cash accounting recognizes transaction and events which have occurred by year –ends and are normally expected to result in a cash receipt and/or disbursement within a specific period after a year end (so-called a “complementary period”. Ex. 30, or 60 days). As such, beside cash receipts and cash payments, cash flows statement adds short-term receivable and payable such as advances.

Modified accrual accounting recognizes transaction and events when they occur, no matter when cash is paid or received. Financial statements produced with this model cover revenues, expenditures, liabilities, long-term assets, and net financial resources but not all them as accrual-based accounting. For example, physical assets that will provide services in the future are written off in the period acquired and supplies are considered consumed. In comparison with cash basis of accounting, this model is better in giving an adequate framework for assessing and arrears due to expenditures at the verification stage recognized as liabilities. There is a variety of modified accrual accounting systems, depending on the treatment of superannuation, inventories, depreciation, etc.

Full accrual accounting records revenues as earned, recognizes expenses as incurred, and capitalizes fixed assets, rather than when the cash or cash equivalents is received or paid. Changes in inventories are recognized and assets are progressively depreciated according to their useful life. The overriding principle of full accrual-based accounting is the matching principle that expenses are recorded in the same period as the related revenues are recognized. Finance statements produced under the model cover assets, liabilities, net asset/equity, revenue, expenses, and cash flows. Full accrual accounting is similar to the accounting systems for private enterprises (Commercial accounting). Full accrual basis of accounting does not require accrual basis of budgeting, but accrual budgeting requires accrual accounting.

Accounting Basis	Measurement focus	Reporting Element (Budgetary or financial)
Cash Basis	Cash Balances (and changes therein)	<ul style="list-style-type: none"> • Cash receipts • Cash disbursements • Cash balances
Modified Cash basis	Current financial resources (and changes therein) receivables and payables	<ul style="list-style-type: none"> • Cash receipts plus receivables within a specific period from period end • Cash disbursements plus payables within a specific period at period end • Cash and near cash balances
Modified accrual basis	Total financial resources	<ul style="list-style-type: none"> • Revenues • Expenditures (includes the acquisition of physical assets) • Financial assets • Liabilities • Net financial resources
Full accrual basis	Economic resources (and change therein)	<ul style="list-style-type: none"> • Revenues • Expenses (including depreciation) • Assets (financial and physical) • Liabilities • Net Assets (equity)

Sources: - IFAC public sector committee 1993

The move towards a comprehensive accrual oriented public sector accounting and financial reporting structure began to take place in the late 1980s (Carlin, 2005) Most national reforms are shifting towards the introduction of accrual accounting which is the method of accounting worldwide accepted for the private sector (Athukorala and Reid 2003). Accrual accounting facilitates better planning, management and decision making as well as providing a means with which to assess financial elastic. It can also support better performance measurement and therefore performance management. So it can manage finances more effectively. More effective comparisons of some aspects of financial performance between different government departments and agencies as well as international comparisons can obtain by it (Bergmann 2009). “Accrual accounting as defined introduced by NPM reforms provides more and accurate information about government solvency, patrimonial goods and determining costs of public services” (Pina and Torre, 2003). While cash accounting only pays attention on budget compliance management, accrual accounting improves the management of governments’ resources and enhances efficiency of operations (Barton, 2005). However, Barton (cited in Barrett, 2004) stated that “Unfortunately for the public sector, the accrual accounting standards adopted by it were the ones prepared for use by the business sector” (Barrett 2004). Found that in order to implement accrual accounting, re-modeling and reforming of departmental operations according to business principles and practices are needed. The shift to accrual accounting is normally part of a wider set of reforms, where delegation is increased, departments are governed in order to provide a service for citizens rather than follow set rules and there is increased openness of public sector in terms of reporting and performance measurement (Barton, 2007). Only the small number of countries has made the full transition of accrual accounting. A high compliance with accrual accounting principles cannot be implemented at once. Countries which have been implementing accrual accounting for many years have a high compliance with accrual accounting principles (Schiavo and Tommasi, 1999). Argue that the implementation of a full accrual accounting system needs to be considered prudently because it requires a comprehensive registration of assets and a sound cost measurement system.

The adoption of accrual accounting does not occur in isolation and the style of transition is affected by the context within which it occurs. Factors that may influence the nature and speed of the transition to accrual accounting include (IFAC, 2011):

- The system of government and the political environment
- Whether the reforms are focused solely on accounting change or whether they encompass other wider scale reforms;
- Whether the changes are being driven from the top down, or bottom up. For example, changes driven by the top level of government may be mandatory for all entities within the government and may have fixed time frames.
- The current basis of accounting used by the entity, the capability of existing information systems, and the completeness and accuracy of existing information, particularly in relation to asset and liabilities;
- Any change to the basis of accounting for budgeting;
- The level of political commitment to the adoption of accrual accounting ; and
- The capacity and skills of the people and organizations responsible for implementing the changes.

Full accrual accounting requires a detailed analysis of full costs. This needs an appropriate management system. Accrual accounting cannot rely only on traditional budget management. It needs adequate management systems at the program or spending agency level. Compared with cash-based budget, accrual budgeting systems have the advantage to give more importance in the budgetary process to full cost estimates. However, this alters the traditional rules for compliance, since appropriations include depreciation forecasts and long term assets no longer set a cash limit. In most developing and transition countries, changing the nature of appropriation and the rules for compliance would reduce fiscal discipline. In countries with poor accountability, it would make a chance of misappropriation and corruption, diminish accountability to parliament. Therefore, they should not consider implementing an accrual budgeting system for the central government, even if they intended to develop an accrual accounting system (Schiavo and Iommasi, 1999).

Adopting accrual budgeting is controversial. Only a few countries use accrual basis for accounting and budgeting including Australia, New Zealand, Sweden (Schiavo and Tommasi, 1999, Bergmann, 2009). Accrual budgeting ensures that all relevant information provided by accrual accounting is considered in the most important financial decision of public sector entities. Further, having the same basis for budgeting and financial accounting would reduce the

complexity of the system, and facilitate comparisons between actual and budget (Bergmann, 2009). In fact, in Australia and New Zealand the use of accrual budgeting has led to a better realization of future unfunded liabilities, better infrastructure management and a more efficient budget reallocation process (OECD, 2002). However, due to the authorization feature of public sector budgets, cash basis budgets have remained in many countries while accrual accounting is adopted for financial statement. Accrual budgeting increases the complication to political budget debates. The adoption of the same basis for budgeting and accounting will be performed in the long run (Bergmann, 2009). According OECD 2002, in order to move to accrual budgeting, governments spend a significant amount of time on educating and consulting with government managers and other interested groups like parliamentarians.

The success of government accounting reform depends on political and management support, the availability of budgetary and human resources, and information technology (Chan, 2006). Chrisiaens and Van Petegham 2007 stated that the commitment of the decision-makers can be a factor affecting government accounting reform. Qualified accountings are essential for the successful of accrual accounting (Bergmann, 2009, Athukorala and Reid, 2013). New financial management information system (FMIS) is implemented together with the introduction of accrual accounting but governments should not invest in a complex FMIS until they are familiar with the accrual environment (Athukorala and Reid, 2003).

2.5 Important of IPSAS

IPSAS were developed by an independent international specialized accounting body and are considered international best practice for public sector financial accounting and reporting.

IPSAS requires, inter alia, presentation of all assets and liabilities as well as revenues and expenses. They ensure that public those public sector entities and their stake holders have complete information.

2.6 Features of IPSAS

These are 42 standards on the accrual basis of accounting and one standard on the cash basis of accounting (IPSAS Handbook published Mar 2019).

When the accrual basis of accounting underlies the preparation of the financial statements the financial statements will include:-

- The statement of financial position (IPSAS 1)
- The Statement of financial performance (IPSAS 1)
- The cash flow statement (IPSAS 2)
- The statement of change in net asset equity (IPSAS 1)
- The notes to the financial statements, on (IPSAS 1)

When the cash basis of accounting underlies the preparation of the financial statements, the primary financial statement is:-

- The statement of cash receipts and payments.

2.7 The Benefit of adopting IPSAS

The objective of financial statements (FS) is to provide structured basic information on a private or public entities performance and financial position. Both for internal and external users, In order to be useful, financial statement have to be understood in an equal manner by all users and should therefore, apply common accounting principles, policies or rules developed by authoritative and independent specialist, Hence the concept of accounting standards. With the development of international trade finance and investment exchanges, the need to common tools to assess the value of commercial entities required international recognition of these standards (UN policy frame work 2013).

The financial statement under IPSAS consist of statement of financial performance (Income Statement), Statement of financial position (Balance Sheet), Statement of change in equity (Capital Statement) statement of cash flows and notes.

2.7.1 IPSAS according to UNIDA (2012), having the following benefits

- Strengthened accountability towards all stake holders
- Strengthened support for results-based management through the provision of comprehensive information on cost.

- Improved management and planning across the joint program due to better accounting practices for income and expenditure.
- Better understanding of revenue and expenses and improved management of commitments risks and uncertainties.
- Increase transparency and harmonization of financial reports and statements across the international system
- Enhanced prediction of future asset and cash flow needs.

2.7.1.1 The benefit of Transparency

According to IMF, transparency is based on four cardinal principles

- a) Clarity in the structure and function of government, the within government responsibilities and to the governed.
- b) Complete and outflow of financial information on routine basis.
- c) Adequate information content of public budgeting.
- d) Availability of financial data subject to independent auditing

2.7.1.2 The benefit of accountability

This on the other hand implies unconditional submission to the scrutiny or performance evaluation of institutional codes. Accountability is the obligation to demonstrate that work performance was accomplished in accordance with the set rules or standard as reported (Adegbite E.O 2010). Accountability consists of three folds, namely:

- a) The display of acceptability of one's responsibility for decision making.
- b) With the expression of believe that the right thing was done first by an organizational manager, director or the chief executive.
- c) Display of which can be described as adequate, fair, timely, easily discernible reporting to stakeholders.

2.8 The difference between current local charity organization or public bodies and IPSAS

2.8.1 In terms of Basis of accounting

The local charity organization in Ethiopia used cash basis accounting system or modified Cash basis accounting depend on kinds of charities and units. IPSAS separately two bases of accounting are used cash and accrual accounting. Charities can only choose one those bases together with modification suitable for with their condition.

2.8.2 In terms of the consolidation financial statement

The local charity organization in Ethiopia accounting does not have the consolidated financial report, but only has financial performance report but according to IPSAS NGOs and public bodies have to make the consolidated financial statement which are financial performance, financial position, cash flow statement, statement of changing net asset / equity.

2.8.3 In terms of Purpose

The NGOs and public bodies do not regulate information for the donor or budget user. Financial Statement recommended by IPSAS are general purpose a wide range of user with information useful for decision making and show clear accountability of the entity for resources entrusted to it.

2.9 Key challenges of IPSAS

There are four basis of accounting. These accounting basis are not the same challenges but there are a common challenges around the world. Most of them are:

2.9.1 Cost to Implement

Accounting manuals need to be rewritten; manuals must incorporate IPSAS terminologies and also conform to local requirement. The controller and accountant general department is drafting an accounting manual to assist the public sector which is likely to set the stage for the gradual and smooth take off IPSAS in all the over the world.

Education and training will also constitute a substantial amount of government outlay as the nation prepares to adopt IPSAS.

2.9.2 Availability of quality accountants

Most of the public sector and government agencies lack the necessary personnel to adequately carry out the changes in IPSAS as opposed to the financial reporting framework currently existing in the public sector.

2.9.3 Apparent Complexities

The use of common language to bring uniformity across cultures and governments in the public sector is also very key, some terminologies' used in the IPSAS may not apply to the country or Governments financial reporting system due to some uniqueness in its financial operations.

2.9.4 Readiness of government departments and agencies

Some organizations including central admin, regions and a large number of other public sector Bodies still use traditional modified cash based accounting even if cost and management accounting is compulsory.

2.9.5 Resistance

Not all government systems and administrative machinery will support IPSAS. Currently most of the Government agencies and departments have the budget and performance monitoring not use.

2.10 IPSASs standards and description

IPSAS No.	Name of Standard	Description	Related IFRS/IAS
IPSAS 1	Presentation of financial statement	<ul style="list-style-type: none">-Set out the manner in which general-purpose financial statements shall be prepared under the accrual basis of accounting, including guidance for their structure and the minimum requirement for content-Prescribes fundamental principles underlying the preparation of financial statements, including going-concern assumption, consistency of presentation and classification, accrual basis of accounting, and aggregation and materiality.	IAS 1
IPSAS 2	Cash flow statements	<ul style="list-style-type: none">• Deals with the presentation of information about historical changes in a public sector entity's cash and cash equivalents by means of a cash flow statement that classifies cash flows during the period according to operating, investing, and financing activities	IAS 7
IPSAS 3	Accounting policies,	<ul style="list-style-type: none">• Prescribes the criteria for selecting and changing	IAS 8

	changes in accounting estimates and errors	accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates, and corrections of errors	
IPSAS 4	The effect of changes in Foreign exchange rates	<ul style="list-style-type: none"> • Prescribes the accounting treatment for an entity's foreign currency transactions and foreign operations • Deals with the accounting for foreign currency transactions & foreign operations, • Sets out the requirement for determining which exchange rates to use for the recognition of certain transactions and balances, & prescribe how to recognize the financial effects of changes in exchange rates within the FSs 	IAS 21
IAS 5	Borrowing Cost	<ul style="list-style-type: none"> • Prescribes the accounting treatment for borrowing costs and require either the immediate expensing of borrowing costs or as an allowed alternative treatment, the capitalization of BCs that are directly attributable to the acquisition, construction or production of a qualifying asset 	IAS 23
IPSAS 6	Consolidated and Separate FS	<ul style="list-style-type: none"> • Prescribes requirements for preparing and presenting consolidated financial statements for an economic entity under the accrual basis of accounting. • Prescribe how to account for investments in controlled entities, jointly controlled entities and associates in separate financial statements <p>Note: This is superseded by IPSAS 34 & 35 From Jan. 1, 2017</p>	IAS 27
IPSAS 7	Investment in Associates	<ul style="list-style-type: none"> • Prescribes the investor's accounting for investments in associates where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other formal equity structure <p>• Note: It issue persuaded by IPSAS 36 from Jan. 1, 2017</p>	IAS 28
IPSAS 8	Interest in Joint ventures	<ul style="list-style-type: none"> • Prescribe the accounting treatment required for interests in joint ventures, regardless of the structures or legal forms of the joint venture activities <p>• Note: Replaced by IPSAS 37 from Jan. 1, 2017</p>	IFRS 11

		IFRS	
IPSAS 9	Revenue from exchange transactions	<ul style="list-style-type: none"> • Prescribe the accounting treatment for revenue arising from exchange transactions and events and requires such revenue to be measured at the FV of the consideration received or receivable 	IFRS 15
IPSAS 10	Financial Reporting in Hyperinflationary Economies	<ul style="list-style-type: none"> • Prescribe specific standards for entities reporting in the currency of a hyperinflationary economy, so that the financial information provided is meaningful 	IAS 29
IPSAS 11	Construction Contracts	<ul style="list-style-type: none"> • Prescribe the accounting treatment for revenue and costs associated with construction contracts in the financial statements of the contractor 	IFRS 15
IPSAS 12	Inventories	Prescribes the accounting treatment of inventories, including cost determination and expense recognition, including any write-down to net-realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories	IAS 2
IPSAS 13	Leases	<ul style="list-style-type: none"> • Prescribes, for lessees and lessors, the appropriate accounting policies and disclosures to apply in relation to finance and operating leases 	IFRS16/I AS 17
IPSAS 14	Events after reporting period	<ul style="list-style-type: none"> • Prescribes when an entity shall adjust its financial statements for events after the reporting date. • Prescribes disclosures that an entity should give about the date when the financial statements were authorized for issue, and about events after the reporting date 	IAS 10
IPSAS 15			
IPSAS 16	Investment Property	<ul style="list-style-type: none"> • Prescribes the accounting treatment for investment property and related disclosures 	IAS 40
IPSA 17	PPE	<ul style="list-style-type: none"> • Prescribes the principles for the initial recognition and subsequent accounting (determination carrying amount and the depreciation charges and impairment losses) for property, plant and equipment so that users of financial 	IAS 16

		statements can discern information about an entity's investment in its PPE and the changes in such investment	
IPSAS 18	Segment Reporting	<ul style="list-style-type: none"> Establish principles for reporting financial information by segments to better understand the entity's past performance and to identify the resources allocated to support the major activities of the entity, and enhance the transparency of financial reporting and enable the entity to better discharge its accountability obligations 	IFRS 8
IPSAS 19	Provision, contingent, liabilities and contingent assets	<ul style="list-style-type: none"> Prescribe appropriate recognition criteria and measurement bases for provisions, contingent liabilities and contingent assets, and to ensure that sufficient information is disclosed in the notes to the financial statements to enable users to understand their nature, timing and amount. Aims to ensure that only genuine obligations are dealt with in the financial statements 	IAS37
IPSAS 20	Related party disclosure	Ensure that financial statements disclose the existence of related party relationships and transactions between the entity and its related parties. This information is required for accountability purposes and to facilitate a better understanding of the financial position and performance of the reporting entity	IAS 24
IPSAS 21	Impairment of Non cash generating assets	Ensure that non-cash-generating assets are carried at no more than their recoverable service amount, and to prescribe how recoverable service amount is calculated	IAS 36
IPSAS 22	Disclosure of financial information about the general Government for public sector	Prescribe disclosure requirements for governments/public sectors which elect to present information about the general government sector (GGS), Public sector, in their consolidated financial statements. The disclosure of appropriate information about the GGS of a government can provide a better understanding of the relationship between the market and non-market activities of the government and between financial statements and statistical bases of financial reporting	
IPSAS 23	Revenue from non-	Deals with issues that need to be considered in	

	exchange transactions (Taxes and Transfer)	recognizing and measuring revenue from non- exchange transactions	
IPSAS 24	Presentation of Budget information in financial statements	Ensure that public sector entities discharge their accountability, obligations and enhance the transparency of their financial statements by demonstrating compliance with the approved budget for which they are held publicly accountable • Sets out the requirement for a comparison of budget amounts & the actual amounts arising from execution of the budget to be included in the financial statements	
IPSAS 25	Employee Benefits	Prescribe the accounting and disclosure for employee benefits, including short-term benefits (wages, annual leave, sick leave, bonuses, profit-sharing and non-monetary benefits); pensions; post-employment life insurance and medical benefits; termination benefits and other long term employee benefits (long-service leave, disability, deferred compensation, and bonuses and long-term profit-sharing), except for share based transactions and employee retirement Benefit plans • Note: This is replaced by IPSAS 39 from January 1, 2018	IAS 19
IPSAS 26	Impairment of cash generating assets	Prescribe the procedures that an entity applies to determine whether a cash-generating asset is impaired and to ensure that impairment losses are recognized • This Standard also specifies when an entity shall reverse an impairment loss and prescribes disclosures	IAS 36
IPSAS 27	Agriculture	• Prescribes the accounting treatment and disclosures for biological assets & agricultural products at the point of harvest when they relate to agricultural activity	IAS 41
IPSAS 28	Financial instruments; presentation	Prescribe principles for classifying and presenting financial instruments as liabilities or net assets/equity, and for offsetting financial assets and liabilities IAS	IAS 32
IPSAS 29	Financial instruments;	Establishes principles for recognizing, derecognizing and	IAS 39

	Reporting & measurement	measuring financial assets and financial liabilities	
IPSAS 30	Financial instruments; Disclosure	Prescribe disclosures that enable financial statement users to evaluate the significance of financial instruments to an entity, the nature and extent of their risks, and how the entity manages those risks IFRS	IFRS 7
IPSAS 31	Intangible Assets	Prescribes the accounting treatment for recognizing and measuring intangible assets	IAS 38
IPSAS 32	Service Concession arrangements; grantor	Prescribes the accounting for service concession arrangements by the grantor, a public sector entity • Does not address the accounting for the operator side of such arrangements. The standard provides a mirror image of IFRIC 12 Service concession arrangements, which addresses the accounting for the operator side	IFRIC 12
IPSAS 33	First time adoption of accrual basis of IPSAS	Deals with granting transitional exemptions to entities adopting accrual basis IPSAS for first time, providing a major tool to help entities along their journey to implement IPSAS • An entity shall apply those amendments for annual FS covering periods beginning on or after 1, January 2017	
IPSAS 34	Separate Financial Statement	• Requires all controlling entities to prepare consolidated FSs, which consolidate all controlled entities on a line-by-line basis •An entity shall apply this standard for annual FSs covering periods on or after 1 January 2017	IAS 27
IPSAS 35	Consolidation FSs	This standard still requires that control be assessed having regard to benefits and power, but the definition of control have changed and the standard now provides considerably more guidance on assessing control •An entity shall apply this standard for annual FSs covering periods on or after 1 January 2017	IFRS 10
IPSAS 36	Investments In association & joint ventures	Explains the application of the equity method of accounting which is used to account for investments in associates and JVs •An entity shall apply this standard for annual FSs covering periods on or after 1 January 2017	IAS 27
IPSAS 37	Joint Arrangements (JA)	Establishes requirements for classifying Jas & accounting for those different types of Jas •Are classified as either	IFRS 11

		joint operations or JVs • An entity shall apply this standard for annual FSs covering periods on or after 1 January 2017	
IPSAS 38	Disclosure of interests of other entities	Brings together the disclosure previously included in IPSAS 6-8 •It also introduces new disclosure requirements including those related to structured entities that are not consolidated and controlling interests acquired with the intention of disposal •An entity shall apply this standard for annual FSs covering periods on or after 1 January 2017	IFRS 12
IPSAS 39	Employees Benefits	• Prescribes the accounting treatment & disclosure requirements of employee benefits, including the timing for recognition of liabilities and expenses •Effective date is January 1, 2018 with encouraging earlier application	IAS 19
IPSAS 40	Public sector Combinations	Classifies public sector combinations as either amalgamations or acquisitions taking in to account control and other factors and sets criteria for recognition and measurement of amalgamations •Effective date is January 1, 2019 with encouraging earlier application	
IPSAS 41	Financial Instruments	Simplified classification and measurement requirements for financial assets; A forward looking impairment model; and A flexible hedge accounting model	IFRS 9
IPSAS 42	Social Benefits	To define social benefit, and determine when expenses and liabilities for social benefits are recognized and how they are measured.	

2.11 Literature Empirical Review

Ijeoma (2014) studied the adoption of International Public Sector Accounting Standards in Nigeria: Benefits and Challenges.

The Purpose of the study was to examine the benefits and challenge of adoption of International Public Sector Accounting Standards (IPSAS) in Nigeria. The impact of adoption of IPSAS on the level of accountability and transparency in the public sector of Nigeria and to ascertain the

contribution of adoption of IPSAS in enhancing comparability and international best practice. The method used of the population size was forty five. –chi square test on the impact of adoption of IPSAS on the level of accountability and transparency in public sector of Nigeria Kruskal-Wallis test on the contribution of adoption IPSAS in enhancing comparability and international best practice. The Important finding the adoption of IPSAS will increase the level of accountability and transparency in public sector as well as in NFP of Nigeria. The adoption of IPSAS based standards will enable the provision of more meaningful information makers and improve the quality of financial reporting system in Nigeria.

IPSAS Adoption by World Food Program me (WFP): World Food Program is adoption of an application of contingency model to intergovernmental organizations. (Steccolini2012) the study focuses on: first explores the drives and reasons of public sector organizational' accounting system. Second review and evaluate the adoption of IPSAS by WFP. Last, analysis the accounting reforms that happening at WFP. Therefore, the method used an exploratory case study has been done review of official documents, records of official speeches by people involved in the change, and participators observations.

The finding World Food Program me successfully achieved its intended accounting reform with the full implementation of IPSAS in 2008. The change from UNSAS to IPSAS meant major change to the information report in WFP financial statement. Public Financial Management Reforms: The Role of IPSAS in Latin America. (brusca2016)The purpose of this studyisto clarify the situation of IPSAS implementation in the Latin-America context as well as the stimuli for and effects of their implementation. The method is used semi-structured interviews with four key actors in the public sector accounting standards of Colombia and Peru was conducted. The key finding the analysis shows that there is an emerging international trend to adopt IPSAS in Latin-America countries although, at the same time, there are evident obstacles to achieving reform goals. Australia and New Zealand were pioneers in the adoption of accrual basis accounting in the public sector and are often used as practical examples in the debate over the application and effect of accrual accounting in the public sector (champoux2006) A study by (kober2010) discuss the controversial question of how useful the information generate through the adoption of accrual accounting has been in Australia. These authors aimed to determine how well the needs of information users have been served under different accounting system based on

an examination of the perceived usefulness of public sector financial information by internal and external users and prepares.

2.11.1 International Trends

The last few years have seen dramatic developments and changes on the international standards setting scene. Along with this has come a rapid adoption of international standards in a number of countries, which previously had their own national standards.

Countries that are already apply full accrual accounting standards and applying accounting standards that broadly consistent with IPSAS requirements include:

- Australia
- Canada
- New Zealand
- United Kingdom
- United State of America

African Countries which have already adopted IPSAS include.

Countries	Adoption
Algeria	World bank project for accounting and other reforms includes IPSAS Standard
East and Southern Africa- Botswana, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Rwanda, South Africa , Swaziland, Tanzania, Uganda, Zambia and Zimbabwe	The countries are members of the association of East and Southern Africa Association of Accountants. The aims of the member states include the adoption of IPSASs.
Uganda	Adoption of IPSAS
Zambia	Cash basis IPSAS adopted
South Africa	Adoption of IPSASs (Accrual, with south African amendments) In process

Pressure from donor Community

In its resolution 60/283, the United Nations General Assembly approved the adoption of IPSAS, together with the requisite resources. This means that all UN agencies will comply with IPSAS. In a related development, the World Bank and its agencies, World Health Organization (WHO), World Bank, OECD, European Commission, NATO and OPEC have also adopted the IPSAS.

2.12 Summary and Gap in the empirical Literature:

According to Ijeoma (2014) an increase in the level of accountability and transparency in the public sector as well as in Non for profit organizations, the impact of adoption of IPSAS in the public sector and ascertain the contribution of adoption of IPSAS in enhancing comparability and international best practice. Donors required the countries to initiate public finance management transformations, including the adoption of accrual accounting standards based on IPSAS.

A true and fair financial reporting by charities will enhance accountability and transparency of NGOs and increase the sustained support from donors and the wider public. The IPSAS and IASB are parts of new public fund management reforms and provide guidance on recognition, measurement and reporting framework for the public sector.

The main opportunities of IPSAS are the adoption of IPSAS will increase the level of accountability and transparency in the donors (stakeholders), or public sectors and also the Balance sheet approach adopted by the IPSAS is consistent with economic, organizational and appropriate accounting representation.

According to Deloitte, (2013) many governments and international institutions have already adopted IPSASs. Many more are also in the process of implementing the standards. Now the question is raised: IPSAS would be more applicable to the charity organization? Most of the local charity organizations have the lack of transparency and accountability. Moreover, the reporting standards of charity organizations should be seen as one component of a large issue of understanding and improving the efficiency and effectiveness. The use of IPSAS is one of the improvements of transparency and accountability and performance of NGOs, while at the same time making reporting standards of NGOs much easier. Therefore, IPSAS brings the benefit to donors as well as the public at large and it is time to adopt IPSAS to promote NGOs' performance.

IPSAS is important for public finances; there is a lack of an empirical study that examines the data from charity organization especially in Ethiopia. This study is consider to full fill the gap and create a better condition for local charity organization in Ethiopia and it helps for the first time adoption of IPSAS in local charity organization in Ethiopia.

Chapter Three

Research Design and Methodology

3.1 Introduction

These chapters present the research methodology which was used to collect data in order to answer the test. The chapter discussed the source of information, research population and the target population. It explained the sampling methods, sampling design and the sample size that was used. The data collection methods, techniques, instruments and procedures were clarified.

3.2 Research Design

This research titles ‘Opportunity and challenge of adoption IPSASs in charity organization in Ethiopia.’ The study employed a descriptive survey research design, which provides insight into understanding of the opportunities and challenge of IPSAS as first time adoption to the country. Moreover, the purpose of descriptive is to describe or validate some sort of hypothesis or objective when it comes to a specific group of people (Gutcheck, 2018). Therefore, the research questions were applicable for this type of study and help to collect data from members of the population.

3.3 Study Population

Mugenda and Mugenda (2003), explain that the target population should have some observable characteristics, to which the research intends to generalize the result of the study. According to Auditing and Accounting Board of Ethiopia (AABE), there were 310 active and operational registered Charity in Ethiopia Organization is identified through in Ethiopia as of 21 December 2018.

The target populations under this study are the Charities and Societies Agencies and Accounting and Auditing Board of Ethiopia (AABE) was government officer considered in the target population. The Agency for Civil Society Organization (ACSO) as a government body who is responsible for governing the activities of Charity organization and Accounting and Auditing Board Ethiopia (AABE) who responsible for adoption of IPSAS in public entities. The total target population of the study was selected one of 310, which are active and operational charity

organization. This study focused on opportunity and challenge of adopting IPSAS in Charity organization in Ethiopia.

3.4 Sample Size

The central limitation theorem which justify the use of normal distribution if the sample size enough empirically it said to be enough the sample size is greater than 30. Therefore the total population 310 active and operational charity organizations of minimum 10% of the total population can often give a good reliable or a Sample of at least 30 elements (Participants) must exist.

From the total population which is 310 and 2 are government office the research draw 10 percent of the total population. These were 31 samples from Charity in Ethiopia and 2 were Government because the agency for civil society organization is the one which control the charities organization in Ethiopia and auditing and accounting board of Ethiopia is the one which control to implementer of IPSAS.

Table 3.1 Samples size determination.

Name of Organization	Target Population	Sample Elements	% Population	Sample Size	Respondent Sample size
Charity organization in Ethiopia	310	31	10%	31	62
Gov. ACSO	1	1		1	2
Gov. AABE	1	1		1	2
Total	312	33	10.6%	33	66

The target populations were 66 which consist of accountant and finance team leader among these 62 elements from Charity in Ethiopia and the rest from ACSO and AABE. The respondents were well experienced, professional and understand the objectives and responsible for easily transition to IPSAS and give a clue for findings of the survey are meant generalize.

3.5 Sample Techniques

A sample is elements selected with the intention of finding out something about the total population from which they are taken. The sampling technique used in this study is purposive or judgment sampling technique. Purposive sampling technique occurs where a researcher selects a sample size or study unit with a purpose or because they are convinced that the selected study unit has the information he/she is looking for. Therefore, Purposive /judgment sampling method is effective when the focus is on one particular group, which was Charity in Ethiopia and all the sample members are similar which is the nature of work that is Charitable activities and also the same level of organizational hierarchies. The limited number of Charity in Ethiopia that can serve as primary data sources for research design. The study also applied stratified sampling technique. According to the total target population of the study was 310 with this select 10% the total population have been selected which is drawn 31. After selecting, stratification aim to reduce standard error by providing some control of the variance. Respondent drawn 31 selected Charity in Ethiopia and categorized in to head of finance and their department head in order to choice senior level professional employees who were more experienced, more Charity in Ethiopia report exposures and at the same time to understood the objectives and responsible for nonresistance to transition IPSASs

3.6 Data Collection

3.6.1 Data collection strategies

The stage which follows after formalization of the sampling procedures and the intended sample size is commonly known as data collection (Kothari, 2014). When determining data assembly methods, the researcher considered objectives of the research and experienced response ratio. There are two types of data namely primarily and secondary data. Each of these is discussed hereunder.

3.6.1.1 Primary Data

Primary data means the data which are collected directly by the researcher from the field, by the means of observation, questionnaires and interviews. The primarily data enable to get the first hand data (Kothari, 2004). My study adopted a survey design, in which questionnaires were

developed. Then select the sample among the entire population were employed to administer the survey instrument to top and middle level management in charity organization in Ethiopia.

3.6.1.2 Secondary Data

This means the data which are obtained by a means of reviewing documents, regulations, manuals and previous papers, published and unpublished study.

3.6.2 Survey instrument development

The Study used primary data collected using questionnaire for those were selected. These study were selected the respondent whom were more experienced, understanding the objectives and were responsible for smooth transition to IPSAS. The response is expected to assist understand the opportunities and challenge of IPSAS adopting, IPSAS in Charity in Ethiopia.

The research evidence were gathered using both close ended and open ended questionnaires the data were collected using five point likert scales with rating of Strongly Agree (EX), Agree (A), Neutral (N), Disagree (DA), and Strongly Disagree (ED). A score was given according to the sequence which is 'EX' and 'A' score was given 5 or 4, it indicates essential while 'N' and 'DA' score was giver 3 or 2, it indicates fairly important the other score was given 'ED' it is 1 which is unimportant.

The question contain four parts: Part one express identification and address exploratory information from the respondent profile, Part two it consist of independent variables which is contains accountability, transparency, perception of the standards and educational and professional responsibility. Part three consist of challenges of adopting IPSAS and finally it test dependent variable towards of the model perception of respondents' on prospects of adoption of IPSAS.

3.7 Validity and reliability

Validity is foremost on the mind of those developing measures and genuine scientific measurement. Validity can be seen as the core of any form of assessment that is trustworthy and accurate (Bond, 2003, P.179).The researcher tried to keep internal and external validity. Internal

validity means the independent variable caused the changes in the dependent variable. In the other hand external validity refers is generalizability of findings to other population and setting.

Reliability with a research, the ‘item reliability index’ was examined, reflecting whether item could be replicated in the same order if they were given to another sample group that had similar or equal abilities (Bond & Fox, 2001). If items, or in this case the objects order used in the picture, are not replicable across the three groups, then the reliability of the test is in jeopardy. In this study the real person and real item separation reliabilities were explored. Similar to internal consistency, separation reliability values of between 0 and 1 had to be obtained, and those that are high are beneficial to an assessment. The minimum acceptable coefficient in literature is 70% (Scheman, 2007)

So, these research question were distributed to head of finance team leaders and department head of them were senior staff who had experience more than eight years’ in the field which enhance external validity. This shows that information gathered from respondent used to provide content validity and multiple source of data (document review and questionnaire) was used for the study that helps to cross validate the data. Since the questionnaire developed from previous research, the reliability of the results and uniformity of the objective indicated in the study are high. Most of the questionnaires are prepared and used by (Josediton2015) and (Monari2014) and significant conclusions are drawn using those question.

3.8 Reliability of the questionnaire

The questionnaires which were distributed to the respondent it tried to the questions in simple and unambiguous language the instrument to reliabilities of the questioner was evaluated using the “Cronbach’s Alpha” and the entire 25 research question were considered for the calculation. Table 4.3.1 shows that the result of the estimated cronbach’s alpha was 0.794 representing 79.4% reliable.

		N	%
Cases	Valid	56	100.0
	Excluded	0	.0
	Total	56	100.0

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

Reliability Statistics	
Cronbach's	
Alpha	N of Items
.794	25

3.9 Methods of data analysis

This study method of data analysis was quantitative and hence descriptive and inferential Statistics were used to analyze the quantitative data. The respondents were editing, coding, tubulin and interpreting.

The inferential statistics to interpret the data and draw conclusions and the descriptive tools research to organize and summarize the data. The findings were presented using tables, The likert scale was used to collect the data through descriptive statics, frequency distribution, correlation and multiple linear regressions using statically package for the social scientist (SPSS). It helps to describe the use of mean, median, frequencies, Correlation etc. A sit is a main means of summarizing the data. This helped in determining the extent to which the adoption of IPSAS will benefit for Charity in Ethiopia and the challenges to face as first time adoption of the standard.

This study described the opportunity and challenges of adopting IPSAS in Charity in Ethiopia and needed to find whether the adoption and implementation of IPSAS will improve accountability and transparency in charity organization's financial reporting. In addition to this study tried to look the Charity in Ethiopia are clearly understand and adoption will accelerate professional and educational responsibility.

Chapter Four

Data Analysis, Results and Discussion

4.1 Introduction

This chapter is presenting data analysis on the topic of the adoption of International Public Sector Accounting Standard in Charity Organization. The data presented in this chapter was collected through questioner. This study distributed 66 questionnaires out of this 56 filled and returned which is 84.5% rate was considered adequate for the study.

4.2 Demography Rate

The study tried to find out the sex, age, position, academic background and working experience were discussed below.

Figure 4.2.1 Sex

Table 1 it Shows that the survey had a male response rate of 79% and 21% of female response.

Table 1

Sex	%
Male	21%
Female	79%

Source: (Survey result, 2019)

4.2.2 Age

The table 2 below shows that age of the respondent. The survey had an age of response from 20-30 was 21%, the response age from 31-40 was 36%, the response age from 41-50 was 29% and the response of above 50 years was 14%.

Table 2

Age	%
21-30	21
31-40	36
41-50	29
Above 50	14

Source: (Survey result, 2019)

4.2.3 Position of the organization

Table 3 shows that the majority of the respondent in this studies were in higher position and more responsible for the adoption of IPSAS in local charity organization. Most of the respondents have a skill to develop policies and procedures in their organization. The respondent working position was Top level management, middle level management and super visors respectively

Table 3

Position	%
Top Level Management	36
Middle Level Management	36
Supervisor	28

Source: (Survey result, 2019)

4.2.4 Level of Education

The education back ground of the respondents as shows table 4 were 29% MA and above, 50% of the respondents were BA and 21% of the respondent was Diploma. These can respondents were a well-known of the adoption of IPSAS in charity in Ethiopia.

Table 4

Education	%
MA and Above	29
BA	50
Diploma	21

Source: (Survey result, 2019)

4.2.5 Work Experience

As table 5 shows 41% of the respondents were well experience and there working experience above 15 years old, 29 % of the respondents were working experience between 11 up to 15 years, 20% of the respondents were working experience 6 up to 10 years and the rest of the respondents were less than five years 10% . This shows that the respondents were highly experienced about the benefit and challenge of adoption of IPSAS in charity organization in Ethiopia. As per the majority respondent indicates that the respondents had been working in the organization for long number of years. So, they had a better understanding about how to adopt IPSAS in the organization.

Table 5

Work Experience	%
Less 5 Years	10
6 up to 10 Years	20
11 Up to 15 Years	29
Above 15 Years	41

Source: (Survey result, 2019)

4.2.6 Financial Statement basis

The International public sector accounting standards board (IPSASB) develops accounting standards for public sector entities referred to as international public sector accounting standard (IPSAS). The adoption of IPSAS by public organization will improve both the quality and comparability of financial information reported by public sector entities around the world. Therefore, IPSASB established accounting standard and guidelines for financial reporting is prepared according to the accrual basis of accounting. The questionnaire was distributed to the local charity organizations which kind of accounting system was your organization used? Most of the charity used to prepared financial statements were cash basis of accounting which were the total respondent were 43%, 36 % were used to modifies cash basis and the rest of the respondents were used accrual basis of accounting which was 21%. So, this cash basis accounting system shows that there is a lack of accountability and transparency of the local charity organization financial reporting by providing better information for public sector financial management decision making

4.3 Opportunity of IPSAS Adoption

The Tables below shows the respondent agree that the benefit of adoption IPSAS in charity organization in Ethiopia with the given statements concerning transparency, Accountability, Perception of the donors towards to the standard and Professional responsibility.

4.3.1 Transparency Table 6

Adoption of IPSAS gives Transparency?	1	2	3	4	5	Mean	S.D
IPSAS facilitates the flow of aid and assistance from domestic and foreign	24	16	16			4.14	0.83
IPSAS improve Consistency and comparability of financial statement	28	16	12			4.86	0.80
IPSAS makes available comprehensive information about cost that will better support result-based management	20	28	8			4.21	0.67
IPSAS promote Local charities due to better transparency	16	32	8			4.14	0.63
The implementation of IPSAS meet the charity Vision, mission and objective	24	12	20			4.07	0.88

Source: (Survey, 2019)

Transparency is manifested in the reporting entities accurately and full disclosing all transaction including disclosers of stakeholders who have beneficial ownership in the entities, the management and the stakeholders of the entities; reporting entities and the substance of their transaction in accordance of internationally recognized accounting standards; regulatory bodies having access to every and all information that they may require from the published financial statement (Murphy and Sagar 2009). Charities organization maintains that transparency is essential because, citizen as well as donors have the right to know, comprehensively, the way their resources are being managed (Mccarthy 2007).

Government and charities organization implementing International Public Sector Accounting Standard (IPSAS) stand a better chance of achieve increased transparency expected a good governance system compared to cash basis accounting system.

So the above mean gave by respondent that all agreed transparency in the public sector imply government , donors and other resource providers who have invested their resources trust, confidence to person assigned from the above table, respondents were strongly agreed the adoption of IPSAS improve consistency and comparability of financial statement with mean of 4.86. Then the majority of the respondents agreed that the benefit of IPSAS makes available comprehensive information about cost that will better support result- based management, IPSAS facilitates the flow of aid and assistance from domestic and foreign and IPSAS promote local charities due to better transparency with mean of 4.21,4.14 and 4.14 respectively.

Therefore, the respondent were gave an answer with the concept of transparency in charity organization which is express truthfulness and fairness of the practice and cultural of the firm. Moreover, in the relation of good governance practice which the implementation of transparency will significant increase of IPSAS meet the charity Vision ,mission and objective

4.3.2 Accountability

Table 7

Adoption of IPSAS gives Accountability?	1	2	3	4	5	Mean	S.D
IPSAS promote Local Charities due to better accountability	28	16	12			4.28	0.80
IPSAS adoption will increase donors confidence	36	16	4			4.48	0.62
IPSAS promotes cross border assistance thereby enhancing the flow of foreign donor	20	32	4			4.28	0.59
IPSAS improves internal control over the receipts and disbursement of cash recourses	18	12	26			3.85	0.87
IPSAS aligns government accounting with best accounting practices through the application of credible, independent accounting standard	24	24		8		4.14	0.98

Source: (Survey result, 2019)

Accountability is the obligation on the part of the assigned officer to demonstrate that a specific duty has been done according to agreed standards and rules and that the reports provided reflect fairly and accurately on actual performance in relation to mandated roles and plans. On the other hand, is of the view that accountability occurs once decision-makers in government, civil society organization, private sector actors as well as institutional stakeholder are answerable to the public (Rondinilli 2007). Similarly termed accountability as the act of being responsible for one's decisions or/and actions and providing explanations as and when asked to do (Ofoegbu 2014). The general assertion is that accountability is made up of three main dimensions: political, financial and administration (IFAC 2012).

Therefore, as mention the above accountability explanation by different scholars the respondent mean indicate the above table that majority of the respondents strongly agreed that IPSASs. It will increase donor confidence by the mean of 4.48, IPSAS promote charity organization due to better accountability is a mean of 4.28, IPSAS promote cross boarder assistance thereby enhancing the flow of foreign donor is a mean of 4.28 and IPSAS aligns government accounting

with best accounting practice through the application of credible independent accounting standard is a mean of 4.14.

However, respondents were neutral with improves the internal control over the receipts and disbursement of cash resources. These shows that the adoptions of IPSASs enhance accountability of cash receipt and disbursement are the same accountability in cash basis it is a mean of 3.85.

4.3.3 Donors perception towards IPSAS

Table 8

Adoption of IPSAS Perception of the donors towards to the Standard?	1	2	3	4	5	Mean	S.D
The application of IPSAS agree with locally as well as internationally	8	36	12			3.92	0.59
IPSAS application will improve the quality of financial statement information for Local Charity Organization	40	8	8			4.57	0.71
IPSAS application will built the confidence of donor agency locally as well as internationally	20	28	8			4.21	0.75
The application of IPSAS will help donors in assessing proper use of public resources	20	28	4	4		4.14	0.83
IPSAS application will increase the control of ABBE/CHSA	28	12	16			4.21	0.86

Source: (Survey result, 2019)

According to Gray et al, (1997) note that one way of “theorizing the accountability relationship between an accounting entity and its ‘outside world’ lies in the stakeholder perspective. Clarkson (1998). Defines stakeholders as those persons or interests that have a stake, something to gain or lose as result of its activities ; and “stake” as something of value, some from capital, human, physical or financial, that is at risk, either voluntary or involuntary”. It adoption of best accounting standards will only lead to compliance to the trends in the economic growth but there have proper accounting and reporting will therefore, be imperative for future resources

sustainability. As the above table shows that the respondents were responded adoption of IPSAS perception of the donors towards of the standard with the application of IPSAS will improve the quality of financial statement information for local charity organization is the mean of 4.57, IPSAS application will increase the control of ABBE/CHSA is the mean of 4.21, IPSAS application will built the confidence of donor agency locally as well as internationally is the mean of 4.21 and the application of IPSAS will help donor in assessing proper use of public resources is the mean of 4.14.

However adoption IPSAS perception of the donors towards to the perception with the application of IPSAS agree with the locally as well as international were a mean of 3.92 because of most of the donor have their accounting standard and format.

4.3.4 The Opportunity of Professional responsibility

Table 9

Adoption of IPSAS towards professional responsibility	1	2	3	4	5	Mean	S.D
Do you think majority of the Local charity accountant and as the same time auditors' to understand about IPSAS	4	8	28	16		3.00	0.84
AABE , universities and CHAS have given emphasis to implement IPSAS in all over Ethiopia by giving training and also preparing a manual	12	12	20	12		3.25	1.05

Source: (Survey result, 2019)

The above table shows that all respondents were gave less responded the adoption of IPSAS towards of professional responsibility. These shows that the university and concerned party have given less emphasis to implement IPSAS to all over the nation by giving training and also preparing a manual. It is the mean of 3.00-3.25.

4.4 Challenge

The table 4.4.3 indicates that the response on the extent in which the respondent agreed with the given statements concerning the challenge face when they will implement IPSAS in charity organization in Ethiopia.

4.4.1 Challenge of Adoption IPSAS

Table 12

Adoption of IPSAS in Local charity organization Challenges?	1	2	3	4	5	Mean	S.D
IPSAS is agree with the proclamation of Ethiopian law (Proclamation 847/2014)	4	36	8	4	4	3.57	0.98
Shortage of professional with IPSAS training and Knowledge	16	12	20	8		3.64	1.20
IPSAS is not easily understand because of complicated		12	36	8		3.07	0.59
Using IPSAS incurred additional costs	16	15	20	5		3.75	0.96
There is a shortage of local expertise with IPSAS knowledge	16	20	20			3.92	0.80
IPSAS is a shortage of clear guidance in Ethiopia	12	24	16	4		3.78	0.86

Source: (Survey result, 2019)

The general factors of affecting the implementation of IPSAS have a low level of technology adoption, poor performance of basic financial functions, poor supervision, poor staff motivation, lack of professional, shortage of clear guide manuals, and others were affected the adoption of IPSAS all over the world (Gberegbe and Micah, 2013). As shows the above tables that they agreed there is a shortage of local expertise with IPSAS knowledge and as same issue they which raised IPSAS is a shortage of clear guidance in Ethiopia. In addition to, using IPSAS incurred additional costs. There are also a shortage of professional with training and knowledge. Yes IPSAS is agreeing with the proclamation but the proclamation is not clear address the IPSAS

adoption and implementation with the mean gave the respondent range from 3.92-3.57. But there is a challenge to understand IPSAS easily because of complicated by 3.07.

According to the table indicted the respondent agrees there is a challenge which is mention above. However, the government and the local charity organization need commitment to implement international public sector accounting standard.

Chapter Five

Summery, Conclusion and Recommendation

5.1 Introduction

In this chapter was intended to find the opportunities and challenge of adoption the International Public Sector in Charity Organization in Ethiopia. It includes the summery of the findings, conclusion and recommendation based on the study findings.

5.2 Summery

In terms of transparency majority of respondents extremely agree IPSAS facilitates the flow of aid and assistance from domestic and foreign, improve the consistency and comparability of financial statement. It's promote charity due to better transparency and also as same time the charity organization to implement IPSAS they have to meet their objectives.

In addition to, in terms of accountability the all respondents extremely agree IPSAS adoption will increase the donors' confidence, cross boarder assistance there by enhancing the flow of internal as well as foreign donors, it improves internal control over the receipts and disbursement of cash resources

The other findings of perception of the donors towards to the standard majority respondent agree with the application of IPSAS with locally as well as international, improve the quality of financial statement information, it's also build the confidence of donor agency locally as well as internationally, will help donors in assessing proper use of public resources.

In terms of professional responsibility the majority of respondent there is a lack of knowledge among accountant and auditors and also the institution like AAU, ACSO and AABE are not giving enough training to the local charity organization.

More over the adoption of IPSAS in Ethiopia is effective and minimizing the fraud. All respondent said yes, it is effective and minimizing fraud.

The other finding is the challenge of adoption of IPSAS in charity organization in Ethiopia have not the understand of the proclamation 847/2014 which is declare in 2014 it is based on the

public and the non-government organization use of accounting base, there a shortage of training, knowledge, it is not understand easily, implement IPSAS incurred costs, there is a lack of local expertise, and also there is not a clear guidance. The respondents gave from 3.92-3.07 as respectively.

5.3 Conclusion

According to the data analysis gave by respondent the adoption of IPSAS will ensure better financial supports, improvements to accountability, transparency, better information to the donors, it is also acceptable by controlling bodies like ABBE and ACSO.

As the data shows that the charity organizations in Ethiopia are used to cash basis accounting system. By the use of IPSAS or accrual basis of accounting the charity organization in Ethiopia improves the efficient of resources. However according the respondent shows that IPSAS by itself is not sufficient enough to guarantee full transparent and accountability without the other enforcement, the lack of skilled man powered, insufficient education, training and the inadequate involvement of expertise, universities, and regulatory bodies in accounting effectiveness in local charity organization in Ethiopia.

5.4 Recommendation

Charity Organizations in Ethiopia are one of the contributors to reduce poverty in Ethiopia so these organizations are presenting a financial report as global financial reporting approach. By doing these it motivates donors and at the same time it gets different assistances from different stakeholders here in domestic as well as international. In addition to, the financial report is generated by the charity organization in Ethiopia; it is ensure transparency and accountability by public as well as donors. However, according to the results were shows that there were challenges;

There is a shortage of availability of qualified accountants most of the charity organization lack the necessary personnel to adequate carry out the changes in IPSAS as opposed to the financial reporting framework currently they are used. The charity organization recruit and train qualified staff most of the charity organization in Ethiopia have a low capacity in financial management and training. There is a need to recruit qualified accountant and intensify training of personnel.

The charity organization should including sponsoring accountants in the universities and other institutions.

The other issue of challenge is Cost to implement accounting manuals need to be written; manual must incorporate IPSAS terminologies. Education and training will also constitute a substantial amount of government outlay as the nation prepares to adopt IPSAS. The charity organization in Ethiopia and governments such as decision makers involve and invest and support the adoption IPSAS in the country Ethiopia.

Readiness of government departments and agencies most of the organization still use traditional cash based accounting system as rule. Therefore, as a regulatory bodies like the agency for civil society organization (ACSO) and Accounting and Audit Board of Ethiopia is the main body mandate to ensure the applicability of IPSAS in Ethiopia.

To sum up recommended by the researcher to charity organization; as we knew that the charity organization in Ethiopia have been lack of sufficient amount of donation because the financial report have not been presented full information about their financial performance efficient and effectively. So charity need to catch up with the trend of the global financial reporting environment by the use of international public sector accounting standard to solve the financial problem.

5.5 Recommendation for further study

This study is focused on the opportunities and challenge of adopting IPSASs in charity organization in Ethiopia. The sample was taken from Accounting and Auditing Board of Ethiopia. This research is used to an input for further study for:

- IPSAS Implementation in Charity organization in Ethiopia and overcoming the challenges.
- IPSASs and charity organization in Ethiopia; the challenges for the first time adopters
- An implementation of IPSAS in charity organization and Supper vision of Accounting and Auditing Board in Ethiopia.

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List of Sample

Ser.No.	Name of the organization	Address
1	AbebechGobena Ye hitsanakibikabenalimatMahiber	W-AradaSubcity, K#06 H# 078
2	Felegehiwot Ethiopia mahiber	W-YekaSubcity, K# 13/14 H#--
3	Hope for children organization	W-GullelieSubcity K# 03/04/05 H# New
4	Tsega Ethiopia yelimatMahiber	W-KolfeKeranyosubcity K#07 H# New
5	New vision in Development Association	W-AradaSubcity K# 02/03 H# 1171/1
6	Mary Joy Development Association	W-KolfekeranyoSubcity,
7	Vision new life development association	W-Yekasub city K#03/04 H# 1294
8	Pro pride	W-Ledietasub city K#27 H#715/10
9	Mercy ministry happy children association	W-KolfeKeranyoSubcity# K#15/16 H# new
10	African development aid association	W-Yekasubcity
11	Bright hope organization	W-YekaSubcity K# 16/17 H#
12	BerhanLehitsnat	W-LidetaSubcity K 07/14 H#823/50
13	Agri Service Ethiopia	W-Kirkos Sub city K # 03 H # 379
14	TesfaTsionDirijit	W-KolfeKeranyo Sub city K #05 H # 2098
15	Action for Development	W-Bole Sub city K# 06/14 H#363
16	Mekodonia Home for the elderly and mental	W-Yeka Sub City K# 09 H# 769
17	Amanuel Development Association	W-Yeka Sub city K # 17
18	Water Action	W Bole Sub city K# H# 144
19	Bole Bible Baptist church & community Development	W-Bole Sub city K 02 H #
20	Addis Hiwot center of blind	W- Arada Sub city K # 11/12 H# 484
21	Organization for child development and transformation	W-Yeka Sub city K# 09/10 H#413
22	Progynist	W Lideta Sub city K H# 052
23	Good shepherd family health center	W Areda Sub city K # 13/14 H# 347
24	Love in action Ethiopia	W yeka sub city K # 9 H # new
25	Cheshier foundation action for inclusion	W Nefasilklafto Sub city K# 02 H # New

Ser.No.	Name of the organization	Address
26	SOS sahel Ethiopia	W Kirkos Sub city K3 02/03 H # 192
27	Meseretekiristos church relief	W bole Sub city K #05 H # 192
28	Hiwot Ethiopia	W Yeka Sub city K # 5 H #
29	Selamhiwot integrated children & community support organization	W Ledeta Sub city K # 02 H # new
30	The Ethiopian Evangelical Church Mekane Yesus Development and Social Service Commission	W Arada K # 11/12 H# 910
31	Hope Enterprise	W-Gulleliesubcity K#13/14 H# 470

Appendixes

Letter of Introduction

My Name is: - Tesfaye Wodajeneh Moges

From: - St. Mary University College

Phone: - +251911172252 Mobile

Email: - Wodajenehtesfaye@gmail.com

Wodajenehm@yahoo.com

I am a student pursuing a post graduate degree at the Saint Mary University college department of Accounting and Finance.

The title of my study is **The Opportunity and Challenges of adoption of International Public Sector Accounting Standard in Charity Organization in Ethiopia**

I would appreciate patiently full fill my question. Please tick the appropriate box or fill in the blanks in the attached list of question to the best of your knowledge. Your participations essential to this study and will enhance knowledge of IPSAS in our country.

This information you provides will only be used for academic purpose only.

Thank you in advance

Best regard

Tesfaye Wodajeneh

Part One

1. Sex

Female Male

2. Age

20-30 31-40 41-50 above 50

3. Your Position

department Head Finance head Accountant Budget Officer
 Other

4. Level of education

MA and above BA Diploma Some certificate

5. Work Experience

Less than 5 years 6-10 years 11-15 years above 15 years

6. Which kind of accounting system your organization is used?

Cash Basis Modifies cash basis accounting Accrual basis accounting
 Others

7. Do your organization familiar with the “Accounting and Auditing Board of Ethiopia” and “Financial Reporting Proclamation No. 847/2014”

Yes No I do not know

Part Two

In your opinion rate the current accounting system and adopted the benefit and challenges of IPSAS in Charity Organization in Ethiopia mentioned in the following table. Would you please select the best fit of among the choice? Thank you in advance.

Instruction: - Please rate how strongly you agree or disagree with each of the following statements by placing a check mark in the appropriate box.

Key: 1 is refer Extreme Strong, 2 is strong, 3 is Moderate, 4 is weak and 5 is Extreme Weak

Adoption of IPSAS gives transparency?	Rating				
	1	2	3	4	5
IPSAS facilitates the flow of aid and assistance from domestic and foreign					
IPSAS improve Consistency and comparability of financial statement					
IPSAS makes available comprehensive information about cost that will better support result-based management					
IPSAS promote charities due to better transparency					
The implementation of IPSAS meet the charity Vision, mission and objective					

Adoption of IPSAS gives Accountability?	1	2	3	4	5
IPSAS promote Charities due to better accountability					
IPSAS adoption will increase donors confidence					
IPSAS promotes cross border assistance thereby enhancing the flow of foreign donor					
IPSAS improves internal control over the receipts and disbursement of cash recourses					
IPSAS aligns government accounting with best accounting practices through the application of credible, independent accounting standard					

Adoption of IPSAS Perception of the donors towards to the Standard?	1	2	3	4	5
The application of IPSAS agree with locally as well as internationally					
IPSAS application will improve the quality of financial statement information for Charity Organization					
IPSAS application will built the confidence of donor agency locally as well as internationally					
The application of IPSAS will help donors in assessing proper use of public resources					
IPSAS application will increase the control of ABBE/CHSA					

Adoption of IPSAS towards professional responsibility	1	2	3	4	5
Do you think majority of the charity accountant and as the same time auditors' to understand about IPSAS					
AABE , universities and CHAS have given emphasis to implement IPSAS in all over Ethiopia by giving training and also preparing a manual					

Part Three

Expectation to adoption of IPSAS in Ethiopia	1	2	3	4	5
Do adoption of IPSAS effective in Charity Organization in Ethiopia?					
Do adoption of IPSAS minimizing embezzlement in charity organization in Ethiopia?					

Part four

Adoption of IPSAS in Local charity organization Challenges?	1	2	3	4	5
IPSAS is agree with the proclamation of Ethiopian law (Proclamation 847/2014)					
Shortage of professional with IPSAS training and Knowledge					
IPSAS is not easily understand because of complicated					
Using IPSAS incurred additional costs					
There is a shortage of local expertise with IPSAS knowledge					
IPSAS is a shortage of clear guidance in Ethiopia					

8. Please give a comment on the opportunities and challenge adoption of IPSAS in charity organization in Ethiopia
