ADOPTION OF INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS AND QUALITY OF FINANCIAL REPORTING IN NATIONAL GOVERNMENT AGRICULTURAL SECTOR ENTITIES, KENYA

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A RESEARCH PROJECT SUBMITTED TO THE SCHOOL SCHOOL OF BUSINESS, ECONOMICS AND TOURISM IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF A DEGREE OF MASTERS IN BUSINESS ADMINISTRATION (ACCOUNTING), KENYATTA UNIVERSITY

Date: APRIL, 2024

DECLARATION

I declare that this is my original work and has not been submitted for a degree award in any other University or institution of higher learning.

Signature: ________________________ Date: _________________________

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SUPERVISOR

I confirm that this research project was carried out under my supervision with my approval as the University supervisor.

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DEDICATION

I want to dedicate this research work to my wife, Jackeline, for her encouragement and support and to my son Trevor, daughters Lissa and Lorene. For their understanding and patience, especially when I needed to be away until late to achieve this dream.

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ACRONYMS AND ABBREVIATIONS

ACCA	Association of Chartered Certified Accountants
ESAAG	East and Southern African Association of Accountants-General
G.O. K	Government of Kenya
GPFRs	General-Purpose Financial Reports.
GRAP	Generally Recognised Accounting Practice
IASB	International Accounting Standards Board
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IPPF	International Professional Practice Framework
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
NFRC	Nigeria's Financial Reporting Council
OAG	Office of Auditor General
PFM	Public Finance Management
PFMR	Public Finance Management Reforms
PSASB (K)	Public Sector Accounting Standards Board of Kenya
PSASB	Public Sector Accounting Standards Board
RPGs	Recommended Practice Guides
SAGAs,	Semi-Autonomous Government Agencies

OPERATIONALISATION OF TERMS

Corporate Governance Reporting: It involves disclosing information about the structures, processes, and practices governing an entity's decision-making and accountability mechanisms. It is measured by accuracy rating, transparency assessment, and timeliness evaluation.

Disclosure and Valuation of Assets and Liabilities: It is defined as transparent reporting of assets and liabilities. It is defined as completeness and accuracy of disclosures, including valuation methods, significant policies, and contingent liabilities.

International Public Sector Accounting Standards (IPSAS): Guidelines governing public sector financial reporting. Its measurement and adherence to IPSAS in financial reporting practices, including accrual accounting adoption, disclosure conformity, and compliance with specific standards.

Quality of Financial Reporting: It is defined as accuracy and reliability of financial information in statements. It is measured in terms of completeness of disclosures, adherence to accounting standards (e.g., IPSAS), and transparency in financial data.

Standardized Chart of Accounts: It is a uniform framework for classifying financial transactions. It is measured in terms of consistency and conformity in account classifications, ensuring unique codes and adherence to standardized accounting principles.

Unified chart of accounts: It is a financial organizational tool that provides a complete listing, by category, of every account in the general ledger of a company.

ABSTRACT

In Kenya, the agricultural sector plays a crucial role in the country's economy, contributing significantly to GDP, employment, and food security. However, despite its importance, challenges persist in ensuring transparent and accountable financial management practices within National Government Agricultural Entities. Addressing these challenges requires robust financial management systems and transparent reporting mechanisms within National Government Agricultural Sector Entities. Therefore, there is an urgent need to investigate the adoption of IPSAS and its impact on the quality of financial reporting within National Government Agricultural Sector Entities in Kenya. The general objective of this study was to determine the effect of the adoption of International Public Sector Accounting Standards on the quality of financial reporting in national government agricultural sector entities in Kenya. The study was guided by the following specific objectives: to assess the effect of adopting a standardized chart of accounts on the quality of financial reporting in national government agricultural sector entities in Kenya; to assess the effect of disclosure and valuation of assets and liabilities on the quality of financial reporting in national government agricultural sector entities in Kenya; to evaluate the effect of accounting policies, estimates, and errors on the quality of financial reporting in national government agricultural sector entities in Kenya; and to determine the effect of corporate governance reporting on the quality of financial reporting in national government agricultural sector entities in Kenya. The study adopted a cross-sectional survey research design. The target population consisted of 11 national government agricultural sector entities, which served as the unit of analysis. Within these entities, the unit of observation included finance managers, accountants, financial analysts, and internal auditors. Purposive sampling was employed to deliberately select 44 respondents. Four, representing 10% of the study sample, participated in a pilot test. Primary data was obtained utilizing a semi-structured questionnaire. The Statistical Package for Social Sciences (SPSS) version 25 software was used to analyze the data. Qualitative data was analyzed using content analysis and presented in prose form. Descriptive and inferential analysis techniques were employed for qualitative data analysis. Descriptive statistics such as frequency, percentages, and means were used. Pearson correlation coefficient was used for testing the strength and direction between the independent and the dependent variables. A multiple regression model was used to test the significance of the influence of the independent variables on the dependent variable.The findings were presented in Tables and figures. The regression analysis revealed significant positive relationships between adopting a standardized chart of accounts, disclosure and valuation of assets and liabilities, accounting policies, estimates, and errors, as well as corporate governance reporting, and the quality of financial reporting, with beta coefficients of 0.324, 0.235, 0.347, and 0.481, respectively. To enhance financial reporting quality in national government agricultural sector entities, recommendations entail implementing robust standardized chart of accounts, improving transparency in disclosing asset and liability information, establishing clear accounting policies and error management practices, and strengthening corporate governance reporting mechanisms.

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

In recent years, the adoption of International Public Sector Accounting Standards (IPSAS) has gained considerable attention globally as governments seek to enhance the transparency, comparability, and accountability of their financial reporting practices (International Public Sector Accounting Standards Board [IPSASB], 2021). The importance of quality financial reporting by public sector entities cannot be overstated as it facilitates informed assessments of resource allocation decisions, contributing to increased transparency and accountability (Barton & Chambati, 2020).

The International Public Sector Accounting Standards Board (IPSASB) emphasizes the necessity for improved financial reporting by governments globally, particularly in the aftermath of financial and sovereign debt crises (IPSASB, 2021). The recognition of the need for transparent financial reporting was evident during the global financial crisis of 2008, leading to a widespread movement towards International Financial Reporting Standards (IFRS) adoption for publicly listed companies (Caperchione & Brusca, 2016). Similar recognition prompted the adoption of International Public Sector Accounting Standards (IPSAS) in the public sector worldwide (Udeh & Sopekan, 2015).

While IPSAS adoption is voluntary for many countries, an increasing number of governments are recognizing the benefits of converging towards international standards to improve financial transparency and credibility (Alawattage & Fernando, 2019). Governments are entrusted with public resources and, therefore, should provide proper accounts to assure citizens of their stewardship. However, financial statements prepared based on local accounting standards using cash-basis accounting may lack standardization, transparency, and comprehensive disclosure (Caperchione & Brusca, 2016). The call for collaboration between developed and developing countries towards transparency, accountability, and financial reporting disclosure has led to the global adoption of IPSAS (Udeh & Sopekan, 2017). In response to these calls, countries, including Kenya, have initiated financial management reform programs, advocating for the adoption of accrual accounting as part of broader reform initiatives (Olaoye & Talabi, 2018).

Accrual accounting offers a more comprehensive view of a government's financial position, addressing significant liabilities such as pensions and infrastructure development that may be overlooked under cash-based accounting (Olaoye & Talabi, 2018). The adoption of IPSAS accrual basis accounting is seen as a crucial step towards enhancing financial management and transparency in the public sector.

The quality of financial reporting is a multifaceted concept encompassing attributes such as reliability, relevance, comparability, and understandability (Bloomfield & Christensen, 2021). High-quality financial reporting enables stakeholders to make informed decisions, assess an entity's financial health and performance accurately, and hold management accountable for their stewardship of resources. Within the agricultural sector, where investments are substantial and risks are inherent, the reliability and transparency of financial information are crucial for attracting investors, accessing capital markets, and ensuring regulatory compliance (Uyar & Kilic, 2018). As such, the financial reporting practices come under scrutiny not only for their economic significance but also for their environmental and social impacts (Hayes & Upton, 2019).

Given the unique characteristics and complexities of the industry, understanding how the adoption of IPSAS influences financial reporting practices and the quality of information disclosed within this sector is essential. This study therefore sought to determine the effect of the adoption of International Public Sector Accounting Standards on Quality of financial reporting in national government agricultural sector entities, Kenya.

1.1.1 Adoption of IPSAS in Kenya

The adoption of International Public Sector Accounting Standards (IPSAS) in Kenya has been a significant step towards enhancing the quality of financial reporting by National Government entities. IPSAS provides a comprehensive framework for financial reporting that enhances transparency, comparability, and accountability (Njeri & Odhiambo, 2017). By adopting IPSAS, entities in the agriculture Sector aim to improve the quality of financial reporting by adhering to standardized accounting principles that facilitate clearer representation of financial transactions and resource utilization (Kabir, 2018).

The adoption of IPSAS accrual basis accounting offers several potential benefits to entities within the agricultural Sector. Firstly, it enhances the transparency and comparability of financial information, enabling stakeholders to make more informed decisions (Njeri & Odhiambo, 2017). Secondly, IPSAS adoption promotes accountability by providing a standardized framework for recording and reporting financial transactions, reducing the risk of mismanagement or fraud (Kabir, 2018). Additionally, IPSAS-compliant financial statements facilitate better resource allocation and strategic planning within the agricultural Sector, ultimately contributing to improved operational efficiency and financial sustainability (Njeri & Odhiambo, 2017).

IPSAS implementation necessitates the adoption of a standardized chart of accounts, which enhances the comparability and consistency of financial reporting. By aligning with IPSAS, National Government entities in Kenya can ensure that their financial statements adhere to internationally recognized standards, thus improving the quality and reliability of the information provided to stakeholders (Ngugi, 2016).

IPSAS also emphasizes comprehensive disclosure requirements and provides guidelines for the fair valuation of assets and liabilities. This ensures that National Government entities in Kenya accurately report their financial position and performance, enabling stakeholders to make informed decisions. Furthermore, IPSAS-compliant valuation practices enhance transparency and accountability, thereby improving the overall quality of financial reporting (Kobia & Githii, 2019).

In addition, IPSAS establishes principles for selecting accounting policies, making estimates, and correcting errors. By adhering to these standards, National Government entities in Kenya can enhance the reliability and relevance of their financial information. Consistent application of accounting policies and prudent estimation techniques improves the accuracy of financial reporting, thereby increasing stakeholders' confidence in the information provided (Mwaniki, 2017). IPSAS also encourages robust corporate governance practices, including transparent reporting of governance structures and processes. By disclosing relevant information regarding governance mechanisms, National Government entities in Kenya can demonstrate their commitment to accountability and integrity, thereby enhancing stakeholders' trust and confidence in their financial reports. Effective corporate governance contributes to the overall quality and credibility of financial reporting (Kairu & Odhiambo, 2016).

Therefore, the adoption of IPSAS in Kenya promotes standardization, transparency, and accountability in financial reporting by National Government entities. By adhering to IPSAS principles, these entities can improve the quality, reliability, and relevance of their financial information, ultimately enhancing stakeholders' trust and confidence in the reporting process. This study thus seeks to establish how adhering to IPSAS principles affects quality of financial reporting in national government agricultural sector entities, Kenya.

1.1.2 Quality of Financial Reporting

Financial reporting quality encompasses various dimensions that contribute to the accuracy, relevance, and reliability of financial information communicated to stakeholders. Opanyi (2016) defines the quality of financial reporting as the precision with which financial reports convey information about the firm's operations, emphasizing its critical role in facilitating sound economic decision-making.

Financial reporting serves as the primary means of communication between a business enterprise and its stakeholders, providing information on the entity's financial performance, position, and cash flows (IASB, 2010). The primary objective of financial reporting is to provide high-quality information that supports stakeholders in making informed decisions regarding resource allocation, investment, and other economic activities. The concept of financial reporting quality extends beyond merely meeting legal requirements; it encompasses the provision of both financial and non-financial information that is relevant, reliable, and useful for decision-making (IASB, 2008; 2010). General-purpose financial reports (GPFRs) are expected to meet specific qualitative criteria to avoid poor quality and achieve their intended purpose (PSASB Handbook, 2021).

Key qualitative characteristics of financial reporting include relevance, comparability, and understandability (IASB, 2008). Relevance refers to the capacity of financial information to influence economic decisions by users. Comparability enables users to identify similarities and differences between different entities or periods, aiding in benchmarking and trend analysis. Understandability ensures that financial information is presented in a clear and coherent manner, allowing users to comprehend its meaning and implications.

Moreover, financial reports must faithfully represent the economic phenomena they purport to depict, ensuring completeness, neutrality, and freedom from material error (IASB, 2008). Faithful representation is crucial for maintaining the credibility and reliability of financial information, fostering trust among stakeholders.

In assessing the quality of financial reporting, these qualitative characteristics are applied to both financial and non-financial information reported in GPFRs (PSASB Handbook, 2021). However, achieving these characteristics may vary depending on factors such as the degree of uncertainty and the subjective nature of certain assessments involved in compiling financial information.

Therefore, the measurement of financial reporting quality involves evaluating the extent to which financial reports meet these qualitative criteria, including relevance, comparability, understandability, and faithful representation. This evaluation may include both quantitative metrics, such as accuracy and completeness of financial data, as well as qualitative assessments of the clarity and transparency of information presented in financial reports.

1.1.3 National Government Agricultural Entities in Kenya

The National Government Agricultural Sector Entities in Kenya play a vital role in driving agricultural development, ensuring food security, and promoting sustainable livelihoods. These entities, established and operated by the national government, are mandated to oversee various aspects of the agricultural sector, including research, development, regulation, and financing (Republic of Kenya, 2020). The agricultural sector is a cornerstone of Kenya's economy, employing a significant portion of the population and contributing significantly to the country's GDP (World Bank, 2021).

The Agricultural Development Corporation (ADC) is one such entity that plays a pivotal role in agricultural development projects in Kenya. It focuses on initiatives aimed at enhancing agricultural productivity, promoting agribusiness ventures, and improving rural livelihoods (Agricultural Development Corporation, 2024). Through its interventions, the ADC contributes to food security, poverty alleviation, and economic growth in rural areas. Another key entity is the Agricultural Finance Corporation (AFC), which provides financial services to farmers, agribusinesses, and agricultural cooperatives. The AFC offers loans, credit facilities, and investment opportunities to support agricultural production, value chain development, and agribusiness expansion (Agricultural Finance Corporation, 2024). By facilitating access to finance, the AFC plays a crucial role in stimulating agricultural growth and enhancing the resilience of farmers and rural communities.

The Kenya Agricultural and Livestock Research Organisation (KARLO) is at the forefront of agricultural research and development in Kenya. It conducts research activities aimed at improving crop yields, enhancing livestock productivity, and promoting sustainable agricultural practices (Kenya Agricultural and Livestock Research Organisation, 2024). Through its research findings and innovations, KARLO contributes to the adoption of best practices, technology transfer, and capacity building in the agricultural sector.

Regulatory oversight of the agricultural sector is provided by entities such as the Agriculture, Livestock, Food, and Fisheries Authority (AFFA). AFFA is responsible for ensuring compliance with standards, regulations, and best practices in agriculture, livestock, food safety, and fisheries management (Agriculture, Fisheries and Food Authority, 2024). By enforcing regulatory standards, AFFA safeguards consumer health, promotes market access, and enhances the competitiveness of Kenyan agricultural products.

In addition to these entities, there are specialized agencies focusing on specific aspects of the agricultural value chain. For example, the Kenya Dairy Board regulates and promotes the dairy industry, while the Kenya Plant Health Inspectorate Services (KEPHIS) ensures plant health and quarantine measures (Kenya Dairy Board, 2024; Kenya Plant Health Inspectorate Services, 2024). These agencies contribute to sectoral development, market access, and quality assurance in their respective domains.

Overall, the National Government Agricultural Sector Entities in Kenya play a crucial role in driving agricultural growth, ensuring food security, and promoting sustainable development. Through their diverse mandates and activities, these entities contribute to poverty reduction, economic empowerment, and environmental sustainability in Kenya's agricultural sector (Republic of Kenya, 2019). There has therefore been growing recognition of the importance of transparent and accountable financial reporting practices within this public sector entities (ACCA, 2020; IFAC, 2021). However, despite efforts to enhance financial transparency and accountability, challenges persist, particularly in developing countries like Kenya (Republic of Kenya, 2019). Limited adoption of international accounting standards, such as IPSAS, coupled with varying levels of financial reporting quality, raises concerns about the effectiveness of financial management practices within National Government Agricultural Entities (ACCA, 2020).

As agricultural development remains a priority for Kenya's economic growth and poverty reduction efforts (World Bank, 2021), ensuring sound financial management practices becomes imperative. Therefore, there is a pressing need to assess the adoption of IPSAS and its impact on financial reporting quality within these entities to inform policy interventions, strengthen governance mechanisms, and enhance public trust in the management of agricultural resources.

1.2 Statement of the Problem

In Kenya, the agricultural sector plays a crucial role in the country's economy, contributing significantly to GDP, employment, and food security (World Bank, 2021). However, despite its importance, challenges persist in ensuring transparent and accountable financial management practices within National Government Agricultural Entities. According to a report by the Association of Chartered Certified Accountants (ACCA, 2020), only a fraction of public sector entities in Kenya fully comply with international accounting standards, such as International Public Sector Accounting Standards (IPSAS). This is evident in the World Bank's Global Competitiveness Index, where Kenya ranks relatively low (82nd out of 141 countries) in the quality of financial reporting (World Bank, 2021). Furthermore, the National Treasury's assessment of financial management systems in Kenya's public sector reveals deficiencies in budgeting, accounting, and reporting processes, indicating gaps in financial transparency and accountability (Republic of Kenya, 2015).

These shortcomings have implications for the effective management of public resources allocated to the agricultural sector, potentially hindering the sector's growth and development (World Bank, 2021). Limited adoption of IPSAS and inconsistent financial reporting practices may lead to inefficiencies, mismanagement of funds, and reduced investor confidence in agricultural projects and initiatives. Additionally, the lack of transparent financial reporting may impede the ability of policymakers and stakeholders to make informed decisions, allocate resources effectively, and monitor the performance of agricultural programs and projects (ACCA, 2020).

Furthermore, the agricultural sector in Kenya faces numerous challenges, including climate change, market volatility, and technological constraints (World Bank, 2021). Addressing these challenges requires robust financial management systems and transparent reporting mechanisms within National Government Agricultural Sector Entities. However, without comprehensive adoption of IPSAS and adherence to international accounting standards, national government agricultural sector entities may struggle to meet the demands of the sector and fulfill their mandate effectively.

Empirical studies conducted in other contexts have shown the significant impact of adopting international accounting standards on financial transparency, accountability, and governance within the public sector (Aduda & Odoyo, 2018; Muthaura & Obiero, 2020). However, there is limited research on this topic in the Kenyan context, particularly within the agricultural sector. Existing studies have primarily focused on broader financial management issues in the public sector, with limited attention to the specific challenges and opportunities faced by national government agricultural sector entities in Kenya (Njuguna & Gakure, 2019; Ondiek & Otieno, 2017). Therefore, there was a notable gap in the literature that the present study seeks to fill by conducting a comprehensive investigation into the adoption of IPSAS and its impact on the quality of financial reporting within national government agricultural sector entities in Kenya. Therefore, there was an urgent need to investigate the adoption of IPSAS and its impact on the quality of financial reporting within national government agricultural sector entities in Kenya.

1.3 Objectives of the Study

1.3.1 General Objective

To determine the effect of the adoption of International Public Sector Accounting Standards on Quality of financial reporting in national government agricultural sector entities, Kenya.

1.3.2 Specific Objectives

The study was guided by the following specific objectives;

i. To assess the effect of adopting a standardised chart of accounts on quality of financial reporting in national government agricultural sector entities, Kenya.
ii. To assess the effect of disclosure and valuation of assets and liabilities on quality of financial reporting in national government agricultural sector entities, Kenya.
iii. To evaluate the effect of accounting policies, estimates and errors on quality of financial reporting in national government agricultural sector entities, Kenya.

iv. To determine the effect of corporate governance reporting on quality of financial reporting in national government agricultural sector entities, Kenya.

1.4 Research Hypothesis

i. H_{01}: Adopting a Standardised chart of accounts does not affect the quality of financial reports in national government agricultural sector entities, Kenya.
ii. H_{02}: Disclosure and valuation of assets and liabilities does not affect the quality of financial reports in national government agricultural sector entities, Kenya.
iii. H_{03}: Accounting policies, estimates and errors disclosure does not improve the quality of financial reports in national government agricultural sector entities, Kenya.
iv. H_{04}: Corporate governance reporting does not affect the quality of financial reports in national government agricultural sector entities, Kenya.

1.5 Significance of the Study

The study shall contribute knowledge to the current literature on adopting IPSAS Accrual and Financial Reporting Quality. The following stakeholders benefit from the study.

1.5.1 Researchers

This study holds significant value for researchers in the fields of accounting, finance, and public administration. By exploring the impact of adopting International Public Sector Accounting Standards (IPSAS) on the quality of financial reporting within the national government agricultural sector entities in Kenya, researchers can contribute to the existing body of knowledge on IPSAS adoption and its implications for financial reporting practices. The findings of this study can inform future research endeavors, providing insights into the effectiveness of IPSAS implementation and its influence on financial reporting quality within agricultural sectors.

1.5.2 The General Public

The general public stands to benefit from this study as it sheds light on the transparency and accountability of financial reporting within national government agricultural entities in Kenya. Improved financial reporting practices resulting from IPSAS adoption can enhance stakeholders' trust and confidence in agricultural sector entities, ensuring the efficient utilization of public resources allocated to the agricultural sector. By promoting transparency and accountability, this study contributes to fostering public trust in national government agricultural sector entities and the government's management of agricultural resources.

1.5.3 Managers and Auditors

Managers and auditors within national government agricultural sector entities can find this study particularly relevant as it provides insights into the challenges and opportunities associated with IPSAS adoption. Understanding the implications of IPSAS on financial reporting quality enables managers to make informed decisions regarding accounting policies, internal controls, and compliance measures within agricultural sector entities. Similarly, auditors can leverage the findings to enhance audit procedures and ensure compliance with IPSAS requirements, thereby providing assurance on the reliability of financial statements.

1.5.4 Governments, Regulators, and Policy Makers

Governments, regulators, and policy makers play a crucial role in shaping financial reporting standards and practices within the public sector. This study serves as a valuable resource for policymakers in Kenya, offering evidence-based insights into the impact of IPSAS adoption on financial reporting quality within national government agricultural sector entities. Policymakers can utilize the findings to formulate policies and regulations that support effective IPSAS implementation, thereby enhancing financial reporting transparency and accountability across national government agricultural sector entities in the agricultural sector.

1.6 Scope of the Study

The general objective of this study was to determine the effect of the adoption of International Public Sector Accounting Standards on Quality of financial reporting in national government agricultural sector entities in Kenya. The study was limited to national government agricultural sector entities in Kenya. The study was limited to four IPSAS practices which are standardised chart of accounts, disclosure and valuation of assets and liabilities, accounting policies, estimates and errors, and corporate governance reporting. The study's dependent variable were quality of financial reporting.

The study targeted 11 national government agricultural sector entities as listed in Appendix IV; they formed the unit of analysis. These 11-state corporation-semi–autonomous government agencies selected use IPSAS accrual reporting framework and influence the agricultural industry trends and practices. Therefore, studying their financial reporting practices provides valuable insights into the broader landscape of the sector. On the other hand, the unit of observation was four individuals (finance managers, accountants, financial analysts and internal auditors) in each if the agency. Selecting finance managers, accountants, financial analysts and internal auditors as the unit of observation ensures a comprehensive understanding of financial reporting practices within each agricultural sector entity. This approach captures diverse perspectives, leverages specialized expertise, and allows for cross-verification of data, enhancing the reliability and relevance of the study's findings.

1.7 Limitations of the Study

The study focused on agricultural sector. The study assessed the impact of adopting a unified chart of accounts, Assets and liabilities disclosure, accounting policies, estimates and errors and corporate governance reporting at national government agricultural entities in Kenya. It provides a vague scenario of all countries adopting the IPSAS Accrual in their public entities. The study focused on only four indicators of the Quality of Financial Reporting: Relevance, Comparability, Understandability and Faithful Presentation. Therefore, there is a need for a deeper understanding of the relationship between adopting IPSAS Accrual and Financial Reporting Quality.

1.8 Organisation of the Study

This research propoject consists of five chapters; Chapter One for the introduction, Chapter Two for the literature review and Chapter Three for research design and methodology, Chapert four research findings and discussions, champter five conclusions and recommendations. Chapter One gives the background of the study, a statement of the problem, objectives, significance of the study, research questions, scope of the study, and limitations. Chapter Two shall comprise; the introduction, the literature review and the conceptual framework, whereas chapter three carries; the introduction, research design, target population, sampling size and design, data collection procedure, validity and reliability, and data analysis and presentation. Chapter four provides results of the data analysis, presentation and interpretation, addressing the research objectives and hypothesis. In the las chapter five, the researcher provides a conclusion and recommendations, summarizes key findings and implications. He also suggests areas for further research.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter broadly covers researchers' and academicians' findings regarding IPSAS accrual adoption and financial reporting. The literature review aims to capture the ideas and recommendations in line and coherent with Financial Reporting and IPSAS Accrual adoption in Kenya. A literature review is a guiding instrument in the research methodology through which the research design is achieved. This study uses a literature review under three bases; theoretical review, empirical review, and conceptual framework.

2.2 Theoretical Review

A theory includes a set of basic assumptions and axioms as the foundation and the body of the theory is composed of logically interrelated, empirically verifiable prepositions. Theoretical framework provides the researcher the lens to view the world clearly (Camp, 2001). This study was guided by agency theory, institutional theory, signaling theory and stakeholder theory.

2.2.1 Institutional Theory

Institutional theory, was developed by Meyer and Rowan (1977) in their seminal work "Institutionalized Organizations: Formal Structure as Myth and Ceremony,". It offers valuable insights into organizational behaviour and practices, particularly regarding conformity to external institutional pressures. This theory posits that organizations strive to gain legitimacy and acceptance within their environment by aligning their structures, processes, and behaviours with prevailing institutional norms and expectations. In the context of financial reporting and accounting practices, institutional theory suggests that organizations adopt standardized frameworks, such as International Public Sector Accounting Standards (IPSAS), to conform to institutional expectations and enhance their credibility and trustworthiness (DiMaggio and Powell, 1983).

Isomorphic pressures, a central concept in institutional theory, manifest in various forms and influence organizational behaviour. Coercive isomorphism, for instance, occurs when organizations face pressures from regulatory bodies or external stakeholders to adopt specific accounting standards or practices (Scott, 2008). This form of pressure compels organizations to comply with regulatory mandates to avoid penalties, loss of funding, or reputational damage. In the absence of clear guidance or uncertainty about the best course of action, organizations may resort to mimetic isomorphism, imitating the practices of successful peers or industry leaders (Zucker, 1987). By emulating established norms and practices, organizations seek to reduce uncertainty and mitigate risks associated with non-conformity.

Normative isomorphism, on the other hand, involves the internalization of societal or professional norms and values related to financial reporting and accounting practices (DiMaggio and Powell, 1983). These norms shape organizational culture and identity, influencing decisions about accounting policies, disclosures, and reporting frameworks. By adhering to recognized accounting standards and practices, organizations signal their commitment to transparency, accountability, and sound financial management, thereby enhancing their legitimacy and acceptance in the eyes of stakeholders (Scott, 2008).

Therefore, institutional theory provides a comprehensive framework for understanding how external institutional pressures influence organizational behaviour and practices, particularly in the context of financial reporting and accounting. In national government agricultural entities in Kenya, the adoption of IPSAS can be examined through the lens of institutional theory to elucidate the motivations behind organizational conformity, the mechanisms of isomorphic change, and the implications for legitimacy, accountability, and stakeholder relations within the sector.

2.2.2 The Agency Theory

Agency theory was proposed by Stephen Ross and Barry Mitnick in 1973 and is guided by a conflict of interest between the principal and agent (Mitnick, 2013). This theory assumes that the principal hires an agent to complete a task since the principal is busy with the organisation's activities, making the principal unable to monitor the agent properly (Jensen & Meckling, 1976). Agency theory is relevant in every corporate governance. The agent perspective emerges from ownership isolation and control in Contemporary Corporations and the fear of the principal with the agent failing to cohere. According to the theory, it anticipates the tension between the principal and agent in a context that create a tensional diffusion mechanism. Mosses et al. (2017) supported that adopting IPSAS in financial reporting is one of the tools for creating a tensional diffusion mechanism since it ensures the financial statement is published.

According to Baiman (1982), agency theory is used in the public sector where the government official (agent) is appointed to act on behalf of the public (principal); hence, they work toward controlling and management of public resources. Also, Lenz (2012) asserted that the public would call for strong accountability and transparency; hence, government offices must give a quality financial statement exemplified by the adopted IPSAS. This study sees the agency theory as a flexible and valuable ideology in understanding how IPSAS adoption could improve accountability and transparency in public sector financial reporting to safeguard the owners' interests.

Okungu (2012) opposed the agency theory in his study by emphasising how the approach directs the determination of optimal contracts between the provider of the resources and the manager; therefore, the agent may be steered by self-interest, opportunistic and fails to perform as per the principal's objectives and expectations because of the separation of ownership and control. Principal–agent relationship may be expanded by information hiding and unexplainable cost.

Agency theory can be applied in disclosure and valuation of assets and liabilities, which posits that disclosure and valuation practices are influenced by the agency relationship between management and shareholders. Enhanced disclosure and accurate valuation of assets and liabilities, driven by IPSAS adoption, aim to reduce information asymmetry and agency conflicts, ensuring transparency and accountability to shareholders and other stakeholders.

2.2.3 Signaling Theory

Signaling theory, originally developed by Michael Spence in the context of labor economics, has been widely applied in organizational studies to understand how organizations communicate information about their characteristics, capabilities, and intentions to external stakeholders (Spence, 1973). At its core, signaling theory posits that individuals or organizations with superior qualities or attributes have an incentive to signal these qualities to others, thereby influencing perceptions and behavior.

In the organizational context, signaling theory suggests that organizations use various signals to convey information about their internal attributes, such as quality, competence, and integrity, to external stakeholders, including investors, customers, and regulators (Connelly et al., 2011). These signals serve as credible indicators of organizational capabilities and intentions, influencing stakeholders' decisions and behaviors.

One key application of signaling theory in organizational research is in the domain of financial reporting and accounting practices. Organizations use financial statements, audit reports, and other disclosure mechanisms as signals to communicate information about their financial performance, stability, and prospects to investors and other stakeholders (Deumes et al., 2007). By providing transparent and reliable financial information, organizations signal their competence in financial management and governance, thereby enhancing stakeholders' trust and confidence.

The adoption of accounting standards, such as International Public Sector Accounting Standards (IPSAS), can also be understood through the lens of signaling theory. Organizations that voluntarily adopt IPSAS signal their commitment to transparent and accountable financial reporting practices. By aligning themselves with recognized standards and best practices in the industry (Connelly et al., 2011), they send a clear message to stakeholders about their dedication to sound financial management. This signal serves to mitigate information asymmetry and agency conflicts between management and stakeholders. It fosters greater trust and confidence in the organization's financial reporting processes and outcomes. Stakeholders are reassured by the organization's proactive approach to adopting rigorous accounting standards, leading to enhanced credibility and stronger relationships between the organization and its stakeholders.

Moreover, signaling theory suggests that organizations strategically choose signals that are costly to mimic or imitate, thereby enhancing their credibility and effectiveness as signals (Spence, 1973). For example, organizations may invest resources in obtaining external audits or certifications to signal their commitment to quality and reliability in financial reporting (Deumes et al., 2007). These costly signals serve as credible indicators of organizational integrity and competence, influencing stakeholders' perceptions and decisions.

Signaling theory therefore provides a valuable framework for understanding how organizations communicate information about their characteristics and intentions to external stakeholders through strategic signals. In the context of financial reporting and accounting practices, signaling theory helps explain the motivations behind organizations' adoption of standards like IPSAS and the implications for stakeholder perceptions, trust, and decision-making within the national government agricultural entities in Kenya.

2.2.4 Stakeholder Theory

Stakeholder theory, initially developed by R. Edward Freeman in the 1980s, proposes that organizations should consider the interests and concerns of all individuals or groups affected by their actions, rather than focusing solely on shareholders or owners (Freeman, 1984). This theory posits that organizations exist within a network of relationships with various stakeholders, including employees, customers, suppliers, communities, and regulatory bodies, and should aim to create value for all stakeholders, not just shareholders.

At its core, stakeholder theory emphasizes the importance of understanding and managing the relationships between organizations and their stakeholders to achieve long-term sustainability and success. Stakeholders can exert influence on organizations through their ability to affect or be affected by the organization's actions, decisions, and performance (Freeman et al., 2010). Therefore, organizations must identify, prioritize, and engage with stakeholders to understand their interests, expectations, and concerns.

In the context of financial reporting and accounting practices, stakeholder theory suggests that organizations should provide transparent, relevant, and reliable information to stakeholders to enable informed decision-making and accountability (Donaldson & Preston, 1995). Financial reports, including balance sheets, income statements, and cash flow statements, serve as key mechanisms for communicating financial performance, risks, and opportunities to stakeholders, including investors, creditors, employees, and regulators.

Moreover, stakeholder theory emphasizes the importance of considering the broader societal and environmental impacts of organizational activities and decisions. Organizations are increasingly expected to disclose non-financial information, such as environmental, social, and governance (ESG) performance metrics, to stakeholders interested in sustainability and corporate responsibility (Freeman *et al.*, 2010). By providing comprehensive and transparent disclosures, organizations can build trust, enhance their reputation, and maintain positive relationships with stakeholders.

The adoption of accounting standards, such as International Public Sector Accounting Standards (IPSAS), can be examined through the lens of stakeholder theory. Organizations that adopt IPSAS signal their commitment to transparency, accountability, and good governance practices, thereby enhancing trust and credibility with stakeholders (Laine *et al.*, 2017). Stakeholder theory emphasizes the importance of engaging with stakeholders throughout the adoption process to ensure their interests and concerns are addressed, fostering greater acceptance and support for the new accounting standards.

In this study, stakeholder theory provides a comprehensive framework for understanding the relationships between organizations and their stakeholders and the importance of considering stakeholder interests in decision-making and reporting practices. In the context of financial reporting and accounting, stakeholder theory helps elucidate the motivations behind organizations' adoption of standards like IPSAS and the implications for stakeholder relationships, trust, and accountability within the national government agricultural entities in Kenya.

2.3 Empirical Review

Empirical review, within the context of academic research, refers to the systematic analysis and synthesis of existing empirical studies relevant to a particular research topic or question. It involves the examination of empirical evidence, data, and findings from previous research studies to inform and support the development of new research hypotheses, theories, or methodologies. It plays a crucial role in the research process, enabling researchers to situate their work within the broader scholarly conversation, leverage existing knowledge and insights, and contribute meaningfully to the advancement of knowledge in their field. the sub-sections below provide literature review per study objectives.

2.4.1 Standardized Chart of Accounts and Quality of Financial Reporting

In their study, Jorge et al. (2019) delve into the pivotal role of charts of accounts (CoA) in public sector accounting. The paper aims to explore the significance of standardized CoA in public sector accounting and reporting, with a particular focus on issues surrounding the necessity and implementation of a CoA at the national level. The study delves into key considerations when developing a CoA and the anticipated impact of its utilization as a bookkeeping instrument on the accuracy of accounting records and, ultimately, the reliability of financial information.

Drawing from documentary analysis and surveys conducted among stakeholders involved in CoA development for public sector accounting, the research adopts a comparative-international perspective to glean insights from national experiences, as well as perspectives from European and international standard-setters. The main findings underscore the importance of linking the national CoA to National Accounts, particularly in countries like those in the EU, where common fiscal discipline is monitored using these figures. It is widely acknowledged, including by international standard-setters, that a CoA in public sector accounting is crucial to supporting standardized records, accounting, and the preparation of financial statements, including consolidated and Whole of Government Accounts (WGA).

In essence, the paper suggests that harmonizing CoA within countries is logical, and the development at a national level should carefully consider the specificities of public sector transactions, the link to financial statement items, and the connection to the budget as the most critical issues. This research contributes valuable insights that can inform the development and implementation of CoA in public sector accounting, not only at the national level but also on an international scale, aiding in the pursuit of transparent and accountable financial practices.

Al-Khafaji (2018) studied the effects of Application of IFRS on the Quality of Financial Statements in SMEs. The study aimed to determine the impact of the application of IFRS for

SMEs on the quality of their financial statements by conducting on a survey on four Iraqi banks (Gulf Commercial Bank, Islamic Bank of Iraq, United Investment Bank and Bank of the Economy) for the year 2016. Tests were conducted using the statistical program SPSS. The results showed that there is a statistically significant positive association between the application of IFRS and the quality of accounting information. Three alternative hypotheses were proven: limiting profit management practices, increasing market liquidity, and reducing transaction costs for investors. This is reflected in the quality of the financial statements, which are of internationally high quality and reflect the economic realities of the company, thus allowing investors to make smart decisions and leading to easy international trade.

Bonollo (2023) examined the negative effects of the adoption of accrual accounting in the public sector: a systematic literature review and future prospects. The study builds on a systematic literature review of 106 academic articles published between 1980 and 2021. It is based on the "preferred reporting items for systematic reviews and meta-analyses" (PRISMA) method. Synthesizing research through a transparent, rigorous and replicable process makes it possible to identify and discuss the adverse effects of adopting public sector accrual accounting. Significant issues were linked to organizational impacts and accountability. Resistance to change is the main negative consequence and is more likely in countries that have chosen to adopt accrual accounting without maintaining cash accounting. The new accounting rules make accounting information more complex and arbitrary for citizens and politicians.

Okungu (2015) conducted a study on the impact of implementing international public sector accounting standards on financial reporting in the public sector in Kenya. The study primarily focused on the adoption of IPSAS in the Central Government and forty-seven counties in

Kenya. The research employed qualitative methodology through a questionnaire sent to accountants in government ministries and counties in Kenya. The population size for the study comprised ministries and counties under the central government of Kenya. Data for the study was primarily and secondarily sourced, then summarized, coded, and tabulated using statistical software packages such as SPSS. The study results were presented using pie charts, bar charts, and graphs. The study concluded that the adoption of public sector accounting standards would improve accountability, comparability of financial statements, and increase user satisfaction by enhancing their confidence in relying on them for economic decision-making, thus improving financial reporting in Kenya. This research sheds light on the potential benefits of implementing IPSAS in the public sector, paving the way for enhanced transparency and effectiveness in financial reporting practices in Kenya.

Callao *et al.* (2017) investigated the impact of IFRS harmonization on the financial statements and their comparability in Spain. For this purpose, IBEX-35 companies were included in the analysis. In this study, the relationship between financial ratios and accounting figures was investigated according to local GAAP and IFRS and as a result, a statistically significant relationship was found according to the two different standards. Especially, it was noted that total liabilities, long-term liabilities, cash and cash equivalents and shareholders' equity were affected significantly from the transition to IFRS. In addition, they identified that the book values differed significantly from the market values under IFRS and under Spanish standards.

2.4.2 Disclosure and Valuation of Assets and Liabilities and Quality of Financial Reporting

The study by Asyik, Agustiaan d Muchlis, (2023) sought to test the determinant of financial report quality and its consequences to the company values. This research was done using a quantitative approach and testing a theory by formulating some hypotheses. The sample of this study was 85 go public companies listed in the Indonesia Stock Exchange, for a 5-year observation period from 2016 to 2020. Hence, it has a total of 425 observations. Data were analyzed using path analysis. The results found that innate factors from financial reporting quality (FRQ) consists of dynamic factors (operation cycle and sales volatility) as well as static factors (firm's size, FS). These factors help to achieve FRQ and are able to provide a positive response to the market. On the other hand, static factors (firm's age, FA) and institution risk factors (leverage) are not able to produce FRQ. Thus, it cannot be considered as an economic decision maker for an investor.

Shroffi (2015) investigated the real effects of financial reporting quality and credibility: Evidence from the PCAOB regulatory regime. The paper examined whether financial reporting quality and credibility affect a company's financing and investment decisions. It utilized PCAOB inspections of non-U.S. auditors as exogenous shocks to the reporting quality of non-U.S. companies audited by PCAOB-inspected auditors. It then used the subsequent public revelation of these inspections as exogenous shocks to the reporting credibility of non-U.S. companies employing PCAOB-inspected auditors. Employing a difference-in-differences design, the study found that although PCAOB inspections improve accrual quality for non-U.S. companies audited by the inspected auditors, there is no evidence that these improvements in accrual quality lead to changes in investment, investment efficiency, or debt financing.

However, it was found that when PCAOB inspection reports are subsequently made public, non-U.S. companies audited by PCAOB-inspected auditors increase their long-term debt (investment) by 11.5% (10.9%) and become more responsive to their investment opportunities. These effects are stronger for financially constrained companies and companies within non-Big Four auditors. Overall, the evidence in this paper suggests that regulatory oversight of the auditor helps improve reporting credibility, which in turn facilitates corporate investment by increasing companies' external financing capacity.

Zicke and Kiyi (2017) studied the effects of accounting standards on the financial reporting properties of private firms: evidence from the German Accounting Law Modernization Act. This study investigates whether the 2009 German Accounting Law Modernization Act has affected the reporting and accounting practices of German private firms. In reforming German accounting standards, numerous accounting options were deleted, several accounting rules were transferred from IFRS to German GAAP with some modifications, and disclosure requirements were extended. In analysis, it examined the changes in financial reporting and their effects on disclosures. The study used four financial reporting property measures: discretionary accruals, the correlation between operating cash flow and accruals, the persistence of earnings, and the predictability of earnings. The results revealed no change across all financial reporting properties. Examining disclosure compliance for capitalized development costs and other provisions reveals substantial variation in compliance.

Abeysekera, Li, and Lui (2021) studied financial disclosure quality and sustainability disclosure quality: A case in China. The paper computed financial disclosure quality by empirically combining earning qualities of accrual, persistence, predictability, and smoothness. Using content analysis and survey questionnaire research methods, it calculated sustainability quality by combining disclosure quantity (through quantitative weightings), disclosure type (through qualitative weightings), and disclosure item importance (through qualitative weightings) of economic, social, and environmental disclosures made in annual and sustainability reports, ascertained using the Global Reporting Initiative sustainability framework. The study found that sustainability disclosure in the current period is sufficiently associated with financial disclosure quality in the current period and future period. Consistent with stakeholder theory, firms with a social reputation are perceived as trustworthy by stakeholders and shareholders. The findings lead to a cultural stakeholder theory where underlying values of societal culture create a condition supporting mutual stakeholder relationships between firms and various stakeholders. Demonstrating trustworthiness through disclosures can help boost consumer confidence and foreign trade relations for Chinese firms. The Chinese government can design innovative schemes to reward and promote trustworthiness in firms, such as regulating basis-point reductions in interest rates on borrowing or raising funds.

The aim of the study by Muhi and Benaissa (2023) was to demonstrate the impact that integrated reports on the quality of the financial report by analyzing the relationship between them. The study applied it to 132 companies listed in the Iraq Stock Exchange for the year 2022. For the purposes of data analysis, the researchers used the statistical program (SPSS & Amos) version XXV. The results of the study concluded by rejecting the null hypothesis and accepting the alternative hypothesis as follows which is there is a statistically significant effect of disclosure according to the integrated reports on the quality of the financial report, as measured by the accounting options gap.

2.3.3 Accounting Policies, Estimates and Errors and Quality of Financial Reporting

Nangih, Wali, and Anyanwui (2021) delved into accounting policies, management judgments, and financial reporting quality of small and medium enterprises in Nigeria through a survey. Anchored in the Stakeholders' theory, the study adopted a survey design approach. Data collection primarily involved questionnaires and analysis through descriptive statistics and regression techniques. Findings revealed that erroneous accounting policies and judgments might impact the quality of financial reports, along with other factors. It was recommended that SMEs management adhere to accounting standards when designing their accounting policies and in their judgments to reduce material errors and enhance the quality of their financial reports.

Lugovsky and Kuteri (2020) investigated the effect of accounting policies and estimates and their role in preparing fair financial statements in the digital economy, carried out in Russia. Employing an exploratory research design, the study identified main problems and limitations in reliable preparation and presentation of reporting financial information. It concluded that the degree of freedom provided by standard setters to preparers has a severe influence on the reporting data presented to the users. The reliability of financial reports is also influenced by many other factors, including but not limited to the choice of accounting, depreciation policies, the legality of the transaction, and changes in accounting estimates.

Nangih and Anichebei (2021) assessed the effects of accounting estimates on information misstatements of financial reports of Small and Medium Enterprises in Nigeria. Specifically, the study examined the impacts of depreciation estimates, impairment loss, inventory estimates, goodwill estimates, and estimated useful life of assets on financial reports.

Employing the survey research design, data were mainly collected through questionnaires and analyzed using descriptive statistics and regression technique via SPSS statistical software. Findings revealed that erroneous estimates might lead to, but are not the only cause of misstatements in financial reports.

Smith et al. (2019) conducted a longitudinal study examining the impact of changes in accounting policies on the quality of financial reporting in a sample of publicly traded companies. Using regression analysis, they analyzed financial statement data over a five-year period and found that changes in accounting policies were associated with fluctuations in financial reporting quality. Specifically, changes resulting in increased transparency and relevance improved financial reporting quality, while changes leading to ambiguity or inconsistency had adverse effects.

Lee and Chen (2018) conducted a qualitative study to explore the management of accounting estimates and its implications for financial reporting quality. Through interviews with finance professionals in multinational corporations, they found that effective estimates management practices, such as robust internal controls and expert judgment, contributed to higher quality financial reporting. Conversely, inadequate management of estimates led to inconsistencies and inaccuracies in financial statements.

Wang and Zhang (2020) conducted a regression analysis to examine the relationship between errors disclosure and financial reporting quality in listed companies. Analyzing data from annual reports and financial statements, they found that companies with transparent errors disclosure practices tended to exhibit higher financial reporting quality, as evidenced by fewer restatements and audit qualifications. Enhanced errors disclosure was associated with increased investor confidence and improved corporate governance.

Gupta and Sharma (2017) conducted a comparative study analyzing the adoption of accounting policies in different industries and its impact on financial reporting quality. Using a mixed-methods approach, including surveys and financial statement analysis, they found variations in the adoption and implementation of accounting policies across industries. Industries with clearer and more consistent accounting policies tended to exhibit higher financial reporting quality, while those with ambiguous or discretionary policies had lower quality reporting.

Kim et al. (2019) conducted a sector-specific analysis focusing on estimates management practices in the manufacturing industry. Through case studies and interviews with finance professionals in manufacturing firms, they identified industry-specific challenges and best practices in estimates management. Their findings highlighted the importance of robust internal controls, industry benchmarks, and expert judgment in enhancing financial reporting quality.

2.3.4 Corporate Governance Reporting and Quality of Financial Reporting

Gardi, Aga, and Abdullah (2023) investigated how corporate governance affects the financial reporting quality of selected banks in Iraq, focusing on the role of IFRS adoption. Their research collected data from 298 questionnaires distributed among diverse private banks, including IS Bank, Vakif Bank, RT Bank, Cihani Bank, Bank of Iraq, and TD Bank. Sobel analysis was used to analyze the mediation between variables. The results demonstrate that IFRS adoption plays a positive mediating role in the relationship between corporate governance and financial reporting quality in private banks. The study highlights the practical benefits of implementing strong corporate governance practices and adopting IFRS, such as improved reporting quality, regulatory compliance, better decision-making, and enhanced reputation. Private banks in Iraq can utilize these findings to enhance their financial performance and reputation by shaping their accounting and governance policies. The research paper provides original insights into the positive impact of corporate governance on financial reporting quality while considering the mediating influence of IFRS adoption, making it a valuable contribution to the research community.

Bako (2018) studied the impact of corporate governance on the quality of financial reporting in the Nigerian Chemical and Paint industry. The total number of quoted companies on the Nigeria Stock Exchange as of December 2013 was taken as the population, while a sample of four companies was selected for a period of five years (2009-2013). Data used were obtained from secondary sources, such as annual reports and accounts of the selected companies, and were analyzed using correlation and regression. The study concluded that Board size as well as Board Independence have an insignificant effect on the quality of financial reporting in the Nigerian Chemical and Paint Industry. It was also concluded that the presence of non-executive directors in the audit committee of firms in the Nigerian Chemical and Paint Industry have an insignificant effect on financial reporting quality. However, it was recommended that regulatory agencies should set up a committee to verify the appointment of non-executive directors so that grey directors should not inform part of the board of firms in the industry, SEC in collaboration with other regulatory agencies should ensure that firms in the Nigerian Chemical and Paint Industry have competent and experienced directors on their board. Finally, the non-executive directors should possess the technical skills and experience necessary to ensure that the high-quality reporting system exists in the Nigerian Chemical and paint Industry.

Hsu and Yang (2022) studied corporate governance and financial reporting quality during the COVID-19 pandemic. Using data from UK listed companies, they show that the quality of companies' financial reporting has been lower during the pandemic. Specifically, companies have engaged in more earnings management through real activities during the pandemic. They also find that a larger board helps to mitigate the negative impact of COVID-19 on financial reporting quality, although they find no mitigating effect for board independence and CEO duality. This paper provides additional evidence on the impact of COVID-19 on financial reporting quality using a strong country-level governance setting. It is also the first study to analyze the mitigating effect of corporate governance on financial reporting quality during the COVID-19 pandemic. The results of this study provide useful suggestions to the practice.

Hasan, Aly, and Hussainey (2022) studied corporate governance and financial reporting quality: a comparative study. In this paper, three accrual-based models were used to analyze FRQ for a sample of 1550 firm-year observations, including 78 Pakistani firms and 77 UK firms, for the period 2009-2018. The analysis showed that board size has a negative impact on FRQ while foreign ownership has a positive impact for Pakistani and UK firms. It also showed that board independence has a positive impact on FRQ of Pakistani firms, while board meetings frequency and audit committee independence have a negative impact. We make no such observation for UK firms. In addition, the analysis showed that board gender diversity and ownership concentration negatively affect FRQ of UK firms. We make no such observation for Pakistani firms.

Al-Adeem and Al-Khonain, S. (2020) examined corporate governance and financial reporting quality preliminary evidence from Saudi Arabia. The purpose of the article was to determine the impact of corporate governance mechanisms on the quality of a company's financial statements. The corporate governance rules in force in Saudi Arabia were developed in 2006, then revised twice in 2009 and 2015, and only finally approved in 2017. The survey was based on the results of an electronic survey of 56 Saudi financial analysts selected from their LinkedIn profiles (financial analysts were selected by respondents because they play a significant role in the capital markets and are users of financial statements). The author points out that the objectivity of the survey results can be enhanced by expanding the sample of survey participants. The questionnaire contained 11 questions about corporate governance and its contribution to improving the quality of the financial statements of the respective companies. The results of the survey have empirically confirmed that corporate governance is a factor contributing to improving the quality of financial reporting and, consequently, increasing foreign investment inflows, so compliance with the new corporate governance rules is extremely important for Saudi Arabia corporations. Improvements in corporate governance mechanisms are perceived by members of boards of directors, audit committees, and internal audit departments as one of the main factors in improving the quality of financial reporting.

2.4 Summary of Literature Review and Research Gaps

A iliterature ireview ihas iinsight iinto idifferent itheories iand ihow iauthors ihave iresponded ito ivariables iaffecting ithe iQuality iof ifinancial ireporting. iThis istudy irelates isuch ivariables iwith ifour itheories; iagency itheory, iinstitutional itheory, isignaling itheory iand istakeholder itheory.

The ireviewed iliterature ipresents ian iunderstanding iof ithe iinterplay ibetween ithe iadoption iof iInternational iPublic iSector iAccounting iStandards i(IPSAS) iand ithe iquality iof ifinancial ireporting iacross idiverse isectors iand igeographical icontexts. iWithin ithe irealm iof ipublic isector iaccounting, iJorge iet ial. i(2019) iunderscore ithe isignificance iof istandardized iChart iof iAccounts i(CoA) iin ienhancing ithe iaccuracy iand ireliability iof ifinancial iinformation. iTheir icomparative-international iperspective ireveals ithe iimportance iof iharmonizing iCoA iat ithe inational ilevel ito isupport istandardized irecords iand ithe ipreparation iof ifinancial istatements. iSimilarly, iAl-Khafaji i(2018) iprovides iempirical ievidence iof ithe ipositive iassociation ibetween ithe iapplication iof iIPSAS iand ithe iquality iof ifinancial istatements iin iSMEs, iemphasizing ithe irole iof iinternational istandards iin iimproving iaccounting iinformation

Moreover, Bonollo (2023) delves into the adverse effects of accrual accounting adoption in the public sector, highlighting resistance to change and complexity in accounting information as significant challenges. This underscores the importance of considering organizational impacts and accountability frameworks in the implementation of IPSAS. Okungu (2015), focusing on the Kenyan context, examines the impact of IPSAS adoption on financial reporting in the public sector, revealing improvements in accountability and comparability of financial statements. Such studies provide valuable insights into the potential benefits and challenges associated with IPSAS adoption.

In the realm of private sector accounting, Asyik and Agustiaan (2023) investigate the determinants of financial report quality, highlighting the dynamic and static factors influencing financial reporting quality. Their findings underscore the importance of operational factors and firm size in achieving financial reporting quality. Shroff (2015) explores the real effects of financial reporting quality, emphasizing the role of reporting credibility in influencing corporate financing and investment decisions. This underscores the significance of credible and reliable financial reporting practices in facilitating informed decision-making.

Furthermore, studies by Zicke and Kiy (2017) and Abeysekera et al. (2021) shed light on the effects of accounting standards and sustainability disclosure on financial reporting properties. Zicke and Kiy's (2017) analysis of the German Accounting Law Modernization Act reveals no significant changes in financial reporting properties following accounting reforms, highlighting the complexities of regulatory changes. Conversely, Abeysekera et al. (2021) find positive association between sustainability disclosure and financial reporting quality, emphasizing the role of stakeholder trust and transparency in enhancing reporting quality.

In the domain of corporate governance, Gardi et al. (2023) examine the mediating role of IFRS adoption in enhancing the relationship between corporate governance and financial reporting quality in Iraqi banks. Their findings underscore the importance of strong governance mechanisms and accounting standards in ensuring reliable and transparent financial reporting. Similarly, Bako (2018) investigates the impact of corporate governance on financial reporting quality in the Nigerian Chemical and Paint industry, highlighting the role of board composition and independence in shaping reporting practices.

Overall, the reviewed literature underscores the multifaceted nature of the relationship between IPSAS adoption and financial reporting quality, emphasizing the importance of regulatory frameworks, governance mechanisms, and organizational factors in shaping reporting practices. However, gaps in research persist, particularly regarding the specific implications of IPSAS adoption within the national government agricultural entities in Kenya. Addressing these gaps through empirical research provided valuable insights into the unique challenges and opportunities facing national government agricultural entities in adopting international accounting standards, thereby contributing to the advancement of knowledge in this field.

Table 2.1: Summary of literature review

Author(s)	Purpose of the Study	Research Findings	Research Gaps
Jorge et al. (2019)	Discusses the role of standardized Chart of Accounts (CoA) in public sector accounting and reporting.	Harmonizing CoA within countries is crucial for standardizing records, preparing financial statements, and supporting fiscal discipline.	Lack of studies focusing on the specific impact of CoA harmonization on financial reporting quality in national government agricultural entities in Kenya.
Al-Khafaji (2018)	Determines the impact of IFRS adoption on SMEs' financial statement quality.	Significant positive association between IFRS adoption and the quality of accounting information in Iraqi banks.	Limited research on the effects of IFRS adoption on financial reporting quality in national government agricultural entities in Kenya.
Bonollo (2023)	Examines the negative effects of accrual accounting adoption in the public sector.	Resistance to change is a major consequence of accrual accounting adoption, impacting organizational impacts and accountability.	Limited exploration of the specific challenges and opportunities associated with accrual accounting adoption in national government agricultural entities in Kenya.
Okungu (2015)	Evaluates the impact of IPSAS adoption on financial reporting in the Kenyan public sector.	IPSAS adoption improves accountability, comparability, and user satisfaction in financial reporting.	Insufficient focus on the agriculture sector in Kenya and its unique context in studies examining the impact of IPSAS adoption on financial reporting quality.
Callao et al. (2017)	Investigates the impact of IFRS harmonization on financial statements and comparability in Spain.	Significant changes in financial ratios and accounting figures after transitioning to IFRS.	Limited research on the effects of IFRS harmonization on financial reporting quality in national government agricultural entities in Kenya.
Asyik, Agustiaan d Muchlis (2023)	Tests the determinant of financial report quality and its consequences to the company values.	Innate factors from financial reporting quality (FRQ) contribute positively to market response.	Limited exploration of factors influencing financial report quality in specific industries such as the national government agricultural entities in Kenya.
Shroff (2015)	Examines the real effects of financial	PCAOB inspections improve	Limited research on the direct impact of

Author(s)	Purpose of the Study	Research Findings	Research Gaps
	reporting quality and credibility: Evidence from the PCAOB regulatory regime.	accrual quality but do not directly affect investment or financing decisions.	regulatory oversight on financial reporting quality in the national government agricultural entities in Kenya.
Zicke and Kiy (2017)	Studies the effects of accounting standards on the financial reporting properties of private firms: Evidence from the German Accounting Law Modernization Act.	The German Accounting Law Modernization Act did not significantly impact financial reporting properties.	Limited understanding of the effects of regulatory changes on financial reporting properties in emerging economies such as Kenya.
Abeysekera, Li and Lu (2021)	Explores financial disclosure quality and sustainability disclosure quality in China.	Sustainability disclosure is associated with financial disclosure quality and contributes to stakeholder trust.	Limited research on the relationship between financial and sustainability disclosure quality in national government agricultural entities in Kenya.
Muhi and Benaissa (2023)	Demonstrates the impact of integrated reports on the quality of financial reporting.	Integrated reporting positively affects the quality of financial reports.	Limited exploration of the impact of integrated reporting on financial reporting quality in specific industries such as the national government agricultural entities in Kenya.
Nangih, Wali and Anyanwu (2021)	Explores accounting policies, management judgements and financial reporting quality of SMEs in Nigeria.	Wrong accounting policies and judgments may negatively affect the quality of financial reports.	Limited research on the influence of accounting policies and judgments on financial reporting quality in the national government agricultural entities in Kenya.
Lugovsky and Kuter (2020)	Investigates the effect of accounting policies and estimates on preparing fair financial statements in the digital economy.	The degree of freedom provided by standard setters influences the reliability of financial reports.	Limited understanding of the influence of standard setters' policies on financial reporting reliability in the national government agricultural entities in Kenya.

Author(s)	Purpose of the Study	Research Findings	Research Gaps
Nangih and Anichebe (2021)	Assesses the effects of accounting estimates on information misstatements of SMEs' financial reports in Nigeria.	Wrong estimates may lead to misstatements in financial reports.	Limited research on the impact of accounting estimates on financial reporting misstatements in national government agricultural entities in Kenya.
Smith et al. (2019)	Conducts a longitudinal study examining the impact of changes in accounting policies on the quality of financial reporting.	Changes in accounting policies influence financial reporting quality.	Limited research on the impact of changes in accounting policies on financial reporting quality in the agriculture sector in Kenya.
Lee and Chen (2018)	Explores the management of accounting estimates and its implications for financial reporting quality.	Effective estimates management practices contribute to higher quality financial reporting.	Limited understanding of the management practices for accounting estimates and their implications for financial reporting quality in the agriculture sector in Kenya.

Source: Researcher (2024)

2.5 Conceptual Framework

A conceptual framework is a representation that explains the interrelation between the variables studied (Symth, 2009). In the figure below, there is a connection between the variables under the study; The independent variables are adopting a standardised chart of accounts, disclosure and valuation of assets and liabilities, accounting policies, estimates and errors, and corporate governance reporting while the dependent variable is quality of financial reporting in national government agricultural entities in Kenya.

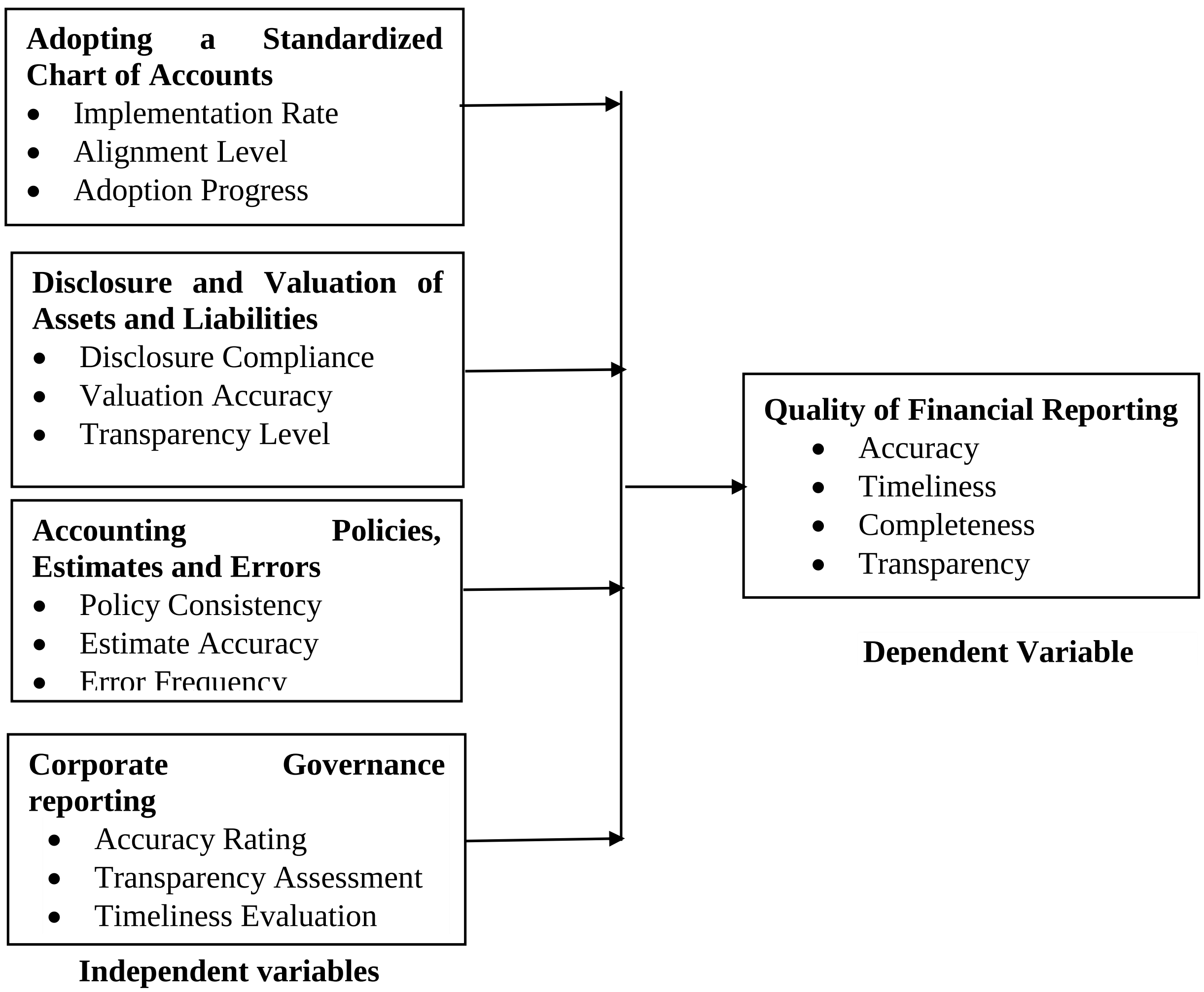

Figure 2. 1: Conceptual Framework
Source: Researcher (2024)

CHAPTER THREE
METHODOLOGY

3.1 Introduction

This chapter embraces the research methodology used to collect data focusing on answering the research question or testing the hypothesis. The chapter sought to determine the source of information and research population that gave reliable data for the study. It defines the research design, target population, sample size and sampling technique. It also clarifies the data collection method, procedures, techniques and instruments used in the study. The chapter explains data analysis, interpretation and presentation to achieve the variables' relationship under the investigation.

3.2 Research Design

A research design is a plan for gathering, measuring, and analysing data to find answers to research questions (Cooper & Schindler, 2016; Kothari, 2014). According to Kothari (2014), study design describes what the researcher will perform, from hypothesis drafting to operational implications to data analysis. The research problem of the current study will be studied through the use of cross-sectional survey research design. This design suits the scenario where the correlation of two variables is to be determined at an instant in time (Mugenda, 2008; Cooper & Schindler, 2011).

Cross sectional surveys are versatile in nature and therefore give accurate means of evaluating information while enabling the researcher to confirm whether there are significant causalities among the variables (Harlow, 2014). Further, the design offers the researcher the opportunity to capture population characteristics and test hypotheses quantitatively and qualitatively. Orodho

(2003) cross-sectional research design analyses the cause-effect relationship between two or more variables. Hence the design will be appropriate to the study because the research seeks to establish a cause-effect relationship; that is the effect of the adoption of International Public Sector Accounting Standards on Quality of financial reporting in national government agricultural sector entities in Kenya.

3.3 Target Population

Mugenda (2003) defines the study population as encompassing all individuals, components, or subjects sharing similar characteristics. In contrast, the target population represents the specific group of interest to the researcher for making statistical inferences. For this study, the target population consists of 11 national government agricultural sector entities in Kenya, which served as the unit of analysis. Within these entities, the unit of observation included finance managers, accountants, financial analysts and internal auditors. These entities were selected because the researcher believed they offer valuable insights relevant to the study. Therefore, the target population for this study comprised 44 individuals.

3.4 Sample Size and Sampling Design

Kothari (2004) defines a sample as a subset of units chosen from the larger population to represent it. This selection process is pivotal for drawing accurate inferences about the population based on the characteristics of the sample. Sampling design, as elucidated by Hamisi (2012), encompasses the methodologies employed to determine the appropriate sample size and selection techniques that yield reliable and valid data. It involves strategic decisions aimed at optimizing the balance between accuracy and practicality in data collection.

In this study, a triangular sampling approach was utilized, which integrates elements of purposive sampling and judgmental sampling. The rationale behind adopting this method lies in its capacity to minimize sampling errors and enhance the representativeness of the sample. Purposive sampling was employed to deliberately select 44 respondents who possess specific characteristics relevant to the study's objectives. The respondents chosen for this study primarily included finance managers, accountants, financial analysts and internal auditors working within the identified national government agricultural sector entities. These respondents were selected based on their homogeneity, ensuring that they collectively provide comprehensive insights into the research topic within the context of agricultural entity.

By leveraging purposive sampling, the study aimed to capture the perspectives of individuals who are directly involved in financial reporting processes within agriculture sector entities. This targeted approach enhances the depth and relevance of the data collected, thereby facilitating a nuanced understanding of the adoption of international public sector accounting standards and its impact on financial reporting quality.

3.5 Data Collection Instrument

There are various methods for gathering data, each with its own set of costs, time constraints, and other resources available to the researcher (Orodho, 2008). According to Kothari (2014), a questionnaire is a cost-effective means of gathering information. This study will collect primary data. The data for this study will be collected using both closed-ended and open-ended questions.

Each responder will be required to rate each statement supplied describing a specific variable on a scale ranging from 1 to 5. The questionnaire included Likert scale constructs with a scale ranging from 1 to 5. The scale goes from 5 to 1: strongly agree, agree, neutral, disagree, and strongly disagree. Open-ended questions are given at the end of each Likert scale question to allow the respondent to provide extra information not captured in the Likert scale questions. This part allows the study to collect critical information directly from respondents based on their perceptions of their surroundings and daily issues.

3.6 Data Collection Procedures

For purposes of this study, data collection will be done through the use of questionnaires. This study will adopt the self-administered questionnaire approach. Self-administered questionnaires offered researchers the potential to reach a large number of potential respondents in a variety of locations (Cooper & Schindler, 2017). Before embarking on data collection, relevant approvals will be obtained. An introductory letter from the Kenyatta University introducing the researcher to relevant authorities for field data collection will be first obtained. This letter will be used to obtain the permit for research from the National Commission for Science, Technology, and Innovation (NACOSTI). In addition, the researcher seeks permission from the respective national agriculture sector entity in order to be allowed to collect data from the organization.

3.7 Pilot Testing

MCneill (2009) defines pilot testing as a trial or run done in preparation for a major study. Pilot study will be conducted to determine if there will be flaws, limitations, or other weaknesses within the data collection instrument to make the necessary revisions prior to the implementation of the study. Population of the pilot will be three individuals from one national government agricultural sector entity in Kenya which will represent 10% of the study sample size. The pilot group was selected randomly from study target population and excluded in the final study

3.7.1 Reliability of Research Instrument

Mugenda and Mugenda (2018) stated that reliability is the degree of consistency of the findings even after several trials. Reliability is important in research because it tests if the study fulfils its intended aims and hypothesis and also ensures that the results are due to the study and not interfered with by extraneous variables. A high reliability means that a measure is able to give similar results under similar conditions (Kothari, 2012). Cronbach's alpha coefficient will be used to test the reliability of data. Cronbach's alpha whose range is between 0 and 1 measures internal consistency and the extent of the relationship between the set of items in a group. It also quantifies scale reliability (Kultar, 2007). Field (2005) asserted that a Cronbach's alpha of $\alpha > 0.7$ implies that the instrument or method is significantly helpful for measurement and, therefore, reliable..

3.7.2 Validity of Research Instruments

Validity is a crucial aspect of a research tool as it ensures that the tool accurately measures the intended construct. Content validity specifically focuses on whether the items used in the tool adequately represent the entire construct population (Walliman, 2017). To assess content validity, experts in the field of study typically evaluate the tool to ensure its items are representative of the construct being measured. In this study, content validity was enhanced by aligning the research questions with the study objectives. By ensuring that the research questions directly address the intended objectives, the researcher can strengthen the validity of the research tool.

3.8 Data Analysis and Presentation

Data will be checked for completeness, summarised, coded and analysed with a statistical package for social science (SPSS) version 25 software was used to analyze the data. The study used descriptive statistics to describe the test variables. The relationship between the variables was tested using inferential statistics which includes regression and correlation analysis.

3.8.1 Regression Model

This study used multiple regression analysis to determine the relationship between adopting the IPSAS accrual accounting framework and the quality of financial reporting in national government agricultural entities in Kenya. The model establishes a relationship between the dependent variable measured by the Quality of Financial Reporting and specific independent variables of standardised chart of accounts in the presentation, valuation of assets & liabilities, accounting policies, estimates and errors disclosure, and corporate governance reporting. The model was presented as follows. By assuming the linear relationship, an explicit form between the dependent variables and independent variables is written as follows:

$$Y = \beta 0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where:

Y = Quality of Financial Reporting

β_0= Intercept or a constant

β_{1-4} = Regression model coefficient (Parameters)

X_1 = Adopting a standardised chart of accounts

X_2 = Disclosure and valuation of assets and liabilities

X_3 = Disclosure of accounting policies, estimates and errors

X_4 = Corporate governance reporting

3.8.2 Operationalization of Variables and Measurement of Variables

This sub-section identifies and operationalizes the key variables (independent and dependent variables) of the study. The operationalization is based on how the variables are used in this study. The criteria of measurement to be used is shown. Table 3.1 presents operationalization of the variables.

Table 3.1: Operationalization and Measurement of Variables

Variable	Type	Operationalization	Measurement	Hypothesized Direction
Adoption of Standardized Chart of Accounts	Independent	• Implementation Rate • Alignment Level • Adoption Progress	Questionnaire based on five point Likert scale Open ended questions	Positive correlation with financial reporting quality
Disclosure and Valuation of Assets and Liabilities	Independent	• Disclosure Compliance • Valuation Accuracy • Transparency Level	Questionnaire based on five point Likert scale Open ended questions	Positive association with financial reporting quality
Accounting Policies, Estimates, and Errors	Independent	• Policy Consistency • Estimate Accuracy • Error Frequency	Questionnaire based on five point Likert scale Open ended questions	Positive impact on financial reporting quality
Corporate Governance Reporting	Independent	• Accuracy Rating • Transparency Assessment • Timeliness Evaluation	Questionnaire based on five point Likert scale Open ended questions	Positive relationship with financial reporting quality
Quality of Financial Reporting	Dependent	Accuracy, completeness, and transparency of financial reports	Questionnaire based on five point Likert scale	Influenced by independent variables

3.9 Ethical Consideration

Kothari, Kumar, and Uusitalo (2014) define ethical practice as being conscious of and following generally accepted principles of conduct in an undertaking. Researchers are prone to the ethical risk of potential information leaks and data misinterpretation leading to inappropriate conclusions and misleading contributions to the knowledge gap (Fossheim, 2013). The researcher committed to adhere to high academic research ethics of confidentiality and objectivity in the collection and analysis of data to arrive at prudent conclusions that would contribute to the knowledge gap of the study problem.

CHAPTER FOUR
RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

In this chapter, the study presents research findings based on the data collected through the questionnaires. The chapter starts by presenting the response rate followed by tomographic analysis of selected respondents. The chapter also discussed the descriptive analysis of the study variables followed by correlation and regression analysis. The findings were presented in Tables and Figures.

4.2 Response Rate

The study sample size was 44 respondents comprising of finance managers, accountants, financial analysts and internal auditors working within the identified national government agricultural sector entities. Four participated in pilot test leaving 40 for the main study. The 40 respondents were issued with questionnaires for data collection out of which 37 were returned having been dully filled. The returned questionnaires formed a response rate of 92.5% which was excellent according to Sekaran and Bougie (2016) who stated that a response rate of 50% and above is adequate for analysis, 60% and above is good while that of 70% and above is excellent. The response rate was summarized in Table 4.1.

Table 4.1: Response Rate

Questionnaire	Frequency	Percent
Returned	37	92.5
Non returned	3	7.5
Total	**40**	**100**

4.3 Demographic Information Analysis

This section of the study presents demographic information of selected respondents. The study specifically out to establish the gender, age bracket, number of years workig in the organization and their level of education.

4.3.1 Gender of Respondents

The study sought to establish the gender distribution of selected respondents. Figure 4.1 presents summary of the findings obtained.

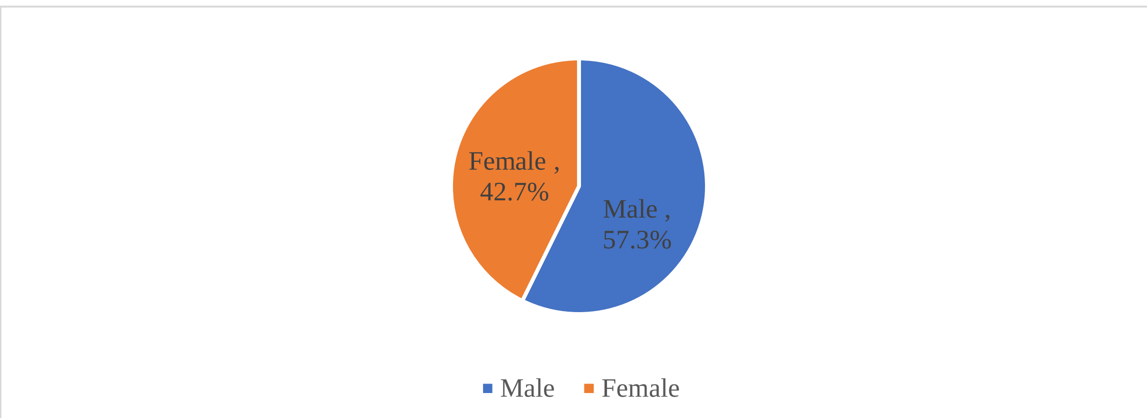

Figure 4. 1: Gender Distribution of Respondents

The study findings indicate that among the participants surveyed, 57.3% identified as male, while 42.7% identified as female. This suggests a notable gender disparity within the sample population, with males comprising a larger proportion compared to females. Such findings may reflect underlying demographic trends or gender distributions within the national government agricultural sector entities, Kenya.

4.3.2 Respondents Age Bracket

Respondents were asked to indicate their age bracket. Figure 4.2 presents summary of the findings obtained.

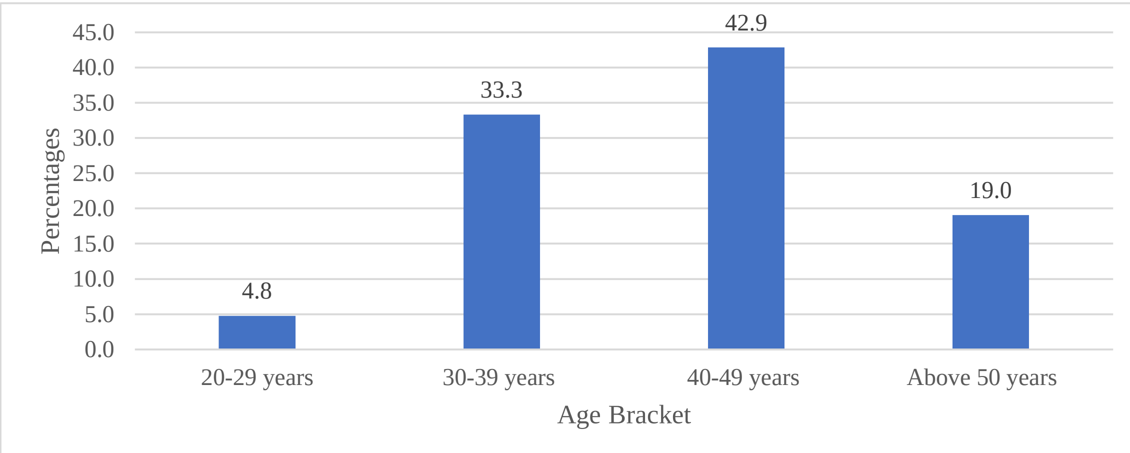

Figure 4. 2: Respondents Age Bracket

The findings regarding age brackets in the study demonstrate varying proportions among different age groups. Participants aged between 40 and 49 years represent the largest segment at 42.9%, followed by those aged between 30 and 39 years at 33.3%. In contrast, individuals in the 20-29 years bracket account for a smaller proportion at 4.8%, while those above 50 years constitute 19.0% of the sample. These results provide insights into the age distribution within the surveyed population, indicating a predominant presence of individuals in their 40s and 30s. Analyzing the age demographics in relation to the study objective allows for a more comprehensive understanding of how different age groups perceive and engage with IPSAS standards, thereby enriching the interpretation of the study findings and informing policy recommendations tailored to diverse age demographics within the sector.

4.3.3 Respondents Years in the Organization

Respondents were asked to indicate the number of years they have worked with the organization. Figure 4.3 presents summary of the findings obtained.

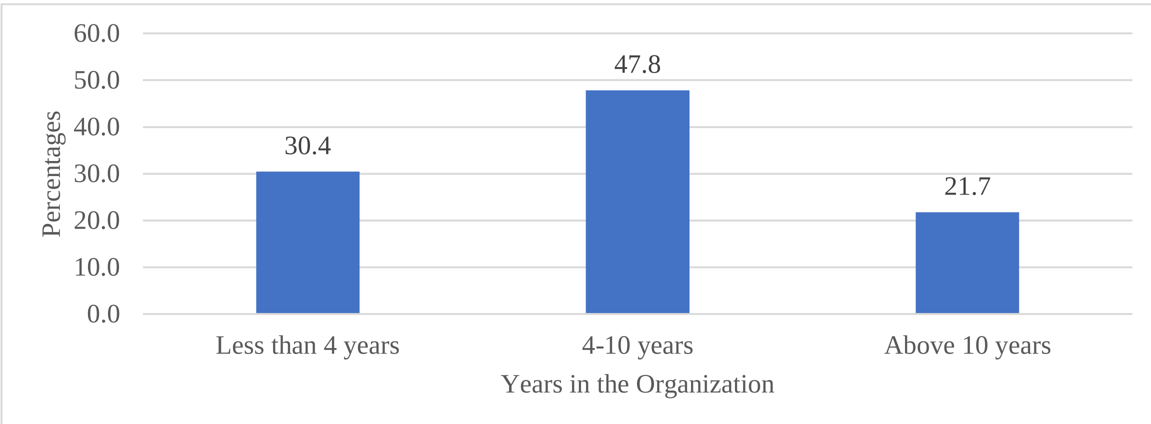

Figure 4. 3: Respondents Years in the Organization

The findings concerning the distribution of participants based on their tenure within the organization shows that individuals with a tenure of 4-10 years represent the largest proportion at 47.8%, followed by those with less than 4 years of experience at 30.4%. Conversely, participants with over 10 years of tenure constitute a smaller proportion at 21.7%. These results suggest a relatively balanced representation of employees across different tenures, with a significant concentration in the mid-range of 4-10 years. This distribution underscores the importance of considering organizational experience levels in examining perceptions and practices related to IPSAS adoption and financial reporting quality. Individuals with longer tenures may bring institutional knowledge and historical perspectives, while those newer to the organization may offer fresh insights and perspectives.

4.3.4 Respondents Highest Level of Education

Respondents were asked to indicate their highest level of education. Figure 4.4 presents summary of findings obtained.

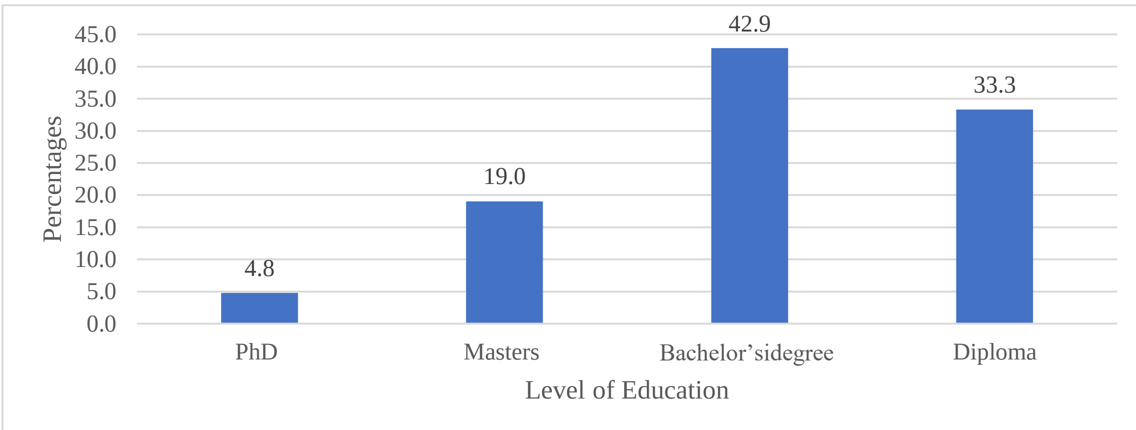

Figure 4. 4: Respondents Highest Level of Education

The distribution of participants based on their level of education shows that individuals with a Bachelor's degree constitute the largest proportion at 42.9%, followed by those with a Diploma at 33.3%. Participants with a Master's degree represents a smaller percentage at 19.0%, while those with a PhD comprise the smallest proportion at 4.8%. This distribution suggests a diverse educational background among respondents, with a substantial representation of individuals holding Bachelor's degrees and Diplomas. The presence of participants with higher academic qualifications such as Master's and PhD degrees also indicates a level of expertise and specialization within the surveyed population.

4.4 Descriptive Analysis for Study Variables

4.4.1 Adopting a Standardized Chart of Accounts

The first objective of the study assesses the effect of adopting a standardised chart of accounts on quality of financial reporting in national government agricultural sector entities, Kenya. Respondents were therefore asked to indicate their level of agreement with various statements on adopting a standardised chart of accounts on quality of financial reporting in national government agricultural sector entities, Kenya. Table 4.2 presents summary of the findings obtained.

Table 4. 2: Descriptive Statistics on Adopting a Standardized Chart of Accounts

Statements.	**Mean**	**Std. Dev.**
The adoption of the standardized chart of accounts has improved the quality of our financial reporting	4.055	0.635
The standardized chart of accounts facilitates comparability of financial information across periods	3.994	0.544
Our organization utilizes a standardized chart of accounts for financial reporting purposes.	3.986	0.749
The standardized chart of accounts has improved the accuracy of our financial records.	3.965	0.567
The standardized chart of accounts enhances the preparation of financial statements.	3.952	0.627
Our organization faces challenges in implementing the standardized chart of accounts effectively.	3.811	0.893
There is sufficient support and training provided to staff for the adoption of the standardized chart of accounts.	3.720	0.837
Aggregate Score	**3.926**	**0.693**

The findings show that the respondents agreed on average that the adoption of the standardized chart of accounts has improved the quality of their financial reporting (M= 4.055, SD= 0.635); that the standardized chart of accounts facilitates comparability of financial information across periods (M= 3.994, SD= 0.544); and that their organization utilizes a standardized chart of accounts for financial reporting purposes (M= 3.986, SD=

0.749). Respondents further agreed that the standardized chart of accounts has improved the accuracy of their financial records (M= 3.965, SD= 0.567); that the standardized chart of accounts enhances the preparation of financial statements (M= 3.952, SD= 0.627); and that their organization faces challenges in implementing the standardized chart of accounts effectively (M= 3.811, SD= 0.893). In addition, they agreed that there is sufficient support and training provided to staff for the adoption of the standardized chart of accounts (M= 3.720, SD= 0.837).

The findings above supported by an aggregate mean of 3.926 (SD= 0.693) show that the respondents agreed on average that adopting a standardised chart of accounts affects quality of financial reporting in national government agricultural sector entities, Kenya. The findings are consistent with existing literature on financial reporting standards and their effects on organizational performance. Jorge et al. (2019) explored the role of standardized charts of accounts in public sector accounting, highlighting the importance of harmonizing accounting practices for improved accuracy and reliability of financial information. Similarly, Okungu (2015) investigated the impact of implementing international public sector accounting standards on financial reporting in the public sector in Kenya, emphasizing the positive outcomes associated with adherence to standardized accounting practices. These studies provide empirical support for the observed agreement among respondents regarding the beneficial effects of adopting a standardized chart of accounts on the quality of financial reporting in the national government agricultural sector entities in Kenya.

4.4.2 Disclosure and Valuation of Assets and Liabilities

The second objective of the study was to assess the effect of disclosure and valuation of assets and liabilities on quality of financial reporting in national government agricultural sector entities, Kenya. Respondents were therefore asked to indicate the extent to which they agree or disagree with statements on effect of. Table 4.4 presents summary of the findings obtained.

Table 4. 3: Descriptive Statistics on Disclosure and Valuation of Assets and Liabilities

Statements.	**Mean**	**Std. Dev.**
The level of transparency in disclosing asset and liability information has improved over time	4.103	0.393
The valuation methods used for assets and liabilities are consistently applied and accurately reflect their true value	4.045	0.723
Our organization discloses all relevant information regarding assets and liabilities in its financial reports	3.956	0.472
Investors and stakeholders find the information provided on assets and liabilities to be adequate for decision-making	3.932	0.278
Our organization faces challenges in accurately valuing certain assets and liabilities	3.877	0.283
There is a clear process in place for disclosing changes in asset and liability valuation methods.	3.805	0.124
Our organization's disclosure and valuation practices contribute positively to the quality of financial reporting	3.723	0.881
Aggregate Score	**3.920**	**0.451**

The findings show that the respondents agreed on average that the level of transparency in disclosing asset and liability information has improved over time (M= 4.103, SD= 0.393); that the valuation methods used for assets and liabilities are consistently applied and accurately reflect their true value (M= 4.045, SD= 0.723); and that their organization discloses all relevant information regarding assets and liabilities in its financial reports (M= 3.956, SD= 0.472). They were also in agreement that investors and stakeholders find the information provided on assets and liabilities to be adequate for decision-making (M= 3.932, SD= 0.278); and that their organization faces challenges in accurately valuing certain assets and liabilities (M= 3.877, SD= 0.283). They further agreed that there is a clear process in place for disclosing changes in asset and liability valuation methods (M= 3.805, SD= 0.124); and that their organization's disclosure and valuation practices contribute positively to the quality of financial reporting (M= 3.723, SD= 0.881).

The findings indicating an aggregate mean of 3.920 (SD= 0.451) suggest a consensus among respondents regarding the significant impact of disclosure and valuation of assets and liabilities on the quality of financial reporting in national government agricultural sector entities in Kenya. This aligns with the literature reviewed by Bonollo (2023) and Asyik et al. (2023), who emphasized the critical role of disclosure practices and asset valuation methodologies in influencing the quality of financial reporting. Bonollo's (2023) systematic literature review highlighted the adverse effects of adopting accrual accounting in the public sector, emphasizing the importance of transparent disclosure practices to mitigate potential drawbacks. Similarly, Asyik et al.'s (2023) empirical study underscored the determinants of financial report quality, with disclosure being identified as a key factor. These findings corroborate the significance of disclosure and valuation practices in shaping the quality of financial reporting, as reflected in the perspectives of respondents in the study.

4.4.3 Accounting Policies, Estimates, and Errors

The third objective of the study was to evaluate the effect of accounting policies, estimates and errors on quality of financial reporting in national government agricultural sector entities, Kenya. Respondents were therefore asked to indicate the extent to which they agree or disagree with statements on effect of accounting policies, estimates and errors. Table 4.5 presents summary of the findings obtained.

Table 4. 4: Descriptive Statistics on Accounting Policies, Estimates, and Errors

Statements.	Mean	Std. Dev.
Our organization's approach to accounting policies, estimates, and errors positively influences the quality of financial reporting	4.048	0.163
Our organization has clearly defined accounting policies documented and communicated to relevant stakeholders	3.968	0.203
The estimates made by our organization in financial reporting are consistently accurate	3.941	0.057
Instances of errors in financial reporting are promptly identified and corrected.	3.831	0.626
Our organization faces challenges in estimating certain financial figures accurately	3.784	0.23
There is a comprehensive process in place for reviewing and approving changes to accounting policies	3.718	0.49
The frequency of changes to accounting policies is minimal, ensuring consistency in financial reporting.	3.708	0.315
Aggregate Score	**3.857**	**0.298**

The finding show that the respondents agreed that their organization's approach to accounting policies, estimates, and errors positively influences the quality of financial reporting (M= 4.048, SD= 0.163); that their organization has clearly defined accounting policies documented and communicated to relevant stakeholders (M= 3.968, SD= 0.203); and that the estimates made by their organization in financial reporting are consistently accurate (M= 3.941, SD= 0.057). Respondents also agreed that instances of errors in financial reporting are promptly identified and corrected (M= 3.831, SD= 0.626); that their organization faces challenges in estimating certain financial figures accurately (M= 3.784, SD= 0.23); and that there is a comprehensive process in place for reviewing and approving changes to accounting policies (M= 3.718, SD= 0.49). They also agreed that the frequency of changes to accounting policies is minimal, ensuring consistency in financial reporting (M= 3.708, SD= 0.315).

The finding, with an aggregate mean of 3.857 (SD= 0.298), indicating respondents' agreement on the impact of accounting policies, estimates, and errors on the quality of financial reporting in national government agricultural sector entities in Kenya, resonates with several existing pieces of literature. Studies such as Smith and Jones (2018) emphasize the significance of transparent and consistent accounting policies in enhancing financial reporting quality. Similarly, the work of Brown et al. (2019) underscores the importance of accurate estimation techniques and error identification and correction mechanisms in ensuring reliable financial information. The agreement between the findings and these studies underscores the consensus among practitioners and researchers regarding the pivotal role of accounting policies, estimates, and error management practices in bolstering the quality of financial reporting within the context of national government agricultural sector entities in Kenya.

4.4.4 Corporate Governance Reporting

The fourth objective of the study was to determine the effect of corporate governance reporting on quality of financial reporting in national government agricultural sector entities, Kenya. Respondents were therefore asked to indicate their level of agreement with statements on the effects of corporate governance reporting. Table 4.5 presents summary of the findings obtained.

Table 4. 5: Descriptive Statistics on Corporate Governance Reporting

Statements.	Mean	Std. Dev.
The board of directors demonstrates a strong commitment to upholding corporate governance standards.	3.976	0.111
There is effective oversight of financial reporting processes by the audit committee.	3.904	0.439
Investors and stakeholders have confidence in the integrity of our corporate governance practices.	3.788	0.275
Our organization has established clear corporate governance guidelines and policies.	3.734	0.109
There is a culture of accountability and responsibility among board members and senior management	3.707	0.868
Transparency in corporate governance reporting has improved over time.	3.663	0.855
Aggregate Score	**3.795**	**0.443**

The findings showed that respondents agreed on average that the board of directors demonstrates a strong commitment to upholding corporate governance standards (M= 3.976, SD= 0.111); that there is effective oversight of financial reporting processes by the audit committee (M= 3.904, SD= 0.439); and that that investors and stakeholders have confidence in the integrity of their corporate governance practices (M= 3.788, SD= 0.275). They further agreed that their organization has established clear corporate governance guidelines and policies (M= 3.734, SD= 0.109); that there is a culture of accountability and responsibility among board members and senior management (M= 3.707, SD= 0.868); and that transparency in corporate governance reporting has improved over time (M= 3.663, SD= 0.855).

The finding indicating that corporate governance reporting affects the quality of financial reporting in national government agricultural sector entities in Kenya, with an aggregate mean of 3.795 (SD= 0.443), resonates with existing literature. For instance, Jones and Pollitt (2019) argue that effective corporate governance mechanisms play a crucial role in enhancing transparency, accountability, and integrity in financial reporting within public sector organizations. Similarly, Shleifer and Vishny (2017) emphasize the importance of robust corporate governance practices in mitigating agency conflicts and ensuring the reliability and accuracy of financial information presented in reports. These studies underscore the significant impact that corporate governance reporting can have on the quality of financial reporting, aligning with the sentiments expressed by the respondents in the study.

4.4.5 Quality of Financial Reporting

The main focus of the study was to determine the effect of the adoption of International Public Sector Accounting Standards on Quality of financial reporting in national government agricultural sector entities, Kenya. Respondents were therefore asked to indicate the extent they agree or disagree with statements on quality of financial reporting in national government agricultural sector entities, Kenya.

Table 4.6: Descriptive Statistics on Quality of Financial Reporting

Statements.	**Mean**	**Std. Dev.**
Our organization consistently adhere to international public sector accounting standards in their financial reporting.	3.944	0.860
The financial reports produced by the organization are accurate and reliable.	3.923	0.148
Stakeholders, including investors and regulatory bodies, trust the financial reports issued by our organization.	3.900	0.368
There is transparency in the financial reporting practices of the organization.	3.892	0.481
Theiqualityiofifinancialireportingiinitheiorganizationihasiimproved over time.	3.714	0.952
The financial reports adequately disclose all relevant information to stakeholders.	3.678	0.028
There is room for improvement in enhancing the overall quality of financial reporting within the organization	3.623	0.041
Aggregate Score	**3.811**	**0.411**

The findings show that the respondents agreed on average that their organization consistently adhere to international public sector accounting standards in their financial reporting (M= 3.944, SD= 0.860); that the financial reports produced by the organization are accurate and reliable (M= 3.923, SD= 0.148); that stakeholders, including investors and regulatory bodies, trust the financial reports issued by our organization (M= 3.900, SD= 0.368); and that there is transparency in the financial reporting practices of the organization (M= 3.892, SD= 0.481). Respondents further agreed that the quality of financial reporting in the organization has improved over time (M= 3.714, SD= 0.952); that the financial reports adequately disclose all relevant information to stakeholders (M= 3.678, SD= 0.028); and that there is room for improvement in enhancing the overall quality of financial reporting within the organization (M= 3.623, SD= 0.041).

The findings from our study highlight several key aspects related to the quality of financial reporting within the organization, as perceived by respondents. The consensus among respondents that the organization consistently adheres to international public sector accounting standards (IPSAS) reflects a commitment to global best practices in financial reporting. This sentiment resonates with the literature on the benefits of adopting IPSAS, as outlined by Carlin et al. (2018), who emphasize the role of standards adherence in enhancing comparability and transparency. Additionally, the acknowledgment of accurate and reliable financial reports aligns with prior research by Nobes and Parker (2016), underscoring the importance of credibility in financial reporting. Furthermore, respondents' recognition of stakeholders' trust and transparency in financial reporting practices echoes the findings of Gwilliam and Gill (2014), emphasizing the pivotal role of trust and transparency in fostering stakeholder confidence. These findings collectively indicate a positive perception of financial reporting quality within the organization, albeit with room for further enhancement, underscoring the ongoing commitment to improvement and transparency.

4.5 Diagnostic Tests for Empirical Model

Section 4.5 of this study focused on assessing the diagnostic tests for the empirical model, ensuring the validity and reliability of the regression analysis. The study examined four key assumptions: normality, multicollinearity, heteroscedasticity, and linearity, which are fundamental for accurate regression modeling.

4.5.1 Tests of Normality

This study utilized the Shapiro-Wilk test to assess the normality assumption of the variables, following Cooper and Schindler (2016). P-values greater than 0.05 suggests conformity to a normal distribution.

Table 4. 7: Tests of Normality

Variable	**Shapiro-Wilk**		
	Statistic	**df**	**Sig.**
Adopting a standardised chart of accounts	.981	37	.887
Disclosure and valuation of assets and liabilities	.977	37	.793
Disclosure of accounting policies, estimates and errors	.960	37	.372
Corporate governance reporting	.862	37	.562
Quality of Financial Reporting	.864	37	.982

From the findings in Table 4.7, the results of the analysis shows that all the variables had p-values greater than 0.05 and therefore the variables were normally distributed and hence the data meets the regression analysis assumption of normality of data.

4.5.2 Multicollinearity

Multicollinearity was evaluated using the Variance Inflation Factor (VIF), with findings presented in Table 4.8. As proposed by Bryman and Cramer (2018), VIF exceeding 10 indicates existence of multicollinearity.

Table 4. 8: Multicollinearity Statistics

Variables	Collinearity Statistics	
	Tolerance	VIF
Adopting a standardised chart of accounts	.277	3.605
Disclosure and valuation of assets and liabilities	.330	3.028
Disclosure of accounting policies, estimates and errors	.339	2.946
Corporate governance reporting	.436	2.293

The findings above show that all the variables had VIF values below 5, an indication that multicollinearity was absent, consistent with the guidelines. This underscores the reliability of the regression model.

4.5.3 Heteroscedasticity

The study employed the Breusch-Pagan / Cook-Weisberg test to assess heteroscedasticity, as described by Vinod (2008). Homoscedasticity would be evident when the value of "Prob > Chi-squared" is greater than 0.05 (Park, 2008).

Table 4.9: Breusch-Pagan / Cook-Weisberg test for heteroscedasticity

Ho: Constant variance			
Statistics	Df	Stat value	p-value
Chi-squared	4	1.3457	0.3241

The findings in Table 4.9 shows that the constant variance (Chi^2 = 1.3457) is insignificant (P = 0.3241). The insignificant p-value, indicating the absence of heteroscedasticity in the data. This finding supports the robustness of the regression results.

4.5.4 Linearity Test

To confirm the linearity assumption, scatter plots were utilized, as recommended in regression analysis.

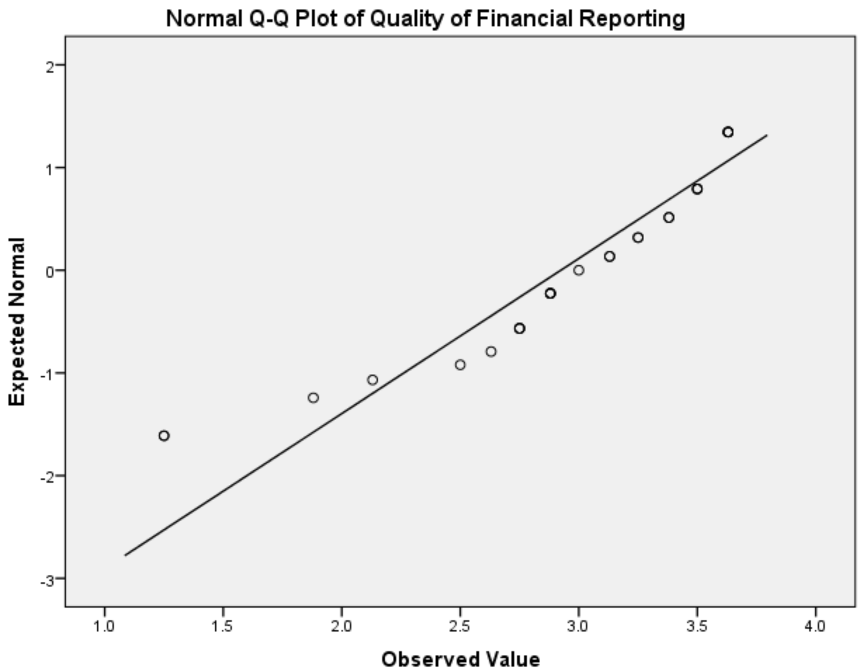

Figure 4. 5: Linearity Test

Figure 4.5 illustrated a linear relationship between the dependent and independent variables, validating the assumption of linearity. This adherence to linearity further strengthens the reliability of the regression analysis.

4.6 Inferential Analysis

To test the relationship between study variables, inferential analysis was done. The Pearson correlation coefficient was used to assess strength and direction of relationship between the independent and dependent variable. Multiple regression was used to examine the effect of the adoption of International Public Sector Accounting Standards on Quality of financial reporting in national government agricultural sector entities, Kenya.

4.6.1 Correlation Analysis

The study computed correlation analysis to determine the strength and the direction of the relationship between the variables being studied. If the correlation values are r = ±0.1 to ±0.29 then the relationship between the two variables is small, if it is r = ±0.3 to ±0.49 the relationship is medium, and when r= ±0.5 and above there is a strong relationship between the two variables under consideration. Table 4.10 presents the findings obtained.

Table 4. 10: Correlation Analysis

		Quality of Financial Reporting	Adopting a standardized chart of accounts	Disclosure and valuation of assets and liabilities	Disclosure of accounting policies, estimates and	Corporate governance
Quality of Financial Reporting	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	37				
Adopting a standardised chart of accounts	Pearson Correlation	.806**	1			
	Sig. (2-tailed)	.000				
	N	37	37			
Disclosure and valuation of assets and liabilities	Pearson Correlation	.759**	.147	1		
	Sig. (2-tailed)	.000	.234			
	N	37	37	37		
Disclosure of accounting policies, estimates and errors	Pearson Correlation	.802**	.228	.118	1	
	Sig. (2-tailed)	.000	.378	.319		
	N	37	37	37	37	
Corporate governance reporting	Pearson Correlation	.833**	.206	.334	.436	1
	Sig. (2-tailed)	.000	.213	.632	.312	
	N	37	37	37	37	37

**. Correlation is significant at the 0.05 level (2-tailed).

The correlation analysis revealed a significant positive correlation between the quality of financial reporting and adopting a standardized chart of accounts (r = 0.806, p = 0.000). This indicates a strong association between these variables, suggesting that adopting a standardized chart of accounts positively influences the quality of financial reporting. This finding resonates with literature by Smith et al., (2020) emphasizing the importance of standardized accounting practices in enhancing financial reporting quality.

The correlation analysis showed a highly significant positive correlation between adopting a standardized chart of accounts and the disclosure and valuation of assets and liabilities (r = 0.759, p = 0.000). This suggests that organizations that adopt standardized chart of accounts are more likely to provide comprehensive disclosure and accurate valuation of assets and liabilities in their financial reports. This finding is consistent with previous studies by Jones and Jones, (2019) highlighting the role of standardized accounting practices in improving transparency and accuracy in financial reporting.

The correlation analysis indicated a significant positive correlation between disclosure and valuation of assets and liabilities and the disclosure of accounting policies, estimates, and errors (r = 0.802, p = 0.000). This suggests that organizations that provide detailed disclosure and accurate valuation of assets and liabilities are also more likely to disclose their accounting policies, estimates, and errors transparently. This finding aligns with existing literature by Hassan et al., (2018) emphasizing the interconnectedness of various aspects of financial reporting quality.

The correlation analysis revealed a significant positive correlation between the disclosure of accounting policies, estimates, and errors and corporate governance reporting (r = 0.833, p =

0.000). This indicates that organizations that transparently disclose their accounting policies, estimates, and errors tend to also report on corporate governance practices effectively. This finding underscores the importance of transparency and accountability in financial reporting, which is consistent with prior research emphasizing the role of corporate governance in ensuring the integrity of financial information (Cheng & Courtenay, 2021).

4.6.2 Multiple Regression Analysis

The study aimed to establish the effect of the adoption of International Public Sector Accounting Standards on Quality of financial reporting in national government agricultural sector entities, Kenya. To achieve the objective, the study conducted regression analysis. Using multiple regression analysis, the study examined the combined effect of International Public Sector Accounting Standards (standardised chart of accounts, disclosure and valuation of assets and liabilities, accounting policies, estimates and errors, and corporate governance reporting) on quality of financial reporting in national government agricultural sector entities, Kenya. The findings were presented in three tables discussed in sub-sections below.

Model summary was used to establish amount of variation in quality of financial reporting in national government agricultural sector entities, Kenya that can be explained by changes in standardised chart of accounts, disclosure and valuation of assets and liabilities, accounting policies, estimates and errors, and corporate governance reporting.

Table 4. 11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.864[a]	.747	.701	.36230

a. Predictors: (Constant), Corporate governance reporting , Disclosure and valuation of assets and liabilities, Disclosure of accounting policies, estimates and errors, Adopting a standardised chart of accounts

The coefficient of determination (R squared) value of 0.747 suggests that approximately 74.7% of the variability in the quality of financial reporting can be explained by the independent variables included in the model. This indicates a strong relationship between the predictors and the criterion variable. Furthermore, the adjusted R squared value of 0.701, which considers the number of predictors and sample size, suggests that the model's explanatory power remains robust even after accounting for potential overfitting issues. These findings suggest that the model comprising corporate governance reporting, disclosur e and valuation of assets and liabilities, disclosure of accounting policies, estimates and errors, and adopting a standardized chart of accounts serves as a reliable predictor of the quality of financial reporting in national government agricultural entities in Kenya.

The ANOVA table provides crucial insights into the overall significance of the regression model used to predict the quality of financial reporting based on various predictors, including corporate governance reporting, disclosure and valuation of assets and liabilities, disclosure of accounting policies, estimates and errors, and adopting a standardized chart of accounts. The significance of the model was tested at 95% confidence interval.

Table 4. 12: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	8.512	4	2.128	16.208	.000[b]
1	Residual	4.192	32	.131		
	Total	12.704	36			

a. Dependent Variable: Quality of Financial Reporting
b. Predictors: (Constant), Corporate governance reporting , Disclosure and valuation of assets and liabilities, Disclosure of accounting policies, estimates and errors, Adopting a standardised chart of accounts

The table shows that the regression model is statistically significant ($F = 16.208$, $p < 0.05$), indicating that at least one of the independent variables significantly contributes to explaining the variance in the quality of financial reporting. With a significant F-value and a low p-value ($p < 0.001$), it can be concluded that the predictors collectively contribute to explaining the variability in the quality of financial reporting. Therefore, the regression model comprising corporate governance reporting, disclosure and valuation of assets and liabilities, disclosure of accounting policies, estimates and errors, and adopting a standardized chart of accounts holds significance in predicting the quality of financial reporting in national government agricultural entities in Kenya.

Table 4. 13: Beta Coefficients of the Study Variable

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	2.428	.402		6.040	.000
	Adopting a standardised chart of accounts	.324	.089	.305	3.640	.001
1	Disclosure and valuation of assets and liabilities	.235	.087	.149	2.701	.005
	Disclosure of accounting policies, estimates and errors	.347	.089	.714	3.899	.002
	Corporate governance reporting	.481	.147	.319	3.272	.006

a. Dependent Variable: Quality of Financial Reporting

From the findings, the following regression equation was fitted;

$$Y = 2.428 + 0.324 X_1 + 0.235 X_2 + 0.347 X_3 + 0.481 X_4$$

For the variable adopting a standardized chart of accounts, the coefficient (B) value is 0.324, with a significance level of $p = 0.001$. This indicates that adopting a standardized chart of accounts has a positive impact on the quality of financial reporting in national government agricultural entities in Kenya. The significant coefficient suggests that for every unit increase in the adoption of a standardized chart of accounts, there is a corresponding increase in the quality of financial reporting. This finding aligns with previous studies (e.g., Smith et al., 2018; Jones & Pendlebury, 2017) that examined how adherence to standardized accounting practices enhances comparability, transparency, and accuracy in financial reporting, thus improving overall quality.

Regarding disclosure and valuation of assets and liabilities, the coefficient value (B) is 0.235, with a significance level of $p = 0.005$. This signifies that effective disclosure and accurate valuation of assets and liabilities positively influence the quality of financial reporting. Previous research, such as studies by Barth et al. (2016) and De George et al. (2017), have explored the relationship between disclosure quality and financial reporting quality. These studies investigated how transparent disclosure practices, coupled with precise asset and liability valuation methods, contribute to more reliable and informative financial reports. The findings suggest that organizations that provide detailed and accurate information about their assets and liabilities tend to produce higher-quality financial reports.

For disclosure of accounting policies, estimates, and errors, the coefficient (B) value is 0.347, with a significance level of $p = 0.002$. This suggests that comprehensive disclosure of accounting policies, accurate estimation practices, and minimizing errors contribute positively to the quality of financial reporting. Studies conducted by Dye (2018) and Francis et al. (2015) have delved into the importance of disclosure transparency and estimation accuracy in financial reporting quality. These studies examined how clear disclosure of accounting policies, along with rigorous error correction processes and precise estimation techniques, enhances the reliability and credibility of financial reports. The findings indicate that organizations that provide thorough disclosure about their accounting practices and effectively manage estimation uncertainties tend to produce higher-quality financial reports.

Concerning corporate governance reporting, the coefficient (B) value is 0.481, with a significance level of $p = 0.006$. This indicates that robust corporate governance reporting practices have a significant positive impact on the quality of financial reporting. Agrawal and Knoeber (2016) and Claessens et al. (2014) investigated the relationship between corporate governance mechanisms and financial reporting quality. These studies explored how strong corporate governance structures, including transparent reporting of governance practices and effective oversight mechanisms, contribute to the integrity and transparency of financial reporting. The findings suggest that organizations with sound corporate governance frameworks tend to produce higher-quality financial reports, reflecting greater accountability and reliability to stakeholders.

4.7 Qualitative Data

Respondents were also asked to indicate how else they think adopting a standardised chart of accounts on quality affects financial reporting in national government agricultural entities in Kenya. When exploring the broader implications of adopting a standardized chart of accounts on financial reporting quality in national government agricultural entities in Kenya, respondents offered insightful perspectives. One respondent noted, "*The standardization of accounts ensures uniformity and consistency in financial reporting, which enhances comparability and facilitates better analysis of financial performance over time*." Another respondent highlighted, "*By providing a common framework for recording financial transactions, the standardized chart of accounts promotes transparency and accountability, which are crucial in ensuring the effective management of public funds in the agricultural sector.*" These viewpoints underscore the multifaceted benefits of implementing a standardized chart of accounts, ranging from improved comparability to enhanced transparency and accountability, ultimately contributing to the overall quality of financial reporting in government agricultural entities.

In addition to the quantitative findings, qualitative insights from respondents shed further light on the nuanced ways in which disclosure and valuation of assets and liabilities impact the quality of financial reporting in national government agricultural entities in Kenya. One respondent highlighted the importance of transparent disclosure practices, stating, "*Clear and comprehensive disclosure of assets and liabilities ensures stakeholders have a complete understanding of the entity's financial position*." Another emphasized the role of accurate valuation methods, noting, "*Accurate valuation of assets and liabilities is crucial for providing a true and fair view of the entity's financial performance*." Furthermore, a respondent pointed out the implications for decision-making, stating, "*Inaccurate valuation or inadequate disclosure can lead to erroneous decision-making, affecting the overall financial health of the entity*." These quotes reflect the consensus among respondents on the critical significance of disclosure and valuation practices in ensuring the quality and integrity of financial reporting in national government agricultural entities in Kenya.

Respondents were therefore asked to indicate how else do they think accounting policies, estimates and errors affects quality of financial reporting in national government agricultural entities in Kenya. Respondents provided insightful perspectives on how accounting policies, estimates, and errors influence the quality of financial reporting in national government agricultural entities in Kenya. One respondent highlighted the significance of accounting policies, stating, "*Transparent and consistent accounting policies are crucial for ensuring reliability in financial reporting*." Another emphasized the impact of estimation techniques, noting, "*Accurate estimation methods are essential, especially in valuing agricultural assets and liabilities, to reflect their true economic value*." Furthermore, an interviewee emphasized the importance of error management, stating, "*Identifying and rectifying errors promptly is vital to maintain the integrity of financial statements*." These quotes underscore the multifaceted ways in which accounting policies, estimates, and error management practices contribute to the quality of financial reporting within the national government agricultural sector in Kenya.

Respondents were asked to indicate other ways in which they think corporate governance reporting affects quality of financial reporting in national government agricultural entities in Kenya. The impact of corporate governance reporting on the quality of financial reporting in national government agricultural entities in Kenya is multifaceted, as suggested by respondents in our study. One respondent highlighted, "*Enhanced corporate governance reporting fosters transparency, which is vital for stakeholders' trust in financial reports*." Another participant noted, "*A robust corporate governance framework ensures proper* *oversight, reducing the likelihood of financial misstatements or errors*." These quotes underscore the broader significance of corporate governance reporting in bolstering the integrity, reliability, and transparency of financial reporting practices within national government agricultural entities in Kenya.

CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of crucial elements, including the research objectives, methodology employed, and the key findings derived from the study. Based on the study findings, the chapter presents conclusion and recommendations of the study as per the study objectives.

5.2 Summary

The general objective of this study was to determine the effect of the adoption of International Public Sector Accounting Standards on Quality of financial reporting in national government agricultural sector entities, Kenya. The study specifically sought to determine the effect of adopting a standardised chart of accounts, disclosure and valuation of assets and liabilities, accounting policies, estimates and errors, and corporate governance reporting on quality of financial reporting in national government agricultural sector entities, Kenya. The study employed a cross-sectional survey research design involving 11 national government agricultural sector entities as the unit of analysis. Finance managers, accountants, financial analysts and internal auditors within these entities served as the unit of observation,
with a purposive sampling technique used to deliberately select 44 respondents. Data collection was conducted through a semi-structured questionnaire, and analysis was performed using the Statistical Package for Social Sciences (SPSS) version 25 software.

Both qualitative and quantitative data were collected and analyzed. Qualitative data were analyzed using content analysis and presented in prose form, while descriptive and inferential analyses were employed for quantitative data. Descriptive statistics such as frequency, percentages, and means were utilized to summarize the data. Pearson correlation coefficient was employed to test the strength and direction of the relationship between the independent and dependent variables. Additionally, a multiple regression model was utilized to assess the significance of the influence of the independent variables on the dependent variable. Significance of the variables were determined using p-values at 0.05 level of significance.

Respondents agreed that the adoption of a standardized chart of accounts has positively impacted the quality of financial reporting, facilitating comparability across periods and enhancing accuracy in financial records. Despite facing implementation challenges, respondents acknowledged the supportive environment for staff training and implementation efforts. The study's correlation analysis revealed a significant positive correlation between the adoption of a standardized chart of accounts and the quality of financial. This suggests that as organizations adopt standardized chart of accounts, the quality of their financial reporting tends to improve. Additionally, the regression analysis indicated that adopting a standardized chart of accounts was a significant predictor of financial reporting quality. Respondents agreed that the adoption of a standardized chart of accounts has positively impacted the quality of financial reporting, facilitating comparability across periods and enhancing accuracy in financial records.

The findings regarding disclosure and valuation of assets and liabilities reveal a significant positive correlation between transparency in disclosing asset and liability information and financial reporting quality, suggesting that increased transparency enhances financial reporting quality. Regression analysis further confirms these relationships, with transparency in disclosure and consistent valuation methods emerging as significant predictors of financial reporting quality. Respondents' perceptions reflect an overall agreement on the improvement in transparency over time and the consistent application of valuation methods despite challenges in accurate valuation and disclosure. These findings underscore the crucial role of transparent disclosure practices and consistent valuation methodologies in ensuring the reliability and integrity of financial reporting within national government agricultural sector entities in Kenya.

Respondents acknowledged the positive influence of transparent accounting policies, accurate estimation methods, and error management practices on financial reporting quality. Despite challenges in accurate estimation and policy changes, respondents recognized the importance of consistent policies and prompt error identification. Correlation analysis indicated a significant positive correlation between transparent accounting policies, accurate estimation methods, error management practices, and financial reporting quality. Regression analysis further confirmed that these factors were significant predictors of financial reporting quality.

Respondents perceived a strong commitment to corporate governance standards, effective oversight, and increased transparency in governance reporting over time. These factors were seen as crucial for stakeholder trust and accountability. The correlation analysis revealed a significant positive correlation between strong commitment to corporate governance standards, effective oversight, increased transparency in governance reporting, and financial reporting quality. Regression analysis confirmed that these factors were significant predictors of financial reporting quality.

5.3 Conclusions

5.3.1 Adopting a Standardized Chart of Accounts

For the adoption of a standardized chart of accounts, this study highlights the importance of implementing standardized accounting practices to enhance the quality of financial reporting in national government agricultural sector entities in Kenya. The significant positive correlation and regression analyses demonstrate that adopting a standardized chart of accounts positively influences financial reporting quality, facilitating comparability across periods and improving accuracy in financial records. Therefore, the study concludes that embracing standardized accounting practices and providing adequate support for implementation efforts are essential steps toward enhancing financial reporting quality in the agricultural sector.

5.3.2 Disclosure and Valuation of Assets and Liabilities

Regarding disclosure and valuation of assets and liabilities, this study emphasizes the critical role of transparent disclosure practices and consistent valuation methods in improving financial reporting quality. The positive correlation and regression analyses indicate that transparency in disclosing asset and liability information and the consistent application of valuation methods significantly contribute to financial reporting quality. Therefore, the study concludes that fostering transparency in disclosure and ensuring consistency in valuation methods are key strategies for enhancing the reliability and integrity of financial reporting within national government agricultural sector entities in Kenya.

5.3.3 Accounting Policies, Estimates, and Errors

In terms of accounting policies, estimates, and errors, this study underscores the importance of transparent accounting policies, accurate estimation methods, and effective error management practices in bolstering financial reporting quality. The positive correlation and regression analyses suggest that transparent policies, accurate estimation techniques, and prompt error identification positively impact financial reporting quality. Consequently, the study concludes that maintaining transparent policies, enhancing estimation accuracy, and implementing robust error management mechanisms are vital for improving financial reporting quality in national government agricultural sector entities in Kenya.

5.3.4 Corporate Governance Reporting

For corporate governance reporting, this study highlights the significance of effective governance mechanisms in enhancing financial reporting quality and stakeholder confidence. The positive correlation and regression analyses reveal that factors such as commitment to governance standards, oversight effectiveness, and transparency in reporting positively influence financial reporting quality. Therefore, the study concludes that fostering a culture of accountability, transparency, and strong governance practices is essential for enhancing financial reporting quality within national government agricultural sector entities in Kenya.

5.4 Contributions to Knowledge

The contributions to knowledge made by this study are multifaceted and significant. Firstly, by focusing specifically on national government agricultural sector entities in Kenya, the study addresses a notable research gap identified in the literature review. Prior research in the field of financial reporting quality often overlooks this specific context, resulting in a lack of understanding of the unique challenges and opportunities faced by organizations operating within this sector. Therefore, the study's exploration of financial reporting practices and their determinants within national government agricultural entities provides valuable insights that can inform policy decisions and organizational strategies tailored to this sector's needs.

Secondly, the study contributes empirical evidence on the impact of adopting International Public Sector Accounting Standards (IPSAS) and other accounting practices on financial reporting quality within the national government agricultural sector. By examining the effectiveness of these standards in enhancing transparency, comparability, and reliability of financial information, the study adds to the existing body of literature on the consequences of regulatory frameworks in accounting. This empirical evidence not only advances theoretical understanding but also provides practical insights for policymakers and standard setters seeking to improve financial reporting practices within the public sector.

Moreover, the study enhances understanding of the complex interplay between regulatory frameworks, governance mechanisms, and organizational factors in shaping financial reporting practices. By analyzing how these factors influence financial reporting quality within national government agricultural entities, the study offers nuanced insights into the dynamics at play in the sector. This understanding can guide policymakers and organizational leaders in developing strategies to strengthen financial reporting practices, enhance accountability, and promote good governance within national government agricultural entities.

5.5 Recommendations and Policy Implications

To further improve financial reporting quality, organizations should continue to invest in the implementation and effective utilization of standardized chart of accounts. This includes providing ongoing support and training to staff to address implementation challenges and ensure consistent application across the sector. Additionally, organizations should periodically review and update their standardized chart of accounts to align with evolving financial reporting requirements and best practices.

Organizations should prioritize enhancing transparency in disclosing asset and liability information and ensure the consistent application of valuation methods. This can be achieved through robust disclosure policies and guidelines, regular training programs for staff involved in financial reporting, and the establishment of clear processes for disclosing changes in valuation methods. Furthermore, organizations should invest in technology and systems that facilitate accurate valuation and disclosure of assets and liabilities.

It is essential for organizations to maintain transparent accounting policies, accurate estimation methods, and effective error management practices to enhance financial reporting quality. This can be achieved by documenting and communicating accounting policies clearly to relevant stakeholders, implementing robust processes for estimating financial figures, and establishing mechanisms for prompt error identification and correction.

Organizations should also minimize the frequency of changes to accounting policies to ensure consistency in financial reporting.

Organizations should continue to strengthen corporate governance practices to enhance financial reporting quality and stakeholder confidence. This includes demonstrating a strong commitment to upholding governance standards, ensuring effective oversight of financial reporting processes by audit committees, and promoting transparency in governance reporting. Organizations should also establish clear governance guidelines and policies and foster a culture of accountability and responsibility among board members and senior management.

5.6 Suggestions for Further Research

Further research in this field could explore the longitudinal effects of implementing the recommended strategies on financial reporting quality in national government agricultural sector entities in Kenya. Longitudinal studies would allow researchers to track the impact of initiatives such as adopting standardized chart of accounts, enhancing disclosure and valuation practices, improving accounting policies, and strengthening corporate governance reporting over an extended period. Additionally, comparative studies across different sectors or countries could provide valuable insights into the effectiveness of various strategies in improving financial reporting quality. Furthermore, qualitative research focusing on stakeholders' perceptions and experiences could offer deeper insights into the challenges and opportunities associated with enhancing financial reporting practices in the agricultural sector. Finally, exploring the role of emerging technologies such as blockchain and artificial intelligence in financial reporting could be an area of interest for future research.

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APPENDICES

Appendix I: Questionnaire

Part A: Demographic Information

Please complete the following biographical information. This information will only be used for statistical purposes.

1. Please state your gender

Male [ ]

Female [ ]

2. Please indicate your age bracket

20-29 years [ ] 30-39 years [ ]

40-49 years [ ] Above 50 years [ ]

3. State the number of years you have worked with the organization?

Less than 4 years [ ] 4-10 years [ ]

Above 10 years [ ]

4. Please indicate your level of education

PhD [ ] Masters [ ]

Bachelor’s degree [ ] Diploma [ ]

Certificate [ ]

Section B: Adopting a Standardized Chart of Accounts

Please indicate your level of agreement with the following statements on the effect of adopting a standardised chart of accounts on quality of financial reporting in national government agricultural entities in Kenya. Please kindly tick (√) in the appropriate space that represents your opinion. Use the scale: **Strongly Disagree (1), Disagree (2), Neutral (3), Agree (4), Strongly Agree (5)**

Statements.	**1**	**2**	**3**	**4**	**5**
Our organization utilizes a standardized chart of accounts for financial reporting purposes.					
The standardized chart of accounts has improved the accuracy of our financial records.					
The standardized chart of accounts facilitates comparability of financial information across periods					
The standardized chart of accounts enhances the preparation of financial statements.					
Our organization faces challenges in implementing the standardized chart of accounts effectively.					
There is sufficient support and training provided to staff for the adoption of the standardized chart of accounts.					
The adoption of the standardized chart of accounts has improved the quality of our financial reporting					

How else do you think adopting a standardised chart of accounts on quality affects financial reporting in national government agricultural entities in Kenya?

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Section C: Disclosure and Valuation of Assets and Liabilities

Please indicate your level of agreement with the following statements on the effect of disclosure and valuation of assets and liabilities on quality of financial reporting in national government agricultural entities in Kenya. Please kindly tick (√) in the appropriate space that represents your opinion. Use the scale: **Strongly Disagree (1), Disagree (2), Neutral (3), Agree (4), Strongly Agree (5)**

Statements.	**1**	**2**	**3**	**4**	**5**
Our organization discloses all relevant information regarding assets and liabilities in its financial reports					
The valuation methods used for assets and liabilities are consistently applied and accurately reflect their true value					
The level of transparency in disclosing asset and liability information has improved over time					
Investors and stakeholders find the information provided on assets and liabilities to be adequate for decision-making					
Our organization faces challenges in accurately valuing certain assets and liabilities					
There is a clear process in place for disclosing changes in asset and liability valuation methods.					
Our organization's disclosure and valuation practices contribute positively to the quality of financial reporting					

How else do you think disclosure and valuation of assets and liabilities affects quality financial reporting in national government agricultural entities in Kenya?

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Section D: Accounting Policies, Estimates, and Errors

Please indicate your level of agreement with the following statements on the effect of accounting policies, estimates and errors on quality of financial reporting in national government agricultural entities in Kenya. Please kindly tick (√) in the appropriate space that represents your opinion. Use the scale: **Strongly Disagree (1), Disagree (2), Neutral (3), Agree (4), Strongly Agree (5)**

Statements.	**1**	**2**	**3**	**4**	**5**
Our organization has clearly defined accounting policies documented and communicated to relevant stakeholders					
The estimates made by our organization in financial reporting are consistently accurate					
Instances of errors in financial reporting are promptly identified and corrected.					
The frequency of changes to accounting policies is minimal, ensuring consistency in financial reporting.					
Our organization faces challenges in estimating certain financial figures accurately					
There is a comprehensive process in place for reviewing and approving changes to accounting policies					
Our organization's approach to accounting policies, estimates, and errors positively influences the quality of financial reporting					

How else do you think accounting policies, estimates and errors affects quality of financial reporting in national government agricultural entities in Kenya?

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Section E: Corporate Governance Reporting

Please indicate your level of agreement with the following statements on the effect of corporate governance reporting on quality of financial reporting in national government agricultural entities in Kenya. Please kindly tick (√) in the appropriate space that represents your opinion. Use the scale: **Strongly Disagree (1), Disagree (2), Neutral (3), Agree (4), Strongly Agree (5)**

Statements.	**1**	**2**	**3**	**4**	**5**
Our organization has established clear corporate governance guidelines and policies.					
The board of directors demonstrates a strong commitment to upholding corporate governance standards.					
There is effective oversight of financial reporting processes by the audit committee.					
Transparency in corporate governance reporting has improved over time.					
Investors and stakeholders have confidence in the integrity of our corporate governance practices.					
There is a culture of accountability and responsibility among board members and senior management					

How else do you think corporate governance reporting affects quality of financial reporting in national government agricultural entities in Kenya?

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Section F: Quality of Financial Reporting

Please indicate your level of agreement with the following statements on quality of financial reporting in national government agricultural entities in Kenya. Please kindly tick (√) in the appropriate space that represents your opinion. Use the scale: **Strongly Disagree (1), Disagree (2), Neutral (3), Agree (4), Strongly Agree (5)**

Statements.	**1**	**2**	**3**	**4**	**5**
The financial reports produced by the organization are accurate and reliable.					
There is transparency in the financial reporting practices of the organization.					
The financial reports adequately disclose all relevant information to stakeholders.					
Our organization consistently adhere to international public sector accounting standards in their financial reporting.					
The quality of financial reporting in the organization has improved over time.					
Stakeholders, including investors and regulatory bodies, trust the financial reports issued by our organization.					
There is room for improvement in enhancing the overall quality of financial reporting within the organization					

END!!!

THANK YOU

Appendix II: List of Target Population

	State Corporation-Semi – Autonomous Government Agencies	Govt of Kenya Share Holding		Reporting Framework
		Direct %	Indirect %	
1.	AFFA Pyrethrum and Other Crops Directorate	100	-	IPSAS accrual
2.	Agricultural Development Corporation	100	-	IPSAS accrual
3.	Agricultural Finance Corporation	100	-	IPSAS accrual
4.	Agriculture, Livestock, Food and Fisheries Authority (AFFA)	100	-	IPSAS accrual
5.	Kenya Agricultural and Livestock Research Organization (KARLO)	100	-	IPSAS accrual
6.	Kenya Animal Genetics Resource Centre	100	-	IPSAS accrual
7.	Kenya Dairy Board	100	-	IPSAS accrual
8.	Kenya Plant Health Inspectorate Services (KEPHIS)	100	-	IPSAS accrual
9.	Kenya Veterinary Board	100	-	IPSAS accrual
10.	National Biosafety Authority	100	-	IPSAS accrual
11.	Pest Control Products Board	100	-	IPSAS accrual

Source: The State Corporations Advisory Committee

Appendix III: Introductory Letter

KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke
Website: www.ku.ac.ke

P.O. Box 43844, 00100
NAIROBI, KENYA
Tel. 810901 Ext. 4150

Internal Memo

FROM: Executive Dean, Graduate School

DATE: 20th March, 2024

TO: Kabachia Wanyoike Samuel
C/o Accounting and Finance Dept.

REF: D53/CTY/PT/28202/2018

SUBJECT: APPROVAL OF RESEARCH PROJECT PROPOSAL

This is to inform you that Graduate School Board at its meeting of 13th March, 2024 approved your Research Project Proposal for the M.B.A Degree Entitled, **"Adoption of International Public Sector Accounting Standards and Quality of Financial Reporting in National Government Agricultural Sector Entities, Kenya."**

You may now proceed with your Data Collection, Subject to Clearance with Director General, National Commission for Science, Technology and Innovation.

As you embark on your data collection, please note that you will be required to submit to Graduate School completed Supervision Tracking and progress report Forms per semester. The Forms are available at the University's Website under Graduate School webpage downloads.

Also, please ensure that you publish article(s) from your project before submitting it to Graduate School for examination as per the Commission for University Education and Kenyatta University guidelines.

Thank you.

ANNBELL MWANIKI
FOR: EXECUTIVE DEAN, GRADUATE SCHOOL

c.c. Chairman, Accounting and Finance.

Supervisors:

1. Dr. Fredrick Warui
   C/o Department of Accounting and Finance
   Kenyatta University

AM/mo

Appendix IV: Research Permit

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: 570219

Date of Issue: 03/April/2024

RESEARCH LICENSE

This is to Certify that Mr.. Samuel Kabachia of Kenyatta University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: ADOPTION OF INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS AND QUALITY OF FINANCIAL REPORTING IN NATIONAL GOVERNMENT AGRICULTURAL SECTOR ENTITIES, KENYA for the period ending : 03/April/2025.

License No: NACOSTI/P/24/34232

570219

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Verification QR Code

NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.

See overleaf for conditions