EFFECT OF INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS ON REPORTED STATE REVENUE

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Abstract

This study centers on the effect of international public sector accounting standards (IPSASs) on reported state revenue. The population of this research study consists of six (6) Government Ministries, Departments and Agencies (MDAs) in Anambra State. The sample size of this study therefore consists of 43 staff from the MDAs with the adoption of simple random sampling. The study employs both primary and secondary data. The administered questionnaire is designed into 5-point likert scale relating to the objectives of the study. Descriptive analyses using frequency counts, percentages, means and standard deviations are carried out and inferential statistics of the stated hypotheses are carried out using the Cronbach's Alpha, Weighted Mean and Paired T-test. The Data are analyzed through the use of statistical package for social sciences (SPSS) version -22. The results of this study reveal that there is a significant positive effect of international public sector accounting standards (IPSASs) on reported state revenue. The study recommends that the federal government should provide an enabling legislative framework for proper and effective implementation of IPSAS in Nigeria.

Keywords: International Public Sector Accounting Standards, Revenue, Financial Report

Background to the Study

Over the years, different countries of the world have described and set the standards of financial reporting in their individual territories. However, globalization has brought about ever increasing collaboration, international trade and commerce among the countries of the world; hence, there is need for increased uniformity in the standards guiding financial statements so that such statements would remain comprehensible and convenes the same information to users across the world. The need for the development of unified accounting standards has been the primary driver of International Public Sector Accounting Standards (IPSASs) for financial reporting in the public sector.

IPSAS is the focal point of global revolution in government accounting in response to the need for greater financial accountability and transparency. According to Hayfron Adoagye (2012) IPSASs are high quality global financial reporting standards for application by public sector entities other than government business enterprises and it is issued by International Public Sector Accounting Standard Board (IPSASB) which is formerly known as public sector committee and is among the four independent standard setting boards of International Federation of Accountants (IFAC) which is a global organization for accounting profession and dedicated to serving the public interest by strengthening the profession and contribution to the development of strong international economies.

IFAC was founded in 1977 and comprised of 173 members and associates in 129 countries and jurisdictions which include Nigeria. IFAC is expected to serve the public interest by;

i. Contributing to the development of professional accountants.
ii. Speaking out on accounting public issues.
iii. Contributing to the development, adoption and implementation of high quality international standards and guidelines.
iv. Promoting the value of professional accountants.

Commercial entities (private sector) across the world are moving towards International Financial Reporting Standards (IFRSs) and governments are harmonizing with International Public Sector Accounting Standards (IPSASs).

Public sector is that part of an economy that is controlled by the state whereby they aid in generating revenues in the sector. The sources of revenues include: tax, investment income, royalties accruing to government, revenue arising from grants and aids from friendly countries, borrowing from other countries and world bodies, fees, interests on loans granted by government, crude oil sales etc., whereas internally generated revenues include: Pay As You Earn, Direct assessment, road taxes, revenues arising from ministries, department and agencies and other taxes. The serious decline in price oil in recent years has led to a decrease in the funds available to the state and federal governments. The need for state and local governments to generate adequate revenues from internal sources has become a matter of extreme urgency and importance. Aguolu (2004) maintained that taxation is the most important source of revenue to government. Owing to the inherent power of the government to impose taxes, the government is assured at all times of its tax revenues no matter the circumstances.

Statement of the Problem

These financial statements are prepared based on cash basis, however, most of these financial statements are not reported on a consistent and comparable basis in developing countries. The benefit of achieving consistent and comparable financial information across jurisdictions is very important and also a set of IPSASs has been established by IPSAS Board in that endeavor. IPSAS governs the recognition, measurement, presentation and disclosure requirements in relation to transactions and events in general purpose financial statement which is characterized by the fact that they are issued for users who are unable to demand financial information to enable them meet specific information needs. IPSAS is a new revolution in government accounting and are used as guidelines for preparation of public sector financial statements.

Public sector accounting has been focused on cash basis of accounting, while private sector has been precedence on accrual basis of accounting. The preparation and presentation of financial statements at each level of government have pose series of problems worldwide. The accrual basis of accounting has been working perfectly well in the private sector, whereas the cash basis of accounting appears to have thrown up a number of challenges relating to underutilization of scarce resources, high degree of vulnerability to manipulation, lack of proper accountability and transparency, inadequate disclosure requirements due to the fact that the cash basis of accounting does not offer a realistic view of financial transaction.

Objectives of the Study

The main objective of the study is to find out how the adoption of IPSAS has affected the quality of public sector financial reporting. The specific objectives include:

1. To assess the effect of adoption of IPSAS on reported state revenue.
2. To identify the challenges of migrating to accrual based IPSAS in public sector reporting.

Research Hypotheses

Hypothesis I

Ho_1: Adoption of IPSAS has no significant effect on reported state revenue.

Ha_1: Adoption of IPSAS has significant effect on reported state revenue.

Hypothesis II

Ho_2: There is no significant challenge of migrating to accrual based IPSAS in public sector reporting.

Ha_2: There is a significant challenge of migrating to accrual based IPSAS in public sector reporting

Conceptual Review

International Public Sector Accounting Standards (IPSASs)

International public sector accounting standards (IPSASs) in reported state revenues is enrooting in a number of conceptual frameworks. Ijeoma (2014) opined that conceptual framework is the heart of IPSASs on reported state revenue and it spells out government accounting principles and forms the basis for the preparation, publication of budgets, maintenance of complete financial records, provision of full disclosures and submission to full audit; thus, it helps to monitor revenues, expenses, assets and liabilities and assist in the assessment of financial transactions and events.

Public sector can be described as entities or organizations that implement policy through provision of services and redistribution of income and wealth.

Public sector can be defined as that sector of the economy established and operated by the government or its agencies distinguishable from the private sector and organized on behalf of the whole citizens. Its primary motive is to provide services to the citizens and not to maximize profit.

In Nigeria, public sector consists of federal governments with its ministries, departments and agencies like Central bank of Nigeria, Independent National Electoral Commission, Nigeria Ports Authority etc, state government and its agencies, department and ministries and local government and they are the tiers of government in its hierarchy of power and how they run government activities.

Public sector accounting is both diverse and extremely large unlike private sector and it is by nature closely linked to budget process. It is based on quite distinctive financial and institutional structures. The federal governments established several accounting principles and requirements to be followed by government ministries and extra ministerial departments through the issuance of treasury circulars and the revised financial regulations of 1976. According to Ijeoma (2014), public sector accounting is structured to reflect objectives and scope, recognition and measurement criteria, definition and qualitative characteristics of financial information shown in financial and accounting reports of public sector accounting entities.

Heald (2003) suggested that IPSAS is the centerpiece of global revolution in government accounting in response to calls for greater government financial accountability and transparency. IPSAS refers to the recommendations made by the IPSAS Board under the guidance of International Federation of Accountants (IFAC) and are accepted for accounting for funds provided under world bank programs.

Developing countries like Nigeria are urged to adopt IPSAS by international organizations which provide financial assistance to developing countries, though; developed countries are also encouraged to conform to their national standards to IPSAS. IPSASs have become factual international benchmarks for evaluating government accounting practices worldwide and so deserve the attention of accounting policymakers, practitioners, international organizations and scholars.

Money is anything that is generally accepted as a medium of exchange, measure of value or a means of payment. It is reliable in crucial situations and controls government. It is the reasons behind the differences in social status in the global village.

Revenue is the yield of source of income that a nation or state collects and receives into the treasury for public use, that is, running of government activities. The sources of revenues to government include tax, investment income, royalties accruing to government, revenue accruing from grants and aids from friendly countries etc.

According to Aguolu (2004), tax is the most important source of revenue to government. Government generates revenues (money) in order to meet with expenditures incurred while performing its duties to the people.

Nature of International Public Sector Accounting Standards (IPSAS).

International Public Sector Accounting Standards (IPSASs) are international accounting standards used as guidelines for the preparation of public sector financial statements; thus, its aim is to enhance the quality of general purpose financial statements by public sector which would provide better means of assessing the resource allocation of government.

The objective of general purpose financial statements is to provide information to meet the need of those users of financial statements who will not be able to demand financial reports. The users of general purpose financial statements include: taxpayers, public officials aids, creditors, employees, media and the general public.

IPSAS addresses issues on financial measurement and financial performance and reports to the public. According to Hayfron (2012), IPSASs are high quality financial reporting standards for application on public sector entities other than government business enterprises and being issued by IPSAS Board formerly called Public sector Committee.

IPSAS Board is among the four independent standard setting boards of International Federation of Accountants (IFAC) which is a global organization for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies and it comprises of 157 members and associates in 123 countries including Nigeria.

IPSAS Board comprises of 18 members, 15 of whom are nominated by national bodies which include: Australia, Canada, China, France, Germany, Uruguay, United states of America, United kingdom, South Africa, Kenya, Japan, New Zealand, Romania, Morocco, Pakistan, while 3 members are public members. They deal with financial reporting under the cash basis of accounting and accrual basis of accounting and they

recognize the significant benefits of achieving consistent and comparable financial information across jurisdictions.
IPSAS Board strongly encourages governments and standard setters to engage in the development of its standards by commenting on the proposals set out in exposure drafts and consultation papers.

IPSASs do not deal with the financial measures used in budgeting and do not address the contents of report produced to demonstrate compliance with laws and regulations. IPSASs do not apply to government business enterprises which have the following characteristics:

A. It is an entity with the power to contract in its own name.
B. It sells goods and services in the normal course of its business.
C. It is controlled by public sector entity.
D. It has not been assigned the financial and operational authority to carry on a business.
E. It is not reliant on continuing government funding.

Laws and regulations guiding public sector accounting in Nigeria

Prior to IPSASs adoption, there are laws and regulations guiding the relevant authorities, auditors and accountants in the preparation and presentation of public sector financial statements to the public and other stakeholders who take informed judgments on whether to rely or not on the reports. (Onatuyeh & Aniefor 2013).

According to Okafor (2012), there are relevant laws and regulations guiding public sector accounting in Nigeria and they include:

1. **Finance Acts of 1958**; which streamlines and ensures prudent management and operations of all public funds created by the act or the constitution of the federal republic of Nigeria.
2. **Appropriation Act;** which refers to the financial law in relation to appropriation bill passed into law by National Assembly of the Federal Republic of Nigeria and it regulates financial related issues.
3. **Public procurement Act 2007**; which stipulates the requirements and guideline for ordering and purchasing common commodities and services in the public sector in Nigeria. The Act seeks that procurement should ensure that purchasing activities are capable of giving the purchaser best value for his money, though the act is in line with IPSASs.
4. **Fiscal responsibility Act 2007**; seeks the judicious use and administration of public commodities, maintains long term and proactive stability of national economy and puts the economy of the country on a good footing and maintains accelerated stewardship and openness of financial utilization with medium term fiscal policy framework and the formation of the fiscal responsibility commission to guarantee the promotion and implementation of the nation's economic objectives (Okoroafor, 2015).
   The Act ensures prudent and objective utilization of public resources; ensures government borrowing for public interest with low and long term maturity; maintains consistency in the disbursement and management of public fund and maintains maximum accountability (Ezeabasili & Herbert 2013).
5. **Audit Act of 1956**; which prescribes how auditing of public entities should be carried out in Nigeria.

From 1960 to date, corruption, lack of transparency and poor accountability in the public financial system have been the problem facing Nigeria as can be seen by the level of reckless spending, mismanagement of public resources and diversion of public funds and all those could be blamed on the accounting system and budgeting processes (Ukaogo 2013).

Maikudi and Mikhail (2014) recommended that Nigeria should adopt more pragmatic and comprehensive reforms and then enforce strict compliance in those reforms just as it is necessary to adhere to the provisions of fiscal responsibility, public procurement act and the general budget processes if Nigeria must experience appreciable level of accountability in her public sector.

Oluwatobi (2012) added that the Nigeria public sector is known for corruption, financial indiscipline, lack of integrity, transparency and accountability and general mismanagement of public funds which, to a great extent, have hindered the level of development in the country. One would comfortably state that Nigeria, considering its challenges on transparency and accountability, is yet to come to equal stand with the international community, notwithstanding the number of reforms that have taken place in the country.

IPSAS Adoption in Nigeria

The success of accountability in the public sector in Nigeria lies on the proper implementation of the IPSAS. Onwuabuariri (2012) reported that the Federal Executive Council of Nigeria, in July 2010, approved the adoption of the International Financial Reporting Standards (IFRSs) and International Public Sector Accounting Standards (IPSASs) for the private and public sectors.

The adoption is aimed at improving the country's accounting and financial reporting system in alliance with global standards. The Federal Account Allocation (FAAC), in June 2011, set up a subcommittee to work out an avenue for the adoption of IPSASs in the three tiers of government. However, some stakeholders believe that the tools and strategies needed to fully implement IPSAS in the three tiers of government in Nigeria is still problematic.

IPSASs are a good development and an international best practice which have been embraced in most developed countries. Nigeria should join queue in making sure that public entities fully adopt IPSASs.

Nanko (2014) noted that the subcommittee has even gone as far as reviewing the current book keeping system, accounting and reporting system and chart of account currently used by the three tiers of government.

The committee started their interactive session with political leaders, key officers in federal ministries, permanent secretaries, state governors, commissioners of the 36 states and local government councilors. The interactive session enable the committee to obtain information on all aspects of their budgeting, book keeping and financial accounting reporting system.

The subcommittee of the FAAC has developed the following for all government establishments in Nigeria in order to enhance effective adoption and implementation OF IPSASs in Nigeria. They include:

1. Uniform National chart of account and user manual for the chart.
2. Uniform Budgeting templates that align with IPSASs cash basis.
3. Uniform Accounting Policies

Hayfron Adogye (2012) stated that IPSAS Board has been able to issue thirty two (32) accrual basis and one (1) comprehensive cash basis in line with IPSAS handbook published in march 2011. The issued accrual based IPSAS are as follows:

IPSASS	Standards	Based on	Issuance date
No 1	Presentation of financial statements	1 AS 7	May 2000
No 2	Cash flow statements	IAS 7	May 2000
No 3	Accounting Policies, change in accounting estimates and errors	IAS 8	May 2000
No 4	The effects of change in foreign exchange transactions.	IAS 21	May 2000
No 5	Borrowing Costs	IAS 23	May 2000
No 6	Consolidated and separate financial Statements	IAS 27	May 2000
No 7	Investments in associates	IAS 28	May 2000
No 8	Interest in Joint ventures	IAS 31	May 2000
No 9	Revenue from exchange transactions	IAS 18	July 2001
No 10	Financial reporting in hyper inflationary economics	IAS 29	July 2001
No 11	Construction contracts	IAS 11	July 2001
No 12	Inventories	IAS 2	July 2001
No 13	Leases	IAS 17	December
No 14	Events after reporting date	IAS 10	December 2001
No 15	Financial instruments; Disclosures and presentation	IAS 32	December 2001
No 16	Investment Property	IAS 40	December 2001
No 17	Property plant and equipment	IAS 16	December 2001
No 18	Segment reporting	IAS 14	June 2002
No 19	Provision contigent assests and liabilities		
No 20	Related party disclosures	IAS 24	October 2002
No 21	Impairment of non-cash generating assets		
No 22	Disclosures of the financial information about general government sectors.	No corresponding IFRS	December 2006
No 23	Revenue from non-exchange transactions	No corresponding IFRS	December 2006
No 24	Presentation of budget	No	December 2006

	information in financial statements	corresponding IFRS	
No 25	Employee benefits.	IAS 19	February 2008
No 26	Impairment of cash generating assets.	IAS 36	February 2008
No 27	Agriculture	IAS 41	February 2009
No 28	Financial instruments; presentation	IAS 32	January 2010
No 29	Financial instruments; Recognition and measurement	IAS 39	January 2010
No 30	Financial instrument; disclosures	IFRS 7	January 2010
No 31	Intangible assets	IAS 38	January 2010
No 32	Service concession arrangements	IFRIC 12	October 2011
No 33	First time adoption of accrual based IPSASS	No corresponding IFRS	January 2015
No 34	Separate financial statements	IAS 27	January 2015
No 35	Consolidated financial statements	IAS 27	January 2015
No 36	Investment in associates and joint ventures	IAS 28	January 2015
No 37	Joint arrangements	IFRS 11	January 2015
No 38	Disclosures of interests in other entities	IFRS 12	January 2015

NOTE: IPSAS Standards (No 22, 23, 24 and 33) have no corresponding IFRS, that is, they are specific to the public sector.

Benefits of adopting IPSASs

The adoption of IPSASs will generate a lot of benefits which include:

1. Improved service delivery (Value of money expenditures).
2. Ensures a holistic aggregate reporting of financial transactions and performance.
3. Enhances public private partnership arrangements.
4. Builds confidence in donor agencies and lenders.
5. Encourages full disclosure hinged on integrity and accountability.
6. Increases control of public agencies.
7. Improves credibility.
8. Seeks to ensure international best practices and comparability.
9. Assists stakeholders in assessing how well their resources have been utilized.
10. Increases political leverage.

Revenue Generation

According to Webster new international dictionary, Revenue can be defined as the annual or periodic yield of taxes, exercise as the source of income that a public sector collects into their treasury for public use.
Government revenue is money received by government. It is an important tool of fiscal

policy of the government and is the opposite factor of government spending.

Revenue provides the major source of state government financing. Generally, revenues are the result of taxes, licenses and fees collected or from investment earnings. Revenues cause an increase to assets and fund equity account in government funds.

Revenue that accrues to the state government is derived from two broad sources which are: external and internal sources of government revenues. The increasing cost of running government, coupled with dwindling revenues, has left various state governments in Nigeria with formulating strategies to improve revenue base.

Since the 1970s till now, over 80% of the annual revenue of the three tiers of government in Nigeria comes from petroleum. However, a serious decline in the price of oil in recent years has led to a decrease in the funds available for distribution to the States. The need for state governments to generate adequate revenue from internal sources has become a matter of extreme urgency and importance.

Revenue generation is complete amount of money that is generated during a specific time period. In Nigeria, state government revenue is principally derived from tax.

Tax is a compulsory levy imposed by government on individuals and companies for the various legitimate function of the state (Olaoye 2008). Thus, tax is a necessary ingredient of civilization.
According to Nightingale (2002), Lyme and Oats (2010), it raises revenue to finance government expenditure, redistribution of wealth and income to promote the welfare and equality of the citizens and regulation of the economy thereby creating enabling environment for business to thrive.

Problems of Revenue Generation

Revenue generation is constrained by certain factors which stemmed from the deplorable economic circumstance, which has drastically affected the income disposition of the people, thereby increasing the financial burden and making them very unwilling to part with their hard earned money or give honest account in relation to revenue collection. However, they include:

1. Lack of acceptance by a large majority of tax payers.
2. Inadequate administrative tools.
3. Lack of manpower.
4. A body of workable concepts beginning with the definition of what is to be taxed.
5. Weak administration of personal income tax.
6. The concentration of the responsibility of tax assessment and its revision on some tax official exposes him to the risk of abuse of office and corruption, thus rendering tax administration ineffective.
7. There is abundant evidence to show the existence of large scale tax evasion arising from weak tax administration in the country.

Cash vs. Accrual measurements

The International Public Sector Accounting Standard Board (IPSASB) has demonstrated an ambiguous stance on the issue of cash basis and accrual basis of accounting. They have sent mixed signals on its commitment to accrual. It favors the accrual basis issuing its entire standard under the basis except one comprehensive cash basis standard.

The cash accounting has been in use in the public sector for over two hundred years. Its acceptance is based on the main objective of public sector accounting, which is protection of public fund (Pallot 2001).

Cash accounting is adjudged as a good accounting basis for government accounting purposes; it has been criticized for its susceptibility to manipulations, ability to provide misleading view of state of affairs of government and inconsistency in the treatment of transactions. (Ibanichuka & James 2014; Irvine 2011; Izedonmi & Ibadin 2013; Ngwu 1999).

Barret (2006) summarized the major pitfalls of the cash accounting system as;

a. The full cost of a programme and departments are not recorded.
b. There are no records of government non cash assets and liabilities.
c. Non-reporting on performance efficiency, cost control, assets and liabilities.
d. Performance measure is based on budget compliance.

> *Under the cash basis, revenues and expenses are reported on the income statement in the period in which cash is received and paid out, while under the accrual basis, revenues and expenditures are recorded on the income statement in the period when they are earned or payment is made.*

The supremacy of accrual accounting over cash accounting has been a subject of discourse since the late 1980s. Some authors have argued that the fundamental purpose of government accounting is the protection of public money and that business sector accounting practices are not devised for that purpose which justifies the use of cash accounting basis (Ahn et al. 2014; Chan 2003; Vinnari & N'Asi 1998). Others are of the opinion that the adoption of accrual accounting for government financial reporting will enhance cost effectiveness, transparency and accountability, provide improved system for resource allocation and better costing of programmes and services provided by government (Ishola 2009; Ibanichuka & James 2014; Ouda 2014; Owolabi et al. 2013; Seenivasan 2014).

Adoption of accrual accounting requires the preparation of public sector financial statements on an accounting model that is based on efficient and effective reporting and was inspired by IPSASs or IASs (Bellanca & Vandemoot 2014) and they further stated that countries that have adopted the accounting model provided more accurate information to the citizens than countries using cash accounting.

Accrual basis of accounting provides a better picture of a company's profit during the accounting period. The income statement prepared will report all the revenues actually earned during the period and expenses incurred in order to earn the revenues.

Accrual accounting also provides a better picture of a company's financial position at a point in time. The reason is that all assets that were earned will be reported and all liabilities that were incurred will be reported. It is required because of the matching principles.

The practical implication of this clarification of accrual is that transition to accrual entails three phases which are as follows;

1. Recognizing the government's receivables from taxation and other non-exchange transactions.
2. Build up the capacity of accounting system to capture a larger portfolio of assets and liabilities gradually.

3. Preparing the accrual based financial statements.

The International Experience of the Adoption of Accrual Accounting

In Australia, the introduction of accrual accounting for government budgeting and accounting in 1990 was aimed at making the public sector more efficient and improve transparency (Gothrie 1990). Barret (2006) in his study of accrual accounting in Australia observed improvements in the public sector performance that was linked to the change in accounting system. He claimed that an adoption of accrual based Accounting system in the Australia public sector had positive impact through enhanced efficiency, effectiveness, accountability and allowed for better costing of programmes and services provided by government.

In United Kingdom, the shift from cash accounting to accrual accounting in the public sector was viewed as part of the public sector reform process. The U.K. government moved to accrual accounting from April 2001 under the Resource and Budgeting (RAB) reform programme (Likierman 2002; Bellanca &Vandemoot 2014; Seenivasan 2014). The RAB programme was a commitment by the central government to change budgeting from cash to accrual basis.

The results of a review of the accrual accounting practice in the public sector in Europe show that the U.K has a high index of compliance with IPSASs (over 70%) and is providing more efficient and reliable information to citizens.

In New Zealand, Accrual accounting was introduced in 1990 as one of the measures designed to tackle socio-economic problems facing the country. Richardson (1997) stated that the introduction of the accrual accounting system was part of the programme for implementing the 1989 public finance act, which established departmental reporting requirements in accordance with GAAP and it implicitly requires the adoption of full accrual accounting. Pallot (2001) observed that the implementation of accrual accounting in new Zealand recorded success stories with greater supports from the government and accounting bodies in the country and that its effects on efficiency, accountability and priority setting appeared positive and there was no wish anywhere in new Zealand to return to cash accounting system.

The New Zealand experience has been commended by the World Bank and other international organizations as successful demonstration of a change in government accounting and budgeting that is made possible.

Other countries that have adopted accrual accounting include Chile, U.S, and Canada. According to survey conducted by Bellanca and Vandemoot (2014), out of 28 member countries of the European Union, Italy is the only state that uses cash basis in the public sector while Portugal, Finland and Netherland use some form of modified cash accounting while others uses full accrual accounting basis.

1. **Cash accounting**: method that records transactions and other events when cash is received or paid;
2. **Modified cash accounting**: a hybrid method that takes into account, for the most part, the cash accounting,
3. But that also takes into account unpaid accounts and /or accounts receivables at the end of the year;
4. **Accrual accounting**: method by which transactions and other events are

recorded when they occur and not only in case of receipt or disbursement;

5. **Modified accrual accounting**: method that tends to full accrual accounting but with some differences including the non-consideration of some classes of asset or liability.

The survey also revealed that more than 73%, i.e. 25 out of 34 country members of the Organization for Economic Co-operation and Development (OECD) had adopted some form of accrual accounting in the public sector, 9% (Greece, Portugal and Slovenia) are currently considering transition, while 18% are still using the cash based accounting.

S/No	Countries	Year of adoption
1	Austria	1 January 1995
2	Belgium	1 January 1958
3	Bulgaria	1 January 2007
4	Croatia	1 July 2013
5	Cyprus	1 May 2004
6	Czech republic	1 May 2004
7	Denmark	1 January 1973
8	Estonia	1 May 2004
9	Finland	1 January 1995
10	France	1 January 1958
11	Germany	1 January 1958
12	Hungary	1 May 2004
13	Ireland	1 January 1973
14	Latvia	1 May 2004
15	Lithuania	1 May 2004
16	Luxembourg	1 January 1958
17	Malta	1 January 2004
18	Netherlands	1 January 1958
19	Poland	1 May 2004
20	Portugal	1 January 1958
21	Romania	1 January 2007
22	Slovakia	1 May 2004
23	Spain	1 May 1986
24	Sweden	1 May 1995
25	United Kingdom	1 January 1973

Adoption of Accrual Accounting in Nigeria

According to Adegoroye (2008), the ills in the public sector of Nigeria includes lack of financial accountability and the use of a reporting system that does not provide an overall picture of government activities. This view was emphasized by Okpala (2013), where he opined that Nigeria lost several hundred billions of Naira over the last few decades due to flagrant abuse of procedures and lack of transparency in the public sector. Attempts at proffering solutions by countries with similar problems, including consideration for adopting financial reporting models of the public sector. (Andrews, 2002; Ibanichuka & James, 2014).

A comparison of Nigeria government accounting system and United Nations model for government accounting highlighted areas of weakness in the financial reports prepared on cash basis to include: gaps in the information content, lack of external accountability, poor linkages between government budgeting and financial reports and the persistent reporting of large variances (Aruwa 2002). These weaknesses will hamper government accountability efforts except concrete steps are taken to consolidate the reforms with a reporting system that focus on output. This view was shared by Ibanichuka and James (2014) in their study of cash accounting in the public sector and they found out that a true reflection of poor budget performance and lack of accountability in the financial reporting of Nigerian government is under the cash basis and they recommended that the accrual basis of accounting be adopted by all government ministries and extra-ministerial departments.

A complete accrual basis of accounting would make public managers accountable for recording and safeguarding of public assets, managing public cash flows and disclosing and discharging public liabilities. Adegite (2010) said that to attract foreign direct investments to Nigeria, the efficiency of public sector processes must be aligned with international standards.

Challenges of migrating to accrual based IPSASs

Nigeria migration will definitely not come without challenges and it include;

1. Lack of adequate technical resources.
2. Inadequate support at the highest levels of the executive.
3. Lack of trained staff.
4. Consolidation issues.
5. Lack of commitment from the senior management.
6. Systematic identification and valuation of assets and liabilities as at the date accrual accounting is to commence.

Benefits of adopting accrual based IPSASs

There are lists of benefits that accrue to the use of accrual accounting in government and it include:

1. Improved accountability and increased efficiency.
2. Enhanced transparency of government operations.
3. Improved system of resource allocation.
4. Reporting of more information on the full costs of operations.
5. Greater focus on outputs rather than inputs.
6. Better financial management system.
7. Greater comparability of management performance results.
8. A better indication of sustainability of government policy.

Theoretical Framework

Principle of Derivation

Principle of Derivation states that all revenues which come or are attributable to a particular state should be allocated in part or in full to such state irrespective of the fiscal jurisdiction or the machinery of collection. It ensures that a state of origin of any particular revenue would receive more than any other state from the revenue accruing from within its geographical boundary or area of jurisdiction. However, the issue of derivation suffered a pestilent attack from the recommendation of the Aboyade technical committee on revenue allocation in 1977. The committee was of the opinion that the principle of derivation had little or no place in a cohesive fiscal system for national, political and social development and that the principle is now contrary to the principle of federalism where there should be no trade barrier or restrictions on factors of movement.

The principle of derivation is one of the most potent principles adopted to achieve autonomy among the federating states which is a cardinal attribute of federalism. It also protects a good measure of state initiative and control of economic activities and retention of a sizeable portion of revenue accruing from the natural resources generated within their administrative boundaries, thereby making them less dependent on the federal government of which they share constitutional powers. The federal government can only benefit from such revenue by way of taxation on the operations of the mining companies under agreed procedures.

Empirical review

Emmanuel (2016) carried out a study which examines the impact of International Public Sector Accounting Standards (IPSAS) in the Nigerian Public Sector (Case Study of The Office of The Accountant General of Ekiti State). The objectives of this study include determining the impact of adoption of IPSAS on the Level of Accountability and Transparency in the Public Sector of Nigeria and to ascertain the contribution of adoption of IPSAS in enhancing comparability and international best practices. Primary source of data was employed to generate the data of interest. Research questionnaire was designed, which was made of hypothetic questions of the research work. Interview questions were formulated and tested for validity before dispatching to the chosen sample populace of 45 staff of the Office of The Accountant General of Ekiti State. The statistical tool employed was the Chi-square test. From the findings of the study, it was observed that adoption of IPSAS is expected to increase the level of accountability and transparency in public sector of Nigeria. It was found that the adoption of IPSAS will enhance comparability and international best practices. Also, it was denoted that adoption of IPSAS based standards will provide more meaningful information for decision makers and improve the quality of the financial reporting system in Nigeria. Hence, the researcher concluded that the adoption of IPSAS in Nigeria is expected to impact operating procedures, reporting practices thereby strengthening good governance and relations with the government and the governed. One of the most researched and least understood variables in public sector accounting of the nation is how the accountability and stewardship of financial controls are conducted. Based on these, the research report recommends, among others, that for accountability to be successfully entrenched in public offices in Nigeria, there must be a reduction in the level of corruption, improving public sector accounting and auditing standards, legislators taking positions as champions of accountability and total restructure of public accounts committees and monitored application of the value of money in the conduct of government business.

Acho (2014) looked at the challenges of adopting International Public Sector Accounting Standards (IPSASs) by Nigeria. The study, which aims at examining the challenges facing Nigeria in the adoption of IPSAS, used questionnaires for data collection in a random sampling technique. Five point likert scale and simple percentage were also used in the analysis of the data collected. Findings of the study unveiled that the adoption of IPSAS would significantly improve accounting financial reporting system in the Nigerian public sector which would in no doubt reduce corruption and other ill practices in the public sector. The study then recommends that all the three tiers of Nigeria government should join hands together and ensure its full adoption and possible implementation.

Babatunde (2013) studied the impact of adoption of accrual based budgeting on transparency and accountability in the Nigerian public sector. The study seeks to examine if it is worthwhile that the current cash based budget should be prepared under accrual basis in Nigeria using IPSAS. The study adopted a survey design where questionnaires were used on a sample of 376 respondents and both descriptive and inferential statistics were used in analyzing the data while data testing was performed using Karl Pearson coefficient of correlation. Findings of the study show that transparency and accountability have reasonable impact on economic development/growth in the Nigeria public sector, just like there is significant impact of accrual budgeting on transparency and accountability.

Chinedu, Chukwuma and Leonard (2015) conducted a study aimed at determining the implications of IPSASs on accountability of Nigeria public sector with emphasis on its effects on efficient management of public funds, effective budget implementation, and checking of cases of corruption among public officers in Nigeria. The study, which adopted survey design, collected data using five point likert-scale questionnaire which was administered on sample of 314 out of 1458 Accountants and Internal Auditors in the ministries of finances of south Eastern states of Nigeria. The data were analyzed using descriptive statistics. Three hypotheses formulated were tested using one-way ANOVA model via Prism Graph Pad at 5% level of significance. Findings unveil that IPSASs adoption enhances accountability in the Nigerian public sector as the standards pave way for improved management of public funds. It further shows that application of IPSASs paves way for effective budget implementation and checks possible cases of corruption in the Nigerian public sector. This implies that the economy of Nigeria will be better off if full implementation and sustenance of IPSASs is made in the country, having seen IPSASs as the agents of the needed change in Nigeria. The study recommends that Nigerian government should provide the necessary requirements for full implementation and sustenance of IPSASs in the public sector if it is actually sincere and serious about tackling corruption in the country and at the same time prepare financial statements that can be comparable anywhere in the world.

Methodology

Research Design

This study is concerned with effect of international public sector accounting standards (IPSAS) on reported state revenue with a focus on some selected Government Ministries, Departments and Agencies (MDAs).The research design adopted for this work is the field survey method.

Population of the Study

The population of this research study consists of six (6) Government Ministries, Departments and Agencies (MDAs). It includes ministry of education, ministry of works, ministry of social development, ministry of finance and budget, ministry of public utilities and ministry of economic planning. For the purpose of this study, the stakeholders and service users in MDAs like Directors, Accountants and Heads of Departments were considered as the population of this study. Eight (8) copies of the questionnaire were evenly administered in each of the six (MDAs), thereby bringing the number of administered questionnaire to forty eight (48) which is the population size.

Sample Size and Sampling Method

The sampling method employed in this study was simple random sampling technique, because each and every item in the population has the same probability of being selected. 48 copies of the questionnaire were distributed out of which forty-three 43 copies were retrieved. The sample size of this study therefore consists of 43 staff from the MDAs. Copies of the administered questionnaire were rated on a 5-point Likert scale ranging from 5 (strongly agree) to 1 (disagree).

Sources of Data

The study employed primary and secondary data. The primary data were obtained from respondents through the administration of questionnaire. The questionnaire was divided into two parts. Part A focuses on the respondents profile while part B was designed into 5-point likert scale related to the objectives of the study. The secondary data were primarily government publications, treasury circulars, daily newspapers, et cetera.

Method of Data Analysis

The analyses of data for this was done based on the data collected from the questionnaire administered to 43 respondents; the data were coded on the Microsoft excel computer program after which the coded data were exported to the statistical package for social sciences (SPSS) version 22 and Minitab version 16 computer program for statistical analysis. The data were then sorted out based on interval and nominal scales and analyzed based on the hypotheses of this study.

Descriptive analyses using frequency counts, percentages, means and standard deviations were carried out and inferential statistics of the stated hypotheses were carried out using the Cronbach's Alpha, Weighted Mean and Paired T-test.

Test of Reliability

Reliability test of research instrument

This was done using Cronbach Alpha at 5% level of significance. Cronbach's alpha is the most common measure of internal consistency ("reliability"). It is most commonly used when you have multiple Likert questions in a survey/questionnaire that form a scale and one wish to determine if the scale is reliable.

Cronbach's basic equation for alpha

$$\alpha = \frac{n}{n-1}\left(1 - \frac{\Sigma Vi}{Vtest}\right) \quad \text{.............(1)}$$

- n = number of questions
- Vi = variance of scores on each question
- V-test = total variance of overall scores (not %'s) on the entire test.

High alpha is good, High alpha is caused by high variance.

High variance means you have a wide spread of scores, which means respondents are easier to differentiate.

Paired T- Test

Paired T-test is appropriate for testing the mean difference between paired observations. The mean of the responses are to be considered and the most appropriate statistical tool is paired t-test.

Test Statistic:

$$t = \frac{\bar{d} - \mu_0}{s_d / \sqrt{n}}$$

where:

μ_0 = the hypothesized population mean of the differences

d = the mean of the paired sample differences

S_d = is the sample standard deviation of the paired sample differences

n = the sample size.

Weighted Mean

The mean is ordinarily known as the arithmetic mean. It is usually defined as their sum divided by their total number.

$$M = \frac{E(X1 + X2 + X3 \ldots\ldots\ldots + Xn)}{n}$$

Where :

M= mean

X= a number of or a value

n= the number of values for which the mean is being computed.

Decision rule: accept the null hypothesis if the mean response is less than the mean of the weight of the codes.

Data Presentation and Analysis

The questionnaire presented in Appendix 1 was administered to forty eight (48) respondents during the field survey by the researcher. However 43 (90%) were returned and 5 (10%) were not returned.

Table 1: Analysis of Questionnaire

1.	No. of questions answered	12
2.	No. of questionnaire administered	48
3.	No. of questionnaires retrieved	43
4.	No. of questionnaires not retrieved	5

Source : Field Survey, 2018

$$\text{Response Rate} = \frac{\text{Number of research tools retrieved}}{\text{Number of research tools distributed}} \times 100$$

$$= \frac{43}{48} \times \frac{100}{1} = 90\%$$

Reliability test of research instrument

This was used to determine the consistency of the responses of the respondents, thereby investigating how reliable the responses are for decision making. Inconsistent responses cannot be used for decision making as it may lead to wrong conclusion. Using Cronbach Alpha at 5%

level of significance, Alpha value less than 0.60 is said to be weak and value greater than 0.60 is said to be strong.

Reliability Test of Research Tool using Cronbach's Alpha

Table 2: Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No of Items
.827	.898	12

Source: Researcher's computation using SPSS version 22, 2018

Cronbach's alpha is 0.898, which indicates a high level of internal consistency for the scale.

Item-Total Statistics

The Item-Total Statistics table presents the Cronbach's Alpha if item deleted in the final column, as shown below

Table 3: Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Q4	23.64	54.302	.689	.771
Q5	26.11	57.383	.620	.713
Q6	20.99	50.054	.734	.687
Q7	27.02	58.109	.628	.693
Q8	25.38	51.541	.781	.654
Q9	22.44	55.626	.690	.730
Q10	24.67	55.289	.610	.857
Q11	24.90	56.111	.527	.677
Q12	21.53	48.348	.761	.601

Source: Researcher's computation using SPSS version 22, 2018

Table 3 presents the value that Cronbach's alpha would be if that particular item was deleted from the scale. The removal of any question would result in a lower Cronbach's alpha. Therefore, there is no need for the removal of any of the questions in the research tool. Cronbach's Alpha simply provides an overall reliability coefficient for a set of variables.

Table 4: Item-by-Item Analysis

Question Number	Mean	S.D	Remark
4	3.872	0.023	Agree
5	4.473	0.183	Agree
6	4.900	0.289	Agree

7	4.379	0.731	Agree
8	3.012	0.637	Agree
9	3.732	0.233	Agree
10	3.956	0.190	Agree
11	3.679	0.278	Agree
12	4.014	0.935	Agree

Source: Researcher's computation using SPSS version 22, 2018

Based on the 5-point scale used in the research tool, the decision on either to agree or to disagree was based on the average coding value of 3.0. Mean response greater than 3.0 implies that the respondents agree to the statement and value less than 3.0 is an indication of disagreement of respondents with the statement. Table 4 shows mean response of each of the respondents on each of the statements in the research tool. All the mean responses were higher than 3.0 which led to the decision in the last column of the table.

Test of Hypotheses

The hypotheses were tested using paired t-test since the variables are two. The output is as follows:

Hypothesis I

Ho1: Adoption of IPSAS has no significant effect on reported state revenue.

Ha1: Adoption of IPSAS has significant effect on reported state revenue.

Questions used: 6, 8, 10, 11 and 12

Table 5: Response of Respondents on IPSAS Adoption on Reported State Revenue

Item	Number Agree	Number Disagree
6	33	10
8	29	14
10	40	3
11	38	5
12	39	4

Source: field survey, 2018

Statistical tool used: T-test

The T-test was used to determine how significant the difference between the two group of responses in table 5, in which the null hypothesis is to be rejected if the difference is insignificant at 5%

Level of significance: 5% (0.05)

Paired T-Test and Confidence Interval (CI): Number Agree, Number Disagree

Paired T for Number agree – Number Disagree

	N	**Mean**	**St Dev**	**SE Mean**
Number Agree	5	36.30	8.57	5.68
Number disagree	5	6.66	8.57	5.68
Difference	5	32.34	17.14	11.36

95% CI for mean difference: (19.19, 75.04)

T-Test of mean difference = 0 (vs not = 0)

T-Value = 11.01 **P-Value = 0.003**

Decision Rule: Accept the null hypothesis if the p-value is greater than 0.05, otherwise, reject.

Decision: Since the p-value (0.003) of the test is less than 0.05. This implies the existence of enough evidence to reject the null hypothesis and conclude that the adoption of IPSAS has significant effect on reported state revenue.

Hypothesis II

Ho2: There is no significant challenge of migrating to accrual based IPSAS in public sector reporting.

Ha2: There is a significant challenge of migrating to accrual based IPSAS in public sector reporting.

In testing the hypothesis, statements 4, 5, 7 and 9 were used

Table 6: Response of Respondents on the Challenge of Migrating to Accrual based IPSAS in Public Sector Reporting

Item	Number Agree	Number Disagree
4	35	8
5	36	7
7	38	5
9	34	9

Source: field survey, 2018

Statistical tool: Since the responses are coded and the mean of the responses are to be considered, the most appropriate statistical tool is paired t-test. Paired T-test is appropriate for testing the mean difference between paired observations.

Level of significance: 5% (0.05)

Paired T-Test and CI: Number Agree, Number Disagree

Paired T for Number Agree – Number Disagree

	N	**Mean**	**St Dev**	**SE Mean**
Number Agree	4	37.312	9.784	4.663
Number Disagree	4	5.688	9.784	4.663
Difference	4	31.624	19.568	9.326

95% CI for mean difference: (28.301, 69.054)

T-Test of mean difference = 0 (vs not = 0)

T-Value = 15.01 **P-Value = 0.008**

Decision Rule: Accept the null hypothesis if the p-value is greater than 0.05, otherwise, reject.

Decision: Since the p-value of the test is 0.008 which is less than 0.05, then there exists enough evidence to reject the null hypothesis and conclude that there is a significant challenge of migrating to accrual based IPSAS in public sector reporting.

Findings:

1. That the Adoption of IPSAS has significant effect on reported state revenue at 5% level of significance.
2. That there is a significant challenge of migrating to accrual based IPSAS in public sector reporting in Nigeria.

Recommendations

From the above findings, the following recommendations were made:

1. The study recommends that Nigerian government should provide the necessary requirements for full implementation and sustenance of IPSASs in the public sector if it actually wants enhanced credibility of financial information and at the same time prepare financial statements that can be comparable anywhere in the world.
2. Federal Government of Nigeria should provide an enabling legislative framework for proper and effective implementation of IPSAS in Nigeria.

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Questionnaire

Please tick (√) appropriately in the spaces provided section A:

1. Gender: Female ( ) Male ( )
2. Age group: 21-25 ( ), 26-30 ( ), 31-40 ( ), Above 41 ( )
3. Level of education: Under-Graduate ( ), Graduate ( ), Post-Graduate ( )

Effect of IPSAS on reported state revenue

The response scale for the questions is as below:
1= Strongly Agree, 2= Agree, 3= Uncertain, 4= Disagree, 5 = Strongly Disagree

Statements		SA	A	U	D	SD
4.	IPSAS is the focal point of global revolution in government accounting in response for greater financial accountability and transparency					
5	The need for the development of unified accounting standards has been the primary driver of International Public Sector Accounting Standards (IPSASs) for financial reporting in the public sector.					
6	Money is the life wire of every state.					

7	The differences in social status in global village are as a result of money revenue.					
8	The accrual based IPSASs will enhance accountability, transparency and better decision making by government and other stakeholders					
9.	Public sector is that part of an economy that is controlled by the state whereby they aid in generating revenues in the sector.					
10	The need for state and local governments to generate adequate revenues from internal sources has become a matter of extreme urgency and importance					
11	The benefit of achieving consistent and comparable financial information across jurisdictions is very important and also a set of IPSASs has been established by IPSAS Board in that endeavor.					
12	The cash basis of accounting does not offer a realistic view of financial transaction.					