Adoption of International Public Sector Accounting Standards and Quality of Financial Reporting in National Government Agricultural Sector Entities, Kenya

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Abstract:- 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.

Keywords:- *Adoption of International Public Sector Accounting Standards, Standardized Chart of Accounts, Disclosure and Valuation of Assets and Liabilities, Accounting Policies, Estimates, and Errors, Corporate Governance Reporting, Quality of Financial Reporting, National Government Agricultural Sector Entities in Kenya.*

I. INTRODUCTION

➢ *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).

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,

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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).

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 adoption of International Public Sector Accounting Standards on the quality of financial reporting in national government agricultural sector entities in Kenya.

➢ *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; Muthaurai & 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.

➢ *Objectives of the Study*

The study was guided by the following specific objectives;

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

II. LITERATURE REVIEW

➢ *Theoretical Review*

- *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),

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to conform to institutional expectations and enhance their credibility and trustworthiness (DiMaggio and Powell, 1983). Institutional theory provides a comprehensive framework for understanding how external institutional pressures influence organizational behavior 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.

- *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. 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.

- *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. Signaling theory 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.

- *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. 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.

➢ *Empirical Review*

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 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.

The study by Asyik, Agustiandi, and Muchlis (2023) sought to test the determinants 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) consist 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 institutional risk factors (leverage) are unable to produce FRQ. Thus, it cannot be considered as an economic decision maker for an investor.

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Lugovsky and Kuterii (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.

Gardi, Aga, and Abdullahi (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.

- *Conceptual Framework*

A conceptual framework is a representation that explains the interrelation between the variables studied (Symth, 2009). The independent variables are adopting a standardized 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.

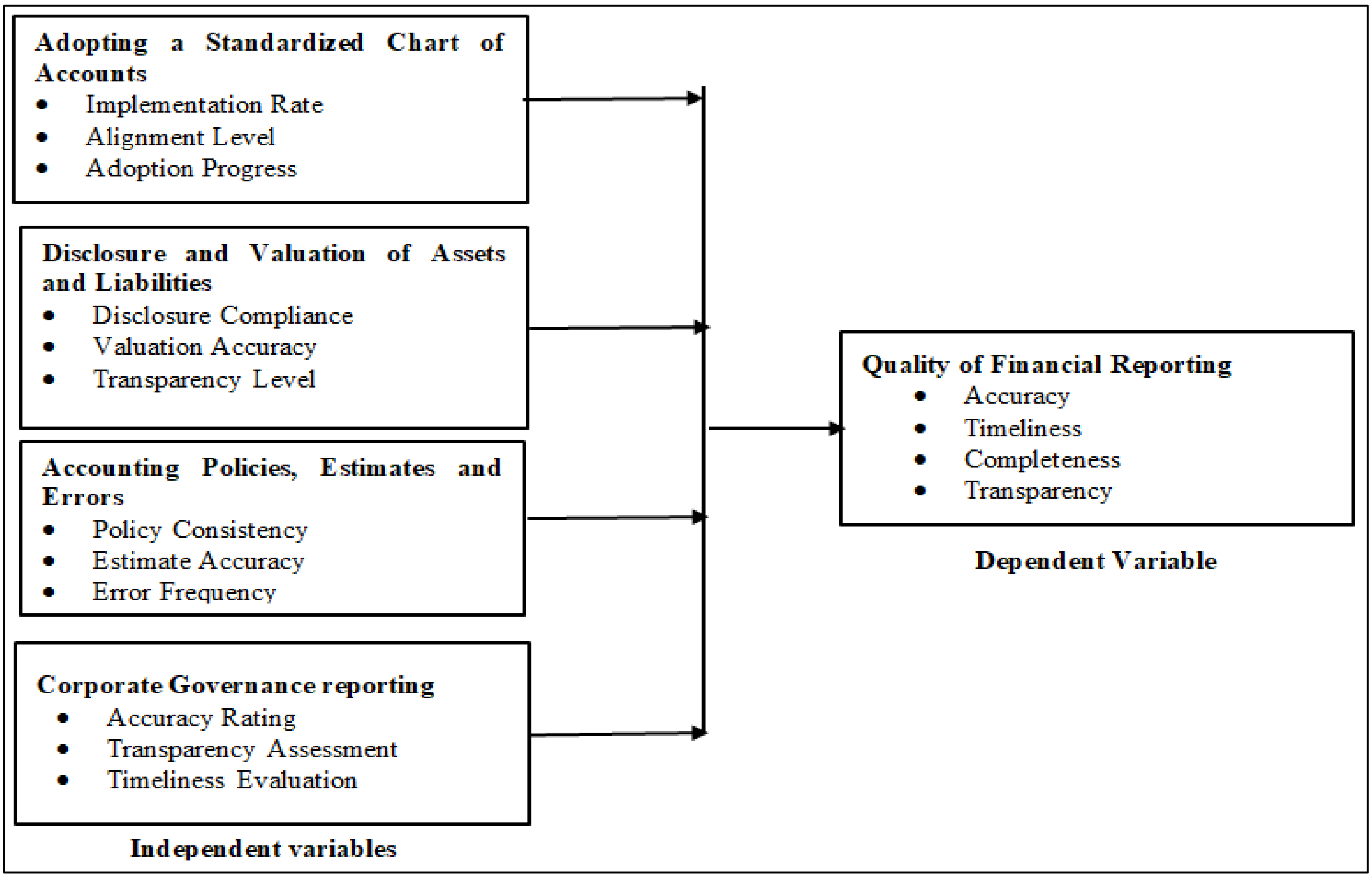

Fig 1 Conceptual Framework

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III. METHODOLOGY

The research problem of the current study was studied through the use of a cross-sectional survey research design.. 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, and financial analysts. These entities were selected because the researcher believed they offer valuable insights relevant to the study. Therefore, the target population for this study comprised 33 individuals. 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. The data for this study was collected using both closed-ended and open-ended questions. Data will be checked for completeness, summarized, coded, and analyzed 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.

IV. RESEARCH FINDINGS AND DISCUSSION

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.

➢ *Descriptive Analysis for Study Variables*

- *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 1 presents summary of the findings obtained.

Table 1 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.

- *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 2 presents summary of the findings obtained.

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Table 2 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.

- *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 anderrors. Table 4.5 presents summary of the findings obtained.

Table 3 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

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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.

- *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 presents summary of the findings obtained.

Table 4 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.

- *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.

Table 5 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). This sentiment resonates with the literature on the benefits of adopting

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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.

- *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 6 presents the findings obtained.

Table 6 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 errors**	**Corporate governance reporting**
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

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the integrity of financial information (Cheng & Courtenay, 2021).

- *Multiple Regression Analysis*

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 7 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, disclosure 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 8 Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.512	4	2.128	16.208	.000[b]
	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 9 Beta Coefficients of the Study Variable

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.428	.402		6.040	.000
	Adopting a standardised chart of accounts	.324	.089	.305	3.640	.001
	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

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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.

V. CONCLUSIONS

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.

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.

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.

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.

- *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

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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.

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.

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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