Evaluation of Financial Reporting "Fair Presentation" Conceptual Objective of International Public Sector Accounting Standards (IPSASs) in Africa

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Abstract: **General purpose financial statements issued in compliance with the International Public Sector Accounting Standards (IPSAS) are determinative and useful for decision making by all stakeholders. This scientific study purpose is to evaluate the financial reporting conceptual objective of IPSAS 'fair presentation' in Africa. The study methodology adopted is mixed research methodology, through questionnaires and interviews on PAFA accountants in public sector practice across Africa. The findings revealed that the IPSAS financial reporting conceptual objective of 'fair presentation' is attainable with consistent application of professional judgments, taking into accounting the requisite accounting principles. Fair presentation is technically compounded for the average professional to apply, and requiring a lot of additional guidance over a prolonged period of time for the preparer of the financial reports to comply with all IPSASs in the process of complying with the conceptual qualitative characteristics of relevance and reliability.**

***Keywords*: IPSASs, PAFA, Fair Presentation, IPSASs Objectives, IPSASs Challenges**

I. INTRODUCTION

According to IPSAS 1, for general purpose financial statements to be described as issued with 'fair presentation' must in all circumstances be in compliance with all IPSASs, disclosing present information that is relevant, understandable, timely, comparable, faithfully represented with verifiable information stating the applicable accounting policies.

II. LITERATURE REVIEW

IFRS Foundation (2015) outlines that for financial information to be considered useful for decision making; it must comply with the qualitative characteristics of: prudence, reliability, understandability, materiality, neutrality, completeness and substance over use. Additionally (IFRS, 2015) for fair presentation to be attained, the following fundamental and enhancing characterstics should be factors: relevance, faithful representation, comparability, verifiability and understandability.

The International Accounting Standards Board (IASB) concept of fair presentation is achieved when the general purpose financial statements comply with relevance encompassing timeliness, comparability and understand ability, and also reliability encompassing faithful representation, economic substance neutrality and prudence (Alexander and Nobes, 2010).

The International Accounting Standard for presentation of financial statements (IAS 1) although it has undergone considerable historical development in the past four (4) decades from the Exposure Draft of 1974, it has been anchored on the objectivity of "fair presentation" of financial statements in its many facets. This objectivity of "fair presentation" is has generally been defined by the accounting standard (IAS 1, 2007) as "presenting fairly" the entity's financial position, financial performance and cash flows through faithful representation of the effects of transactions, events and conditions including the recognition of the financial reporting elements in accordance with the conceptual framework.

According to the Financial Auditing and Accounting Subcommittee (FAAS, 2019) whose membership is across many international jurisdictions with key observes including the IPSASB and the IAASB reiterate that "fair presentation" also commonly referred to as "true and fair view" is a paramount objective to financial reporting whether rule or principle based on a cash or accrual basis. Economic activities should be faithfully represented in the financial statements more importantly to public entities that do not have profit as its primary objective, but responsible for delivery of public goods or services who's financing is mainly from taxation or grants (FAAS, 2019). Fair presentation of the effects of the transactions, other events including financial statements recognition is a requirement for compliance for presentation of financial statements (IPSAS 1). The standard however makes certain exceptions for departure in extremely rare situations which must be supported by local relevant regulatory framework, but making full disclosures

Fair presentation of general purpose financial statements are in compliance to accounting standards when the overall objective of relevance and reliability is attained implicitly or explicitly with the accounting theory (Mazhambe, 2014).

There is currently an ongoing endless debate amongst accounting standards setters across the globe on what constitute relevant and reliable, the benchmarks for far presentation, and there is currently to general consensus or unanimous agreement on the concepts of relevant and reliable information (Mazhambe, 2014).

Purpose of the Study

This scientific study purpose is to evaluate the financial reporting conceptual objective of IPSAS 'fair presentation' in Africa

Research Objective

To evaluate the financial reporting conceptual objective of IPSAS 'fair presentation' in Africa based on accounting and auditing professionals in public sector practice

Research Question

Evaluate the financial reporting conceptual objective of IPSAS 'fair presentation' in Africa?

III. METHODOLOGY

The study methodology adopted is mixed research methodology (Mazhambe, 2014), through researcher administered questionnaires and interviews. The case study research design (Mazhambe, 2014) is premised on the enquiry approach so as to extract deeper meaning and presumably perceived variable correlations on the study phenomena. Descriptive and inferential statics have been adopted for data analysis, including qualitative explanatory notes have been employed to extract deeper meaning of the study phenomena (Mazhambe, 2020). The study population was IFAC Accountants in public sector based in Africa, with the sampling frame of Pan African Federation Accountants (PAFA) public sector accountants, being selected randomly (Mazhambe, 2020). The accountants jurisdictions adopted in this study were southern Africa, East Africa, Central Africa, West Africa and North Africa (Mazhambe, 2020).

IV. DATA ANALYSIS, PRESENTATION AND DISCUSSION

Table 1: Primary data analysis Southern, East, Central Africa

Sothern Africa		East Africa		Central Africa	
Mean	0.2	Mean	0.2	Mean	0.2
Standard Error	0.039874804	Standard Error	0.030331502	Standard Error	0.044384682
Median	0.22	Median	0.21	Median	0.22
Mode	#N/A	Mode	#N/A	Mode	#N/A
Standard Deviation	0.089162773	Standard Deviation	0.0678233	Standard Deviation	0.099247166
Sample Variance	0.00795	Sample Variance	0.0046	Sample Variance	0.00985
Kurtosis	2.949329536	Kurtosis	1.784971645	Kurtosis	3.457393903
Skewness	-1.604725347	Skewness	-1.322169716	Skewness	-1.779897129
Range	0.23	Range	0.17	Range	0.25
Minimum	0.05	Minimum	0.09	Minimum	0.03
Maximum	0.28	Maximum	0.26	Maximum	0.28
Sum	1	Sum	1	Sum	1
Count	5	Count	5	Count	5

Table 2: Primary data analysis West, North Africa

West Africa		North Africa	
Mean	0.2	Mean	0.2
Standard Error	0.048270074	Standard Error	0.036878178
Median	0.25	Median	0.23
Mode	#N/A	Mode	#N/A
Standard Deviation	0.107935166	Standard Deviation	0.082462113
Sample Variance	0.01165	Sample Variance	0.0068
Kurtosis	2.325664499	Kurtosis	0.764057093
Skewness	-1.610408816	Skewness	-1.217136501
Range	0.26	Range	0.2
Minimum	0.02	Minimum	0.07
Maximum	0.28	Maximum	0.27
Sum	1	Sum	1
Count	5	Count	5

ANOVA SUMMARY

Table 3:ANOVA SUMMARY

Groups	*Count*	*Sum*	*Average*	*Variance*		
Southern Africa	5	1	0.2	0.00795		
East Africa	5	1	0.2	0.0046		
Central Africa	5	1	0.2	0.00985		
West Africa	5	1	0.2	0.01165		
North Africa	5	1	0.2	0.0068		

Table 4:ANOVA ANALYSIS

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	2.78E-17	4	6.93889E-18	8.49314E-16	1	2.866081402
Within Groups	0.1634	20	0.00817			
Total	0.1634	24				

As evidenced from the above statistics whose data is statistically significant and in correlation, the mean, median values are relatively coherent, with acceptable insignificant standard errors, extracted from the primary data premised on the research question on respondents from different jurisdictions of Southern Africa, the data has internal and external validity, and free from bias. The ANOVA statistics is also in congruent with linearity, as evidenced from the critical values within and between the group sets above. The data range depicted is clearly and effectively spread and is representative of the sample population. There is therefore a notable significant correlation and consistency for statistical significance to derive inferential conclusions.

The findings from the respondents as depicted above were statistically significant and the qualitative content analysis also virtually concurred, those IPSASs conceptual objective of 'fair presentation' is too technically compounded. Each of the financial reporting qualitative characteristics are precision in nature, requiring logical repetition over a prolonged period of time. The respondents however concur that the conceptual objective is attainable depending on the requisite accounting policies and application jurisdictional principles.

V. CONCLUSIONS

The following conclusions can therefore be drawn from the data analysis and discussions that, the IPSAS financial reporting conceptual objective of 'fair presentation' is attainable with consistent application of professional judgments, taking into accounting the requisite accounting principles. Fair presentation is technically compounded for the average professional to apply, and requires a lot of additional guidance over a prolonged period of time for the preparer of the financial reports to comply with all IPSASs in the process of complying with the conceptual qualitative characteristics of relevance and reliability.

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