

# Factors determining the Implementation of Accrual Basis of Accounting (ABA) in the Public Sector

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**Abstract:** Accrual Basis of Accounting is the process whereby revenue is recorded when it is earned, and expenditure is recorded when the consequence in liabilities is known or when benefits are obtained.

This study adds to the current debate by looking at the elements that influence Accrual Basis of Accounting (ABA). This study analysed the factors determining implementation of ABA and the Quality of Financial Reporting in the Public Sector. The study adopted ex-post facto and exploratory research designs. Primary data through structured questionnaires were administered to the respondents from Accountant General's Office, Auditor Generals' Office, Ministry of Finance and Osun State Internal Revenue Service as well as the Public Accounts Committee of the State legislature were all used for the investigation. Principal Component Analysis (PCA) was used to analyse the determinants of implementation of Accrual Basis of Accounting. Results from Principal Component Analysis (PCA) showed that the nine (9) components of Accrual Basis of Accounting (ABA) can be combined efficiently into two (2) factors i.e International Accounting Standards and System/Administrative factor explaining 81.3% of the total variance among the inter-correlations of the nine (9) components of accrual accounting with eigenvalues of 3.057 and 1.067 respectively while other factors were below 1.0 base rate. The result of mean ranking with a value of 3.82 and 3.66 revealed that the existence of the cost-expense-based budget and prevalence of the traditional bureaucratic model of management are the major barriers to implementation of ABA in the study area.

The study concluded that from the result of principal component analysis, the result indicated that out of the nine (9) itemized components (International Accounting Standards, System/administrative factor, High cost of personnel training, Costly implementation, Time consuming, High opportunity cost, Personal factors, Political factors and Low level of education and weak expertise) only the first two factors are prominent to this study. The sensitivity of the factors explained further that the components are categorized into International Accounting Standards and System/Administrative factor. It is therefore recommended that governments should provide the ministries, departments and agencies with necessary funding facilities and training towards implementing Accrual Based Accounting in their states.

## I. INTRODUCTION

Globally, accrual accounting implementation in the public sector is a top concern in many jurisdictions. According to the 2018 Status Report of the International Public Sector

Financial Accountability Index, only 25% of the 150 jurisdictions listed in the Index report on an accrual basis, with 51% using the International Public Sector Accounting Standards (IPSAS). However, the Index predicts that by 2023, 65 percent of jurisdictions will be reporting on an accrual basis and of these 73 percent will make use of AIPSAS directly or indirectly (Thomas, 2019).

Further the International financial institutions like the International Monetary Fund (IMF) and the World Bank continually exert pressure on many countries, including Nigeria, to embark on economic reform, including public sector reform in the area of financial reporting. This pressure can be more observed in developing economies where their public and private sectors are required to implement specific accounting innovations as a 'sine qua - non' for assistance being provided (Bastian, 2013).

Furthermore, according to Udeh and Sopekan (2015), Accrual-Based IPSAS has the ability to improve financial reporting when compared with cash-based accounting. Udeh and Sopekan (2015) also looked into the implementation of IPSAS and the quality of financial reporting in the public sector. The deployment of IPSAS is projected to improve the quality of financial reporting in the Nigerian Public Sector. In comparison to cash-based accounting, Accrual-Based IPSAS has the ability of improving financial reporting, according to the study. IPSAS is a new concept that all institutions must fully adopt according to Olurankinse (2016).

Gatome (2011) asserted that the issue of a shift from Cash Basis of Accounting can be seen as a shift from a less informative accounting system to a more informative accounting system. It is a shift to a system which seeks to disclose financial information that is useful for the evaluation of the financial position of a public sector entity. It is a shift to a system which will make public sector financial statements useful for decision - making and ensure accountability of public sector entities. Ouda (2010) sees government accounting reform as a shift from cash flow and cash balances concept to a total - economic resources concept, an extension of measurement focus to encompass the total economic resources of governmental entities instead of concentrating on the cash resources only. Cash basis of accounting involves a situation where financial transactions are recorded in the accounts only when cash is received or disbursed. Similarly goods and

services for which payment have been made are considered to be consumed when suppliers are paid.

Consequently this paper is divided into five parts. Section one deals with the introduction as discussed while part two deals with the literature review, section three describes the methodology aspect, section four deals with results and discussion, and finally section five describes conclusions and recommendations.

#### *Statement of the problem*

Public sector accounting and financial reporting on cash basis focuses absolutely on cash receipts and cash payments. Government revenues of all nature are recorded when cash is received irrespective of when they are earned. Similarly, expenses are recorded only when cash is paid irrespective of when the expenses are actually incurred. Financial statements therefore reflect revenues and expenses based on when transactions were recorded notwithstanding when the revenues were earned or expenses incurred. Financial Statements prepared on cash basis have been criticised on the grounds that they do not accommodate inventories, receivables, payables and non-current assets.

The Nigerian Federal Government approved the application of the provisions of the International Financial Reporting Standards (IFRS) in the private sector and the International Public Sector Accounting Standards (IPSAS) in the public sector on July 28, 2010. Nigeria, a major African country with a population of over 200 million people, has adopted and is implementing the IPSAS Accrual Accounting requirements (AA).

The submission of Ouda (2010) that cash based accounting has failed to provide complete and effective financial information which are essential for the decision-making process and discharge of accountability is a question for further empirical investigation in the Nigerian context. More crucially, at the end of 2010, the government established a chart of account to reflect Accrual Basis Accounting (ABA) in the public sector. Since then, it has remained unclear whether the entire Accrual Basis Accounting system, the Modified Accrual System, or a Nigerian-specific Accrual System should be used as the foundation for the country's transition to the Accrual Basis Accounting system.

None of this research looked into the relationship between the accrual basis of accounting and financial reporting quality, nor the impact of ABA on QFR. This study aims to add to the current debate on accrual basis accounting by looking at the elements that influence IPSAS Accrual Basis of Accounting, as well as the impact of its implementation on the financial reporting quality of the Nigerian Public Sector.

#### *Research Hypothesis*

**H<sub>01</sub>:** There are no differences in the effects of the determinant factors in the implementation of Accrual Basis Accounting (ABA)

#### LITERATURE REVIEW AND CONCEPTUAL EXPLANATION

##### *Accrual Basis of Accounting (ABA)*

Revenue is recorded when it is earned, and expenditure is recorded when the consequence in liabilities is known or when benefits are obtained, even if the receipt or payment of cash may occur entirely or partially in another accounting period. This is the basis commonly found in private sector and all government parastatals. The reason for this according to Rasheed, (2013) is that they are profit oriented and it is therefore necessary to estimate how much profit has been earned in each period, with a view to keeping invested capital intact and making periodic distributions to shareholders.

The general idea is that economic events are recognized when revenues and expenses are matched (the matching principle) at the time of the transaction rather than when payment is made (or received). This strategy combines current cash inflows and outflows with predicted future cash inflows and outflows to provide a more accurate view of a company's present financial health.

##### *Determinants of Accrual Based Accounting*

Accrual accounting is a method of accounting in which transactions and other events are recorded as they happen (rather than when cash or its equivalent is received or paid) (IPSASB, 2006). As a result, transactions and occurrences are recorded in accounting records and acknowledged in the financial statements of the period to which they pertain (IPSAS, 2006). According to Edogbanya and Kamardin (2014), personnel training is expensive when implementing International Accounting Standards.

The cost of training accounting and audit employees will be substantial, possibly exceeding the entire advantages of implementing International Accounting Standards. When it comes to the implementation of International Accounting Standards, Prewitt (2013) argues that the expense of training is a barrier for most companies in developing nations.

According to Nirwana (2018), contextual elements such as personal, system/administrative, and political factors influence the quality of financial statement information and government performance. The competencies that affect the quality of financial statements and performance are proxied by the personal factor. The regulations and presentation of quality financial statements are proxies for the social administrative component.

##### *Cash Basis of Accounting*

The cash basis of accounting is an accounting system in which receipts are recorded in the period of receipt and expenses are documented in the period of payment. Cash basis is very simple to understand, it is the basis of accounting under which revenues are recorded only when cash is received, and expenditures recorded only when cash is paid, irrespective of the fact that the transactions leading to the receipt or payment of cash now may have occurred in previous accounting period. This is the basis upon which Government Financial Statement

in Nigeria is being prepared. One of the reasons for the government to choose this basis is its simplicity. For instance, laymen find accounting to be a difficult subject, but in government, many laymen such as headmasters and police superintendents, are called upon to perform some accounting duties, or at least to supervise bookkeeping work. Such people need a simple method which can be learnt quickly and performed with confidence (Rasheed, 2013).

#### *Accountability*

Holders of public offices are held accountable to the public for their decisions and acts, and must be subjected to whatever scrutiny is suitable to their positions (Armstrong, 2005). The term "public sector" refers to the portion of a country's economic actors whose operations are managed by government-appointed officials on behalf of the general public (Acho and Abuh, 2016). All corporations formed, run, and financed by the government on behalf of the public are included (Adams and Petrella, 2010). Financial report comparability indicates the necessity for public sector entities to have a consistent set of financial statements that can be compared to those of other countries (Okoh and Ohwoyibo, 2010). Because financial reports can be compared, public officers who supervise the activities and transactions of public enterprises are held to a higher standard of transparency and accountability. This could improve the public-private relationship even more.

#### *Financial Accountability*

Managers of organisations are liable to use public financial resources according to the framework of laws and regulations and they are accountable for their decisions. Budgetary funds are allocated effectively and efficiently for the right purposes. Financial Accountability is mostly important since public sector organizations are held accountable to their constituents, electorate and citizens for collecting and distributing public funds according to budget priorities and for minimum cost. During the budget preparation essential figures estimating revenues and limiting expenditure are produced. Execution of budget involves actions, which transform the budget figures into the concrete facts – goods, services, flow of financial funds (executed and collected). As each budget provides limited funds, it is necessary to ensure that each spending agency is allowed to spend only these funds that were guaranteed in the budget appropriations i.e. manage its funds within given limits and rules.

#### *Social Accountability*

The term "social accountability" refers to the process that occurs in the context of a principal-agent relationship. The principal evaluates the agent's behaviour and performance against predefined criteria in this relationship, and wrongdoings are sanctioned (Baez-Camargo, 2011). Citizens are the ultimate principals in public governance, with the state acting on their behalf to deliver a wide range of public goods and services. The provision of public services at a decentralized (local or community) level is frequently related with social accountability efforts (Baez-Camargo, 2011)

#### *Management Accountability*

Management accountability refers to the expectation that managers are accountable for program quality and timeliness, increasing productivity, controlling costs, and mitigating negative aspects of agency operations, as well as ensuring that programs are managed with integrity and in accordance with applicable law. Accountability has several dimensions. For example, accountability could be internal or external. Internal accountability refers to lower-level employees holding higher-level executives accountable based on given authority and set goals. External accountability refers to a department's or agency's accountability to an external authority such as the legislature or governing board (Aruwa, 2007).

#### *Operational Accountability*

Government financial statements include Statements of Financial Position, Statement of Financial Performance, Statement of Changes in Equity and Statement of Cash Flows which provide operational accountability information. Furthermore, governmental fund financial statements, as outlined in this work, establish fiscal accountability. Operational responsibility extends beyond fiscal accountability by looking at management decisions over the long term rather than the short-term focus that fiscal accountability requires. Rather than focusing on whether there are enough resources to pay for services provided during a given period, operational accountability considers whether there are enough resources to cover the cost of providing services over time, and it is measured using the economic resource flows measurement focus. Governments demonstrate operational responsibility by issuing accrual-based financial statements for the entire government. GASB Statement 34 mandates consolidated government-wide statements to report on operational responsibility for all activities, including governmental activities ([www.imglv.com/operationalaccountability.htm](http://www.imglv.com/operationalaccountability.htm)).

#### *Public Accountability*

Public accountability is one of those timeless ideas that no one can deny. Because it creates an appearance of transparency and reliability, it is increasingly employed in political discourse and policy texts. Its evocative powers, however, make it a difficult idea to grasp because it may mean many different things to various people, as anyone studying accountability will quickly discover. It also proposes three approaches for assessing and evaluating public accountability frameworks (Mark, 2004).

#### *Fiscal Accountability*

The purpose of government is to meet the needs of citizens and to ensure that those requirements are met efficiently and effectively. It achieves these objectives by establishing transparent processes and frameworks for all elements of executive management (decision-making, strategic alignment, managerial control, supervision and accountability). Governance in both the corporate and public sectors has always been a heated topic, and it is only getting hotter as a result of

recent financial crises. Citizens and regulators are demanding greater transparency and accountability in all areas of business, particularly in government. According to a recent World Bank study, there is a strong link between excellent governance and high performance (World Bank, 1997). This raised the question of employing the proper accounting system, and now, many governments are adopting the accrual foundation of accounting to increase governance and control, as is typical in the private sector. When a clear link between spending and performance is established, accountability is achievable. Accrual accounting allows organizations to concentrate on outcomes and results rather than budgets and expenditures.

#### *Transparency*

Transparency refers to the public's unrestricted access to timely and accurate information about government choices and performance (Armstrong, 2005). Transparency is one of the most important characteristics of a contemporary public procurement system. It provides public access to information about, and access to, government procurement laws, regulations, policies, and practices. Transparency in government is a fundamental roadblock to long-term economic progress through investment and commerce. Lack of transparency in procurement activities can lead to nefarious acts such as corruption, controversy, and misappropriation of public funds (Shu, Othman, Omar, Abdul., and Husna, 2011). Transparency is considered as one of the most effective deterrents to corruption and a pre-condition for ensuring public officials' accountability (OECD, 2007). Some of the relevant transparency measures include:

- i. Open bidding procedures;
- ii. Prompt disclosure of the results of bids, i.e., prompt notification to successful as well as unsuccessful bidders;
- iii. Publication of annual procurement plan;
- iv. Bid challenges system;
- v. Engaging the private sector in the procurement process;
- vi. Keeping a complete and an adequate records of procurement activities.

#### *Efficiency*

The dictionary meaning of efficiency is productive use of resources, i.e., the ability to do something well or to achieve a desired result without wasted energy or effort. This is about ensuring value for money. Public enterprise has to be based on ensuring value for money. Driven by considerations of value for money, governments have put increasing efforts into rationalizing and increasing efficiency of procurement. Good practices reduce costs and produce timely results, and poor practices lead to waste and delays. Efficiency and value for money is delivered through the whole procurement cycle, from planning stage to contract management stage. The level of efficiency in public procurement is basically measured by the proper application of complete written procedures and standards of procurement such as pre-and post-qualification

procedures; pre and post bid conference procedures; bid evaluation procedures; and bid challenge procedures.

### III. THEORETICAL REVIEW

#### *Public Accountability Theory*

According to Johnson (1993), public accountability means that people in charge of formulating and enforcing policies should be required to explain their actions to their constituents. The ability to reveal, justify, and explain one's actions can be defined as public accountability. The word "public accountability" refers to the requirement for those in charge of determining, developing, and implementing policies in central government or specific public sector entities to justify their actions to the people. To be accountable, one must be able to reveal, justify, and explain one's actions. Public accountability necessitates openly revealed facts and open debate among taxpayers and other users so that a decision can be made.

According to Hornby (2000), transparency is the quality of something such as a situation of argument that makes it easy to understand without any hidden agenda or motive. This is one of the essences of financial accountability and also why series of economic reform are being carried out in various sectors of the economy. The essence of the need for transparency, which has necessitated economic reform programmes of government is to ensure that things were done properly and openly without any form of financial malpractice". Transparency, according to Adegbite (2010), is defined as "any means of enhancing citizens' access to information and knowledge of decision-making mechanisms." In the public sector, transparency begins with the adoption of clear standards and access to information.

#### *Agency Theory*

In developing the model for understanding organizations accountability, it is important to examine the relevance and limitations of some of the existing theories of accountability such as agency theory and contingency theory of accountability. Agency theory dominates thinking on accountability in the private sector. In the model, the principal (the shareholders) owns, the 'assets' that the agent manages on his or her behalf. Accountability of the agent (the management of the business) is predominantly towards the principal whose wishes, the maximization of shareholder's wealth is at the centre of the objectives of the organization. In this context, accountability is measured in terms of performance against this objective.

### IV. METHODOLOGY

The study was carried out in Osun State, Nigeria. Osun State is located in South Western, Nigeria with Osogbo as its capital. The target population of this study is all public servants in the accounting cadre and members of the Public Accounts Committee of the State House of Assembly, Accountants, Internal and External Auditors in all Ministries, Departments and Agencies of Osun State. The population for

this study is six hundred and seventeen (617) made up of Accountants in Local Governments (416), Ministries, Departments and Agencies (196) and members of the Public Accounts Committee of the State House of Assembly (05).

In order to reduce the sample to a manageable size, Taro-Yamane’s expression was used:

$$n = \frac{N}{1 + N(e^2)}$$

Where:

n= Sample size

N= Total population

e= Margin of error disturbance

Therefore, given that N = 617 (as stated above), and e is assumed to be 5%

i.e.  $n = \frac{617}{1 + 617(0.05^2)}$

n = 243

The sampling procedure adopted for the research work was quota sampling because it is often used in public opinion studies (Gupta, 2009). Respondents who are in the senior and management cadres in the accounting units/departments of the Accountant General and Public Account Committee (PAC) members as well as Ministries, Departments and Agencies of Osun State were selected. A sampling frame was formed and selection made from the strata proportionally.

*Sampling Frame*

The various Ministries, Departments and Agencies were clustered into sectors by the state. These sectors in addition to LGAs are treated as clusters and formed the sampling frame from which individual sample would be selected as follows:

Table 1. Sampling Frame

S/No	Description of Strata	Total Number	No Selected
1.	Public Accounts Committee	05	05
2.	Agricultural Sector	06	02
3.	Budget, Planning and Revenue Mobilization Sector	10	04
4.	Commerce and Industry Sector	13	05
5.	Education Sector	21	08
6.	Environment Sector	10	04
7.	Governance and Administration Sector	92	36
8.	Health Sector	06	02
9.	Information and Communication Sector	04	02
10.	Infrastructure Sector	15	06
11.	Security, Law and Justice Sector	07	03

12.	Social Development and Welfare Sector	04	02
13.	Water and Sanitation Sector	08	03
14.	Local Government Administration	416	161
	Total	617	243

Source: Summary from the office of the Accountant -General, 2022

Factors influencing the implementation of Accrual Basis of Accounting (ABA) were derived from literature. The identified factors were analysed using descriptive and inferential statistics. These factors were analysed to determine the most influencing variables(determinants). The factor analysis and Principal Component Analysis were adopted to arrive at determinants

Structured questionnaires were designed and administered on the sampled respondents who are accounting staff working in the relevant departments of the selected ministries. Research instrument is a device for collecting data or measuring the variables used for answering the research questions and testing the hypotheses.

QFR = f(IPSAS Accrual based variables).....(i)

where,

IPSAS= International Public Sector Accounting Standards,

QFR= Quality of Financial Reporting.

The above equation can be restructured in an explicit functional form after taking into consideration independent variables as:

QFR = β<sub>0</sub> + β<sub>1</sub>X<sub>1</sub> + β<sub>2</sub>X<sub>2</sub> +β<sub>3</sub>X<sub>3</sub> +β<sub>4</sub>X<sub>4</sub> + β<sub>5</sub>X<sub>5</sub> + ‘ϵ .....(ii)

Where:

B<sub>0</sub>= Constant term

X<sub>1</sub> to X<sub>5</sub> are IPSA Accrual Based Accounting variables

‘ϵ = error term

βs, are the parameters to be estimated. The apriori expectation is that the estimated parameters are greater than zero.

*Measure of Sampling Adequacy*

Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy of variables, this measure varies between 0 and 1, and values closer to 1 are better. A value of 0.6 is a suggested minimum. Bartlett’s Test of Sphericity – tests the null hypothesis that the correlation matrix is an identity matrix. An identity matrix is matrix in which all of the diagonal elements are 1 and all off diagonal elements are 0. Table 2 showed that the sampling of the variables are adequate since the KMO value 0.819 > 0.60 of minimum constant value. The indication is that the components being used for the factor analysis are valid. The entire extracted variables are significant; their KMO values are greater than the minimum constant value of 0.60 respectively

Table 2: Measure of Sampling Adequacy KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	0.819
Bartlett's Test of Approx.	4516.259
Chi-Square Sphericity Df	105
Sig.	0.000

Source: Researcher's Computations, 2022

### *Factors Determining the Implementation of Accrual Basis of Accounting in the Public Sector*

Nine factors were identified from literature and these were examined using the Principal Component Analysis (PCA) to determine which of these were significant for our consideration and to what extent. The factors are:

- i. high cost of personnel training
- ii. international accounting standards are complex and difficult to understand
- iii. costly implementation factor
- iv. time consuming
- v. high opportunity cost
- vi. low level of education and weak expertise
- vii. personal factor,
- viii. system/administrative factor and
- ix. political factor

Factor analysis is a technique that requires a large sample size. Factor analysis is based on the correlation matrix of the variables involved, and correlations usually need a large sample size before they stabilize. Tabachnick and Fidell (2001) cite Comrey and Lee's (1992). The size for this study is 243-N which was referred to as fair. The total number of observations is the sum of N and the number of missing values. The minimum, or smallest, value of the variable is 1, while the maximum, or largest, value of the variable is 5. This is the arithmetic mean across the observations. It is the most widely used measure of central tendency. It is commonly called the average.

The mean is sensitive to extremely large or small values. The factorability of the 9 scale items was examined; the result shows that International Accounting Standards (IAS) has the highest mean value of 2.73 with standard deviation (SD) value of 1.091. This indicated that the variable is the most sensitive factor; the SD measures the spread of a set of observations. The larger the standard deviation is, the more spread out the observations are. Therefore, IAS is not the most observed but most sensitive to the study. System/administrative factor have a mean value of 2.67 and the standard deviation of 1.110. This indicated that the variable was the second most sensitive factor among the variables and it also shows large variation. Furthermore, the mean value of High cost of personnel training (HCPT) factor was 2.37 with the standard

deviation of 1.116. Based on SD result HCPT was the highest observed construct variable. Costly factor (CF), Time consuming factor (TCF), High opportunity cost factor (HOCHF), Personal factor (PEF), Political factor (POF), and Low level of education and weak expertise factor (LLEWEF) statistical results (2.23, 0.800; 2.22, 0.753; 2.20, 0.930; 2.19, 0.930). (1.89; 0.835) (1.87; 1.017) preview the estimated position and the level of variability amongst the variables

Table 3: Component Matrix<sup>a</sup>

Variables	Min.	Max.	Mean	Std. Dev.	Variance
High cost of personnel training	1	5	2.37	1.116	1.244
International accounting standards	1	5	2.73	1.091	1.191
Costly	1	5	2.23	0.800	0.640
Time consuming	1	5	2.22	0.753	0.566
High opportunity cost	1	5	2.20	0.930	0.864
Low level of education and weak expertise	1	5	1.87	1.017	1.035
Personal factors	1	5	2.19	0.930	0.864
System/Administrative factor	1	5	2.67	1.110	1.232
Political factors	1	5	1.89	0.835	0.697

Source: Researcher's Computations, 2022

### *Correlation matrix of the Factor Analysis*

The goal of factor analysis is to model the interrelationships among items; the results of correlation in Table 4 depends primarily on the variance and covariance of the different items loaded rather than the mean. Factor analysis assumes that variance can be partitioned into two types of variance, common and unique. From this table, the result of correlation revealed that most items have some correlation with each other. The result showed that personnel training negatively correlated with international accounting standard (0.099) and cost (0.337). Although, the correlation was found to be weak and negatively significant; implying that implementation of international accounting standard and its cost less influence personnel training. Time consuming, high opportunity cost and political factor positively correlated with personnel training. So also, the coefficient of personal factors shows a positive and moderately strong correlation (0.514) with the level of education and weak expertise. Due to existence of correlations among variables, the itemized variables show good characteristics for factor analysis. Thus, the goal of factor analysis is to model the interrelationships between items with fewer (latent) variables. These interrelationships can be broken up into multiple components.

Table 4: Correlation

Correlations									
	Personnel training	International accounting standard	Costly	Time consuming	High opportunity cost	Low level of education and weak expertise	Personal factors	System/Administrative factors	Political factors
Personnel training	1								
International accounting standard	-0.099**	1							
Costly	-0.337**	0.318**	1						
Time consuming	0.436**	-0.112**	-0.380**	1					
High opportunity cost	0.402**	-0.119**	-0.310**	0.401**	1				
Low level of education and weak expertise	0.217**	-0.074**	-0.227**	0.278**	0.257**	1			
Personal factors	0.305**	-0.159**	<b>-0.382**</b>	0.409**	0.339**	<b>0.514**</b>	1		
System/Administrative factors	0.331**	-0.050*	-0.380**	0.349**	0.269**	0.223**	0.297**	1	
Political factors	0.437	-0.113**	-0.225**	0.311**	0.407**	0.301**	0.222**	0.399**	1
** . Correlation is significant at the 0.01 level (2-tailed).									
* . Correlation is significant at the 0.05 level (2-tailed).									

Source: Researcher's Computation, 2022

## V. SUMMARY

The influence of implementing accrual-based accounting (ABA) on financial reporting in the Nigerian public sector is assessed in this study. The study looked into the factors that influence the implementation of accrual basis accounting in the public sector, evaluated the link between ABA implementation and reporting quality in the Nigerian public sector, and looked into the effects of ABA implementation on the quality of Osun State's financial reporting systems, among other things.

## VI. CONCLUSION

The study concluded that from the result of principal component analysis, the result of total variance explained that out of the nine (9) itemized components (International Accounting Standards, System/administrative factor, High cost of personnel training, Costly, Time consuming, High opportunity cost, Personal factors, Political factors and Low level of education and weak expertise) only the first two factors are prominent to this study. The sensitivity of the factors explained further that the components are categorized into International accounting standards and System/administrative factors. PCA results estimated that nine (9) components of accrual accounting can be combined efficiently into two (2),

thus, confirming that each item shared some common variance with other items.

The implementation of ABA exhibits significant positive effect on financial reporting quality but no significant causal-effect relationship between both variables.

## VII. RECOMMENDATIONS

It was recommended, that:

- i. Governments should give the ministries, departments and agencies necessary support towards implementing accrual based accounting in their states
- ii. The application of the findings of this study if carefully considered by administrators and accountants of MDAs should elicit a reform in the public sector accounting process. Specifically the core factors highlighted in the study viz, entrenchment of IPSAS ABA in the accounting processes of the state and personnel training as well as the engagement of suitably qualified accounting personnel should be implemented for effectiveness.

## CONTRIBUTIONS TO KNOWLEDGE

This study by considering the factors responsible for effective implementation of ABA were unravelled and the

barrier to meaningful implementation identified. This should improve the state of knowledge and requirements for practical implementation ABA in the public sector.

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