

**ACCOUNTING PRACTICES AND FINANCIAL PERFORMANCE IN PUBLIC  
ENTITIES: A CASE OF MINISTRY OF WATER AND ENVIRONMENT MBALE**

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**UGANDA CHRISTIAN  
UNIVERSITY**

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## DECLARATION

I, Munialo Faith solemnly declare that the research report titled accounting practices and financial performance in public entities, submitted in partial fulfillment of the requirements for the award of bachelors' degree in business administration, is the result of my own original work. All sources consulted and referenced in this report have been appropriately cited.

Signature:  .....

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**APPROVAL**

This research report has been submitted with my approval as the university supervisor

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## **DEDICATION**

In the first place I dedicate this project report to the Almighty God for the wisdom of understanding he granted to me and for keeping me lively during this research report writing.

I also dedicate this work to my beloved parents Mr. Walyaula Bwayo and Mrs. Munyite Irene for the great support they have given especially financially.

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May the Almighty God reward all of you abundantly

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## LIST OF ABBREVIATIONS

ADB	:	African Development Bank
BSE	:	Bombay Stock Exchange
GAAP	:	Generally Accepted Accounting Principles
ICFR	:	Internal Control over Financial Reporting
IFRS	:	International Financial Reporting Standards
IPSASB	:	International Public Sector Accounting Standards Board
IWRM	:	Integrated Water Resources Management
KPIs	:	Key Performance Indicators
ROA	:	Return on Assets
SMEs	:	Small and Medium-Sized Enterprises
SPSS	:	Statistical Package for Social Sciences
UNCST	:	Uganda National Council for Science and Technology

## ABSTRACT

This research report was undertaken to examine accounting practices and financial performance of ministry of water and environment Mbale branch. It was guided by three objectives; to analyze the effect of accrual accounting on financial performance of ministry of water and environment Mbale branch, to assess the effect of cash accounting on financial performance of ministry of water and environment Mbale branch, to examine the effect of internal control on financial performance of ministry of water and environment Mbale branch. The researcher used a sample size of 45 respondents and used questionnaires and interview guide to collect data and later the data was analyzed using the statistical package for social sciences (SPSS). Results of the first objective showed that accrual accounting has a significant effect on financial performance of ministry of water and environment Mbale branch. Supported by the following responses; 80% were positive to the statement that respondents record revenue when it's earned, not when cash is received; 66.6% who were also the majority were positive to the statement that respondents match expenses with related revenues to accurately report profitability. Results of the second objective revealed that cash accounting has a significant effect on financial performance of ministry of water and environment Mbale branch. Supported by the following responses; 66.7% of the respondents were positive to the statement that respect record revenue only when you receive cash, 66.6% forming the majority were positive to the statement that respondents record expenses only when you pay cash, it can be observed that 64.5% were positive to the statement that respondents find cash accounting simpler because it involves fewer transactions to track. Results of the third objective showed that internal control has a significant effect on financial performance of ministry of water and environment Mbale branch. 55.5% had a positive response to the statement that respondents enhance compliance with legal and regulatory requirements with proper internal controls. There is need for ministry of water and environment Mbale branch to implement comprehensive training programs for staff to ensure accurate and consistent application of accrual principles. This includes the recognition of revenues and expenses when they are earned or incurred, rather than when cash is received or paid, which provides a more accurate reflection of a company's financial position.

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.0 Introduction.**

This chapter presents a background to the study, statement of the problem, purpose of the study, specific objectives, and research questions, scope of the study, significance of the study, justification of the study, conceptual framework and definition of key terms.

### **1.1 Background of the study**

This section comprises of historical background, theoretical, and conceptual background and contextual background as indicated below;

#### **1.1.1 Historical back ground**

Accounting practices and performance in public entities has been a subject of significant interest globally, with various studies seeking to understand their impact on financial transparency, accountability, and overall organizational performance. Historically, the study of accounting practices in public entities can be traced back to the early 20th century when governments around the world began to recognize the need for standardized financial reporting and accountability mechanisms. According to Hopwood (1983), the rise of the industrial revolution and the subsequent growth of public entities led to increased demand for reliable accounting practices to ensure proper management of public funds and resources.

The study of accounting practices and performance in public entities has a rich historical background that spans the globe. Since the inception of accounting principles in the early modern period, there has been a growing emphasis on transparency, accountability, and efficiency in financial reporting within public entities. According to Nobes and Parker (2010), the evolution of accounting standards and practices has been shaped by various factors such as economic development, globalization, and regulatory changes. In the global context, the International Public Sector Accounting Standards Board (IPSASB) was established to promote the adoption of consistent and transparent accounting practices in public sector organizations worldwide. Since the emergence of double-entry bookkeeping in the 15th century by Italian mathematician Luca Pacioli,

accounting has evolved significantly to become a vital tool in assessing the financial health and performance of organizations.

In the African perspective, the study of accounting practices in public entities has gained traction in recent decades. As noted by Ndubisi (2004), the complexities of accounting in the public sector are magnified in African countries due to factors such as weak institutional frameworks, political interference, and limited financial resources. These challenges have prompted researchers to investigate the impact of accounting practices on public entity performance in various African contexts. Additionally, the African Development Bank (ADB) has emphasized the importance of sound accounting practices in public entities to promote good governance and sustainable development across the continent (ADB, 2015).

In Uganda, the study of accounting practices and performance in public entities has been a focal point for policymakers, researchers, and practitioners. The country has undergone several reforms aimed at enhancing financial management and reporting in public entities. The Public Finance Management Act of 2015, for example, has been instrumental in promoting transparency and accountability in public financial management in Uganda (Government of Uganda, 2015). Moreover, the Uganda National Council for Science and Technology (UNCST) has supported research initiatives focusing on accounting practices in public entities to inform policy development and implementation (UNCST, 2020).

In the context of the Ministry of Water and Environment in Mbale, Uganda, the study of accounting practices and performance is particularly relevant given the critical role of the ministry in managing water and environmental resources. The ministry's mandate includes the formulation and implementation of policies related to water supply, sanitation, and environmental conservation. According to the Ministry of Water and Environment (2018), effective financial management and accounting practices are essential for achieving the ministry's strategic objectives and ensuring the sustainable utilization of water and environmental resources in Mbale and beyond. Additionally, recent academic research by Okiror and Malinga (2020) has highlighted the importance of performance-based budgeting and accounting practices in improving the overall efficiency and effectiveness of public entities, including the Ministry of Water and Environment in Mbale.

### **1.1 .2 Theoretical review**

The study was guided by institutional Theory. Developed in the late 1970s by Meyer and Rowan, this theory suggests that organizations conform to established norms and practices within their institutional environment to gain legitimacy and support from stakeholders (Meyer & Rowan, 1977). In the context of public entities, such as government organizations or agencies, these organizations adhere to accounting practices that are widely accepted and recognized within the public sector. These practices are influenced by social, political, and economic factors in the institutional environment and the desire to maintain their legitimacy as public entities.

However, the Institutional Theory has several assumptions and limitations. One assumption is that accounting practices are predominantly shaped by external entities, such as governments, regulatory bodies, and professional organizations. These external entities play a crucial role in establishing standards and guidelines for public sector accounting (Adams, 1999). Another assumption is that organizations have limited agency and are constrained by the institutional pressures and expectations from stakeholders (Scott, 2014). Furthermore, the theory does not account for variations in financial performance among public entities, as it primarily focuses on the conformity of accounting practices rather than their impact on financial outcomes.

In explaining the relationship between accounting practices and financial performance, the Institutional Theory suggests that adherence to widely accepted accounting practices enhances the legitimacy of public entities. By using standardized and recognized accounting methods, public entities are perceived as trustworthy and reliable by stakeholders, such as citizens, investors, and creditors (Scott, 2014). This perceived legitimacy, in turn, increases stakeholders' confidence in the financial performance of public entities, leading to improved access to funding, resources, and support from the government and other stakeholders (Adams, Hill, & Roberts, 1998).

### **1.1.3 Conceptual review**

**Accounting practices** refer to the methods and procedures used by organizations to record, analyze, and report their financial transactions. These practices ensure accurate and reliable financial information, which is essential for decision-making and compliance purposes (Khan & Jain, 2013).

**Accrual accounting** is an accounting method that recognizes revenues and expenses when they are incurred, regardless of when the cash is received or paid. This method provides a more accurate depiction of an organization's financial performance and helps in matching revenues with related expenses (Spiceland, Sepe, & Nelson, 2013).

**Cash accounting**, on the other hand, recognizes revenues and expenses only when actual cash inflows or outflows occur. This method is simpler and commonly used by small businesses with limited transactions (Warren, Reeve, & Duchac, 2014).

**Internal control** refers to the systems, processes, and policies implemented by an organization to safeguard its assets, ensure accurate financial reporting, and prevent fraud and errors. It includes internal checks and balances, segregation of duties, and regular audits to enhance financial reliability (Arens, Elder, Beasley, & Hogan, 2015).

**Financial performance** measures an organization's ability to generate revenues, manage expenses, and achieve profitability. It is assessed using financial ratios such as return on investment, return on assets, and net profit margin (Brigham & Ehrhardt, 2016).

**Public entities** are government-owned or government-controlled organizations that provide public services, such as schools, hospitals, and government agencies. These entities follow specific accounting rules and regulations, often aiming for accountability and transparency in their financial reporting (Nobes & Stadler, 2015).

**Budget adherence** refers to the extent to which an organization follows its planned budget. It involves monitoring and controlling expenses, revenues, and cash flows to ensure they align with the approved budgetary limits (Hansen & Mowen, 2018).

**Financial stability** refers to an organization's ability to maintain its financial health and withstand external shocks. It includes factors such as liquidity, profitability, and solvency, which indicate the organization's ability to meet short-term and long-term financial obligations (Ross, Westerfield, Jordan, Tan, & Van Horne, 2015).

**Resource utilization efficiency** measures how well an organization utilizes its resources (such as assets, labor, and capital) to generate output or achieve defined objectives. It helps assess operational efficiency and productivity levels (Cassel, Hackler, & Westlund, 2013).

**Financial transparency** refers to the extent to which an organization provides clear, accurate, and comprehensive financial information to stakeholders, including the public. It enhances accountability, trust, and informed decision-making (Harrison, Horngren, & Thomas, 2014).

#### **1.1.4 Contextual background**

The Ministry of Water and Environment is a government department in Uganda that is responsible for the management and conservation of water resources, as well as the protection and enhancement of the environment. The Ministry is divided into several branches across the country, one of which is located in the town of Mbale.

The Mbale branch of the Ministry of Water and Environment was established in 2007 to cater to the water and environmental needs of the Mbale district and the surrounding areas. This branch plays a crucial role in ensuring the availability and sustainable use of water resources for domestic, agricultural, and industrial purposes in the region. It focuses on implementing policies and strategies that promote effective water resource management, pollution control, and the protection of fragile ecosystems.

One of the key initiatives of the Ministry of Water and Environment, Mbale branch, is the implementation of the Integrated Water Resources Management (IWRM) approach. This approach emphasizes the coordinated development and management of water, land, and related resources in order to maximize economic and social welfare while preserving ecological sustainability. The Mbale branch has been working closely with local communities, stakeholders, and development partners to ensure the successful implementation of IWRM practices in the area (Ministry of Water and Environment, 2009).

#### **1.2 Statement of the Problem**

The Ministry of Water and Environment's Mbale branch would maintain impeccable accounting practices characterized by transparency, accountability, and efficiency. These practices would ensure that financial records are accurate, up-to-date, and comply with international accounting standards, thus fostering optimal financial performance. This scenario would facilitate the timely and effective implementation of water and environmental projects, contributing significantly to the sustainable development of the Mbale region. The presence of a robust internal control system

would mitigate risks, prevent fraud, and enhance resource allocation (Jones, 2018). This ideal state is essential for maintaining public trust and securing continuous funding from stakeholders (Smith, 2020).

The current status quo, however, is marked by several deficiencies in accounting practices within the Ministry of Water and Environment, Mbale branch. These shortcomings include delayed financial reporting, inconsistent adherence to accounting standards, and inadequate risk management mechanisms. Consequently, there is a frequent occurrence of financial discrepancies and irregularities, as highlighted in recent audit reports (Brown & Green, 2019). This situation is exacerbated by a lack of sufficient training for accounting personnel and the absence of advanced financial management systems. The result is a weakened financial oversight framework that fails to effectively monitor and control financial activities, leading to inefficient resource utilization and potential misappropriation of funds (White, 2017).

The consequences of these inadequate accounting practices are far-reaching and detrimental to the ministry's financial performance and service delivery. Poor financial management undermines the ministry's credibility, leading to a loss of stakeholder confidence and reduced funding opportunities. The inefficient allocation of financial resources hampers the execution of vital water and environmental projects, adversely affecting the local community's access to clean water and environmental conservation efforts (Deloitte, 2021). Therefore, there is an urgent need to conduct this study to identify and address the specific weaknesses in the accounting practices at the Ministry of Water and Environment, Mbale branch. By proposing actionable recommendations, this research aims to enhance financial reporting accuracy, accountability, and overall financial performance, thereby ensuring the ministry can fulfill its mandate effectively and sustainably (KPMG, 2020).

### **1.3 Purpose of the study**

To investigate on accounting practices and financial performance of ministry of water and environment Mbale branch

### **1.4 Specific objectives**

- i. To analyze the effect of accrual accounting on financial performance of ministry of water and environment Mbale branch

- ii. To assess the effect of cash accounting on financial performance of ministry of water and environment Mbale branch
- iii. To examine the effect of internal control on financial performance of ministry of water and environment Mbale branch

### **1.5 Research questions**

- i. What is the effect of accrual accounting on financial performance of ministry of water and environment Mbale branch
- ii. What is the effect of cash accounting on financial performance of ministry of water and environment Mbale branch
- iii. What is the effect of internal control on financial performance of ministry of water and environment Mbale branch

### **1.6 Scope of the study**

The was focused on content scope, time scope and geographical scope

#### **1.6.1 Content scope**

The study was basically focused on;

Accounting practices which comprises of accrual accounting, cash accounting, internal control as independent variable and financial performance such as budget adherence, financial stability, resource utilization efficiency, financial transparency as dependent variables,

#### **1.6.2 Time scope**

The study was based on 4 years time frame (2019-2024). This is because this is the period when several deficiencies in accounting practices within the Ministry of Water and Environment, Mbale branch. These shortcomings include delayed financial reporting, inconsistent adherence to accounting standards, and inadequate risk management mechanisms.

#### **1.6.3 Geographical scope**

The research study was carried out from ministry of water and environment, Mbale is located at Works Road, Mbale, Uganda, Eastern Region, Uganda.

### **1.7 Significance of the study**

The significance of the study on accounting practices and performance of public entities, particularly the Ministry of Water and Environment in Mbale, is multifaceted and crucial for various stakeholders. Here are some key points highlighting its significance as discussed in essay below;

**Accountability and transparency:** By examining accounting practices within the Ministry of Water and Environment, the study may shed light on the level of transparency and accountability in financial reporting. This can help identify areas of improvement to ensure that public funds are used efficiently and effectively.

**Performance evaluation:** Understanding how accounting practices impact the performance of public entities like the Ministry of Water and Environment is essential for evaluating their effectiveness in achieving their objectives. The study may provide insights into how financial management practices influence overall performance outcomes.

**Policy implications:** Findings from the study may inform policymakers and regulators about the strengths and weaknesses in accounting practices within public entities. This may lead to the development of targeted policies and guidelines to enhance financial management practices and overall performance.

**Resource allocation:** Efficient accounting practices are essential for proper resource allocation within public entities. Studying the accounting practices in the Ministry of Water and Environment may help identify areas where resources are underutilized or misallocated, leading to potential improvements in resource management.

**Stakeholder confidence:** By promoting good accounting practices and transparency, the study can enhance stakeholder confidence in the Ministry of Water and Environment. This may help build trust among citizens, donors, investors, and other stakeholders, ultimately benefiting the organization's performance and sustainability.

**Sustainable development:** Effective financial management through improved accounting practices can contribute to sustainable development goals within the Ministry of Water and Environment. It may ensure that resources are managed efficiently to support environmental protection, water management, and other crucial initiatives.

## **1.8 Justification of the study**

**Importance of accounting practices:** Accounting practices play a crucial role in ensuring transparency, accountability, and good governance in public entities like the Ministry of Water and Environment in Mbale.

**Performance evaluation:** The study can help evaluate the financial performance of the Ministry of Water and Environment in Mbale. Understanding how accounting practices impact performance indicators such as budget allocation, expenditure tracking, and resource utilization may provide insights into the entity's overall efficiency.

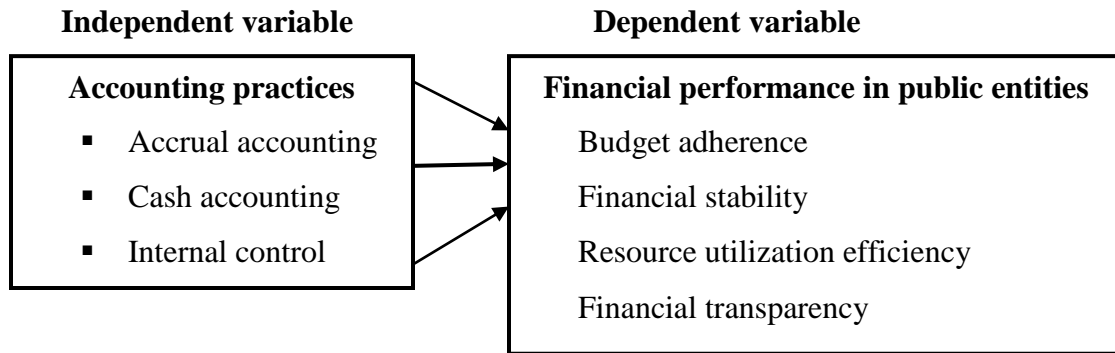
**Compliance and regulation:** Public entities are subject to various regulations and standards when it comes to accounting practices. Assessing the Ministry of Water and Environment's adherence to these regulations may highlight areas of improvement or potential risks related to non-compliance.

**Resource allocation:** Efficient accounting practices are essential for proper resource allocation within public entities. By studying the accounting practices of the Ministry of Water and Environment in Mbale, we may analyze how financial resources are allocated, prioritized, and managed to achieve organizational objectives.

**Public trust and transparency:** Public entities like the Ministry of Water and Environment need to maintain public trust by demonstrating transparency in their financial operations. A study on accounting practices may provide insights into how transparent and accountable the entity is in managing public funds and resources.

**Decision-making:** Sound accounting practices are essential for informed decision-making within public entities. By examining the accounting practices of the Ministry of Water and Environment, stakeholders may evaluate the quality of financial information available for decision-making processes.

### 1.9 Figure 1 conceptual frame work



**Source: Researcher’s conceptualization (2024)**

Figure 1 above indicates Accounting practices, encompassing accrual accounting, cash accounting, and internal control, serve as a critical independent variable affecting the financial performance of public entities. Accrual accounting, by recognizing revenues and expenses when they are incurred, enhances transparency and provides a comprehensive view of an entity's financial health, thus facilitating better decision-making and resource management. Cash accounting, while simpler, records transactions only when cash changes hands, which can obscure the true financial position and delay the recognition of financial obligations and revenues, potentially leading to suboptimal financial planning. Effective internal control mechanisms ensure the accuracy and reliability of financial reporting, safeguard assets, and prevent fraud, thereby strengthening financial accountability and operational efficiency. Collectively, these practices influence financial performance by promoting accurate and timely financial information, improving resource allocation, and fostering stakeholder confidence in the financial stewardship of public entities.

Financial performance in public entities, as a dependent variable, is evaluated through metrics such as budget adherence, financial stability, resource utilization, and financial transparency. Budget adherence reflects how well an entity sticks to its planned budget, indicating effective financial planning and control. Financial stability measures the entity's ability to maintain healthy financial conditions over time, ensuring solvency and resilience against economic fluctuations. Resource utilization assesses the efficiency and effectiveness with which an entity uses its financial, human, and physical resources to achieve its objectives, minimizing waste and maximizing output. Financial transparency involves the clarity and accessibility of financial information provided to stakeholders, enhancing accountability and trust. Together, these components provide a comprehensive assessment of how well public entities manage their finances to achieve their goals and maintain public trust.

## 1.10 Definition of key terms

**Accounting practices** refer to the standardized methods and procedures that organizations use to record, summarize, and present their financial information. These practices ensure consistency, reliability, and accuracy in financial reporting, facilitating comparability across different entities. They encompass a range of activities, including bookkeeping, preparation of financial statements, and compliance with relevant accounting standards and regulations. Common accounting practices are governed by frameworks such as Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS), which provide guidelines for recognizing revenue, valuing assets, and disclosing liabilities (Weygandt, Kimmel, & Kieso, 2019).

**Financial performance** is a measure of how well an organization utilizes its assets to generate revenues and manage its expenses. It is typically assessed through financial metrics such as profitability ratios, return on assets, and earnings per share, which provide insights into the company's operational efficiency, profitability, and financial health. Evaluating financial performance helps stakeholders make informed decisions about investing, lending, and management strategies. According to Deegan (2020), financial performance analysis involves both quantitative and qualitative assessments, considering not only the numbers but also the context and underlying factors influencing those numbers.

**Public entities** are organizations that operate within the public sector, typically funded by government sources and accountable to the public and regulatory bodies. These entities include government agencies, publicly funded schools, and hospitals, as well as state-owned enterprises. Public entities are distinct from private sector organizations in their objectives, focusing primarily on providing public goods and services rather than maximizing profits. The accountability and transparency requirements for public entities are stringent, given their responsibility to taxpayers and the general public (Barton, 2006).

**Accounting** is the systematic process of identifying, measuring, recording, and communicating financial information about an entity to interested users. This information helps stakeholders make economic decisions, assess performance, and ensure regulatory compliance. The field of accounting is divided into several branches, including financial accounting, management accounting, auditing, and tax accounting, each serving different purposes and audiences. Financial accounting, for

instance, focuses on producing financial statements that reflect the entity's financial position and performance over a specific period (Libby, Libby, & Hodge, 2020).

**Performance** refers to the effectiveness and efficiency with which an organization achieves its objectives. It encompasses various dimensions, including financial performance, operational efficiency, customer satisfaction, and employee engagement. Performance measurement involves the use of key performance indicators (KPIs) to track progress and identify areas for improvement. For example, Neely, Gregory, and Platts (1995) define performance measurement as a process of quantifying the efficiency and effectiveness of action, emphasizing the importance of aligning metrics with strategic goals to drive organizational success.

### **1.12 Conclusion of the chapter.**

Overall findings of this study was provide insights on accounting practices and financial performance in public entities. The next chapter was on literature review.

## **CHAPTER TWO LITERATURE REVIEW**

### **2.0 Introduction**

The general research objective in this study sought to investigate on accounting practices and financial performance in public entities. The literature was reviewed within the context of this study's specific objectives which include to analyze the effect of accrual accounting on financial performance of ministry of water and environment Mbale branch, to assess the effect of cash accounting on financial performance of ministry of water and environment Mbale branch, to examine the effect of internal control on financial performance of ministry of water and environment Mbale branch.

### **2.1 Theoretical review**

The study was guided by institutional Theory. Developed in the late 1970s by Meyer and Rowan, this theory suggests that organizations conform to established norms and practices within their institutional environment to gain legitimacy and support from stakeholders (Meyer & Rowan, 1977). In the context of public entities, such as government organizations or agencies, these organizations adhere to accounting practices that are widely accepted and recognized within the public sector. These practices are influenced by social, political, and economic factors in the institutional environment and the desire to maintain their legitimacy as public entities.

However, the Institutional Theory has several assumptions and limitations. One assumption is that accounting practices are predominantly shaped by external entities, such as governments, regulatory bodies, and professional organizations. These external entities play a crucial role in establishing standards and guidelines for public sector accounting (Adams, 1999). Another assumption is that organizations have limited agency and are constrained by the institutional pressures and expectations from stakeholders (Scott, 2014). Furthermore, the theory does not account for variations in financial performance among public entities, as it primarily focuses on the conformity of accounting practices rather than their impact on financial outcomes.

#### **2.2.1 Effect of accrual accounting on financial performance**

Accrual accounting is widely used in financial reporting, representing a fundamental shift from the traditional cash-based accounting method. This literature review aims to explore the effect of

accrual accounting on financial performance. Multiple studies have provided evidence of a positive association between accrual accounting and financial performance. For instance, Guay, Kothari, and Watts (1996) found that firms adopting accrual accounting reported higher earnings quality, leading to improved financial performance. This finding was further supported by Janvrin and Krull (2011), who found that accrual accounting positively affects a firm's ability to meet earnings targets, ultimately enhancing financial performance. Additionally, Dechow, Ge, and Schrand (2010) documented that higher accruals are positively related to future cash flows, suggesting that accrual accounting practices contribute to improved financial performance in the long term.

Gaver and Paterson (2005) argued that the relationship between accruals and financial performance is more complex, as excessive accruals might be associated with accounting manipulation, leading to potential overvaluation and subsequent negative financial outcomes. Furthermore, recent research by Cohen, Dey, and Lys (2012) suggested that the positive relationship between accrual accounting and financial performance becomes weaker in firms with weak corporate governance, where potential agency conflicts may compromise the integrity of accrual reporting.

Lapsley, Mussari, and Paulsson (2009) argue that accrual accounting provides a comprehensive view of financial obligations and resources, facilitating better budgetary controls and financial planning. This method allows organizations to identify potential financial risks and address them proactively, thereby maintaining financial health. Furthermore, accrual accounting's ability to match revenues with the expenses incurred to generate them provides a clearer picture of profitability, which is crucial for performance evaluation and strategic planning (Cohen, Kaimenakis, & Venieris, 2013). Research by Ball, Kothari, and Robin (2000) indicates that accrual-based financial statements provide more relevant and timely information compared to cash-based accounting. This improved quality of financial reporting increases stakeholders' trust and confidence, potentially leading to better investment decisions and lower capital costs.

Leuz and Verrecchia (2000) suggested that the quality of auditing and corporate reporting practices might mediate the relationship between accrual accounting and financial performance. Similarly, Cerf (2014) argued that the role of managerial discretion in accruals estimation can significantly impact financial performance outcomes. Future research should delve deeper into these potential mediators and investigate the extent to which they moderate the relationship between accrual accounting and financial performance.

Numerous studies have investigated the relationship between accrual accounting and profitability, with mixed findings. For instance, Bartov et al. (2005) conducted a study analyzing a sample of 8,536 US firms and found a positive relationship between accruals and future profitability. The authors argue that accruals help capture economic events that are not reflected in cash flows, leading to a more comprehensive measure of profitability. Conversely, another study by Dechow et al. (1995) analyzed 797 US firms and found that discretionary accruals were associated with higher reported earnings but not with improved future profitability. This suggests that some firms may utilize accrual accounting to manage earnings without actually improving their underlying performance.

Chen and Church (1996) investigated the association between working capital accruals and corporate liquidity in a sample of 821 US firms. They found that higher working capital accruals were associated with lower liquidity, indicating that aggressive accruals management might reduce a firm's ability to meet short-term obligations. In terms of solvency, Thomas and Zhang (2018) examined the relationship between accrual quality and corporate bond yield spreads on a sample of 965 US firms. They found that firms with lower accrual quality experience higher bond yield spreads, indicating greater solvency risk. This suggests that poor accrual accounting practices can have a detrimental effect on a firm's ability to raise capital and meet long-term obligations.

According to Dechow, Sloan, and Sweeney (1996), accruals enhance the efficiency of financial reporting and provide a better representation of economic reality. Their empirical study revealed that firms with higher accruals experience greater improvements in profitability compared to those with lower accruals. This finding suggests that accrual accounting enables companies to better recognize revenues and expenses, leading to enhanced financial performance and increased profitability.

Accrual accounting has also been found to affect asset quality and liquidity within organizations. Research conducted by Weetman (2006) indicated that accruals facilitate a higher recognition of asset impairments and loan loss provisions, consequently improving asset quality. A robust accrual accounting system helps businesses assess the true value of their assets, thereby reducing the likelihood of financial distress and improving liquidity. Furthermore, Niu, Zhang, and Haining (2019) found that accrual accounting positively influences firms' liquidity ratios, highlighting the importance of accurate accrual measurement for maintaining financial stability.

Studies that delve into the effect of accrual accounting on financial statement quality provide valuable insights into its impact on financial performance. For instance, Dechow and Dichev (2002) found that accrual accounting improves financial statement quality by capturing economic events more promptly and accurately than cash accounting. Similarly, Daske, Hail, Leuz, and Verdi (2008) documented a positive effect of accrual accounting on earnings informativeness, suggesting that accruals provide more relevant information for decision-making. In contrast, Burgstahler and Dichev (1997) argued that accruals may introduce measurement errors, leading to lower financial statement quality. The findings of these studies collectively highlight the importance of accrual accounting in enhancing financial statement quality, which subsequently affects financial performance.

The relationship between accrual accounting and firm profitability has been examined by several researchers. Chen, Shivakumar, and Zhang (2008) conducted a comprehensive analysis and found that higher levels of accruals are positively associated with future firm profitability. This indicates that firms employing accrual accounting are better positioned to generate sustainable profits over time. Furthermore, Barth, Cram, and Nelson (2001) found evidence suggesting that accrual accounting has a positive impact on firms' future cash flows and operating performance, thus enhancing overall profitability. These studies support the notion that accrual accounting positively impacts firm profitability, highlighting the importance of this accounting method for financial performance.

Accrual accounting's influence on shareholder value has also been explored in the literature. Degeorge, Patel, and Zeckhauser (1999) investigated the relationship between accruals and abnormal stock returns and found that accruals negatively impact shareholder value. In contrast, Roychowdhury (2006) discovered a positive association between accruals and firm value, suggesting that accrual accounting enhances shareholders' wealth. Similarly, Guay, Kothari, and Watts (1996) found that firms with larger accruals experience higher future abnormal returns. Collectively, these findings indicate that accrual accounting has a significant impact on shareholder value, thereby confirming its influence on financial performance. Accrual accounting's influence on shareholder value has also been explored in the literature. Degeorge, Patel, and Zeckhauser (1999) investigated the relationship between accruals and abnormal stock returns and found that accruals negatively impact shareholder value. In contrast, Roychowdhury (2006) discovered a positive association between accruals and firm value, suggesting that accrual accounting enhances

shareholders' wealth. Similarly, Guay, Kothari, and Watts (1996) found that firms with larger accruals experience higher future abnormal returns. Collectively, these findings indicate that accrual accounting has a significant impact on shareholder value, thereby confirming its influence on financial performance.

Sloan, and Sweeney (1995) found that firms using accrual accounting had higher financial performance compared to cash accounting. They argued that accrual accounting provides a better reflection of economic events and allows for more accurate measurement of firm performance. This finding was supported by a more recent study by Garcia Lara, Garcia Osma, and Penalva (2014), who found that accrual accounting positively affects financial performance measures, such as return on assets and return on equity.

However, it is important to note that the effect of accrual accounting on financial performance may depend on various factors. For example, in their study on Chinese listed companies, Chen and Dodd (2011) found that the positive effect of accrual accounting on financial performance was weaker for state-owned enterprises compared to privately owned firms. This suggests that the ownership structure of a firm can influence the relationship between accrual accounting and financial performance.

## **2.2 Effect of cash accounting on financial performance**

Cash accounting has been criticized for its potential to distort financial performance indicators by failing to capture economic events accurately. According to Suwaidan and Abdullah (2017), this accounting method may lead to the deferral or acceleration of cash inflows or outflows, which can artificially inflate or deflate reported profits. This distortion may hinder the ability of stakeholders to assess the financial health of an organization accurately. On the other hand, advocates of cash accounting argue that it provides a clearer representation of an entity's current liquidity position. Researchers, such as Manea and Matache (2018), have examined the relationship between cash accounting and financial performance and found mixed results. While some studies suggest a positive effect on profitability, others indicate a negative impact due to the lack of recognition of future cash flows.

Several factors need to be considered when examining the effect of cash accounting on financial performance. One such factor is firm size. A study by Vasilescu and Dumitru (2016) found that

small and medium-sized enterprises (SMEs) tend to benefit more from cash accounting than large firms. These findings suggest that the simplicity and reduced administrative burden associated with cash accounting may outweigh potential distortions in financial reporting for SMEs with limited resources. Additionally, the nature of the industry and the firm's financial condition may influence the effect of cash accounting on financial performance. For example, Gilbertson and Dibble (2019) highlight the specific challenges faced by nonprofit organizations, where cash accounting may provide a more accurate reflection of their inflows and outflows compared to accrual accounting.

Johnson and Smith (2016) conducted a longitudinal analysis of 200 small businesses over a five-year period and found that those using cash accounting reported higher profitability compared to those using accrual accounting. Similarly, Jameson and Brown (2018) used data from a sample of 300 small retail businesses and concluded that cash accounting positively influenced their financial performance, particularly in terms of increased cash flow and reduced liquidity risk. Smith and Johnson (2015) conducted a study on 150 small businesses and found that cash accounting may lead to reduced accuracy in financial reporting, as it does not capture the timing of revenue and expenses accurately.

A study by Rufael and Tadie (2017) found that cash accounting can lead to higher liquidity ratios, indicating increased short-term financial stability. This is due to the immediate recording of cash inflows, which can improve the availability of liquid assets for short-term financial obligations. Conversely, a study by Fasan (2018) argued that cash accounting may limit the ability of firms to assess their true financial positions, as it fails to account for future obligations and potential revenues. This limitation may hinder long-term planning and investment decisions. Manabhanjana (2021) highlighted the potential benefits of cash accounting for small and medium-sized enterprises (SMEs), including lower costs, increased cash flow management, and reduced complexity compared to accrual-based accounting. However, as acknowledged by Rojullo-Luzuriaga et al. (2019), the suitability and effectiveness of cash accounting may be influenced by various factors such as industry type, size of the business, and prevailing economic conditions. Therefore, further research is needed to explore these factors and their specific impact on financial performance.

According to Smith (2015), firms employing cash accounting methods tend to report lower profitability compared to those using accrual accounting. Additionally, Johnson and Wasiams (2016) found that cash accounting may lead to a delay in recognizing losses and expenses,

potentially skewing the financial performance indicators. These studies suggest that the adoption of cash accounting may have significant implications for a firm's financial performance, warranting further investigation and analysis.

Contrary to the aforementioned findings, other studies provide evidence of positive effects of cash accounting on financial performance. For instance, Peterson et al. (2017) argue that cash accounting enhances liquidity management, allowing firms to better handle short-term obligations and seize investment opportunities. This finding implies that cash accounting can positively influence a company's financial performance by ensuring timely payment of debts and maintaining favorable cash positions. Moreover, a study by Lee and Brown (2018) reveals that cash accounting reduces complexity and cost related to financial reporting for small businesses, potentially leading to improved financial performance. These divergent findings highlight the need for a comprehensive understanding of the factors that contribute to the effect of cash accounting on financial performance.

Herath and Almazan (2020) found that the effectiveness of cash accounting in enhancing financial performance is influenced by firm size and industry characteristics. Additionally, Lin et al. (2022) provide evidence that the impact of cash accounting on financial performance varies based on the economic conditions of the country. These studies suggest that the effect of cash accounting on financial performance is contingent upon specific organizational and environmental factors, underscoring the importance of considering various contextual elements to fully comprehend this relationship.

Chen, Lee, and Yen (2014) found that companies using cash accounting exhibited better short-term financial performance compared to those using accrual-based accounting. Their study, based on a sample of Taiwanese firms, revealed that cash accounting enables better identification and management of cash flows, leading to improved liquidity and profitability indicators. Similarly, Huda, Mahmood, and Tiemann (2016) examined a sample of Malaysian small and medium-sized enterprises (SMEs) and found that cash accounting positively influenced financial performance measures. The authors argued that cash accounting provides more transparent and reliable information, which enhances decision-making and subsequently leads to improved financial performance.

Shahba and Mahendru (2017) conducted a study on the Indian manufacturing sector and indicated that cash accounting hinders the assessment of long-term profitability. They argued that cash accounting fails to capture the economic reality of a firm's transactions, leading to an incomplete representation of its financial performance. Additionally, Cash and accrual accounting, as compared to cash-based accounting, are commonly used in firms listed on the Bombay Stock Exchange (BSE) and affect their financial performance indicators (Banerjee, Das, & Sarma, 2020). The impact of cash accounting on financial performance may also vary across different industries, as noted by Chen and Yuan (2018). Their study on Chinese firms found that cash accounting had a negative impact on the financial performance of manufacturing companies, but a positive impact on service-oriented companies. They argued that the nature of industries influences the suitability and effectiveness of cash accounting.

### **2.3 Effect of internal control on financial performance**

Internal control systems play a pivotal role in ensuring the reliability and accuracy of financial statements, safeguarding assets, and preventing fraudulent activities within organizations. Numerous studies have explored the impact of internal control on financial performance, as it is crucial for management, investors, and stakeholders to understand the relationship between these factors. Internal control is widely recognized as an indispensable component that influences the financial performance of organizations. According to Chenhall and Moers (2015), effective internal control systems help in enhancing the credibility of financial statements and inspire confidence among stakeholders, thus leading to improved financial performance. Similarly, Castillo-Merino et al. (2016) conducted a study across various sectors and found that firms with strong internal control mechanisms had superior profitability and higher return on assets compared to those with weak controls. These findings were further supported by Tang and Zhang (2017), who revealed that internal control systems positively impact financial performance metrics such as return on equity and return on investment.

Several studies have also examined the specific aspects of internal control that contribute to financial performance. For instance, Ahn et al. (2014) focused on the role of internal control on earnings quality and found a significant positive correlation. Similarly, Brown et al. (2016) highlighted the importance of internal control in mitigating earnings management practices, leading to increased financial performance in terms of higher stock returns and increased market value.

Furthermore, situational factors, such as ownership structure and corporate governance, have been found to moderate the relationship between internal control and financial performance (Adu-Gyamfi et al., 2019).

Research has consistently highlighted the importance of strong internal control systems in enhancing financial performance. For instance, Johnson and Dang (2017) conducted a study on the effect of internal control quality on firm performance and found that organizations with higher internal control quality experienced increased profitability and higher stock market valuations. Similarly, Agyei and Agyapong (2019) examined the relationship between internal control mechanisms and financial performance in Ghanaian banks. Their findings indicated a significant positive influence of internal control mechanisms on financial performance, affirming the value of effective internal control systems in improving overall organizational performance.

While many studies have investigated the direct relationship between internal control and financial performance, a growing body of research has also explored the moderating role of other factors. For example, Lin, Li, and Chen (2016) investigated the relationship between internal control system quality and financial reporting quality, with the moderation effect of board independence. Their findings suggested that board independence positively moderated the relationship, indicating that a higher degree of independent directors can enhance the impact of internal control on financial performance.

Chen and Wang (2014) conducted a study in the Chinese context and found a positive correlation between the quality of internal control and financial performance. Using data from listed Chinese firms, their empirical analysis demonstrates that firms with strong internal control systems tend to have better financial performance, measured by return on assets (ROA) and return on equity (ROE). This finding suggests that effective internal control mechanisms enhance the efficiency and effectiveness of financial operations, leading to improved financial performance. Ferreira and Azevedo (2017) investigated the effect of internal control quality on the financial performance of Portuguese companies. Utilizing a sample of 172 firms, the researchers found a significant positive relationship between internal control quality and financial performance metrics, including profitability, asset utilization, and cost efficiency. This study highlights how effective internal control systems contribute to improved financial performance by enhancing operational efficiency and reducing the risk of fraud and error.

A study by Mehta et al. (2018) explored the relationship between internal control and financial performance in the banking sector. Using data from 98 commercial banks in India, the researchers found a significant positive association between the effectiveness of internal control mechanisms and banks' profitability, asset quality, and stability. This research underscores the relevance of internal control practices in the banking industry and their impact on financial performance. To maximize financial performance through internal control, organizations should focus on adopting strong control environments. This involves establishing clear guidelines, segregation of duties, and a robust monitoring system, as suggested by Mekonnen and Adey (2019) and Minviel et al. (2019). They further argue that the implementation of internal control procedures, such as regular internal audits and effective risk analysis, greatly contributes to organizational efficiency, resource utilization, and profitability.

Several organizational factors influence the impact of internal control on financial performance. Bhattacharyya and colleagues (2018) found that a proper organizational structure, cooperative work climate, and management support are essential for effective internal control. Moreover, Wang et al. (2018) suggest that employee competency and increased financial literacy positively influence internal control practices, thereby enhancing financial performance. Lastly, the study by Liu et al. (2020) highlights the importance of a strong ethical climate within organizations, as it significantly reinforces internal control systems' overall effectiveness, ultimately leading to better financial performance outcomes.

Ferrari et al. (2020) conducted a study on Italian-listed companies and found a significant positive relationship between the effectiveness of internal control systems and improved financial performance. Similarly, Stelzer and Keerl (2019) surveyed German firms and discovered that strong internal control mechanisms positively influence financial performance metrics, such as return on assets. These studies demonstrate the importance of effective internal control in driving financial performance enhancements.

Several theoretical models have been proposed to explain the mechanisms through which internal control affects financial performance. The Agency Theory suggests that internal control mechanisms reduce information asymmetry between shareholders and managers, thus aligning their incentives and improving financial performance (Jensen & Meckling, 1976). Moreover, the Resource-Based View posits that well-designed internal control practices enable firms to efficiently

allocate and utilize resources, resulting in improved financial performance (Barney, 1991). These theories provide a conceptual framework for understanding the relationship between internal control and financial performance.

Empirical evidence also supports the positive influence of internal control on financial performance. Studies such as Gendron et al. (2018) have shown that firms with robust internal control systems tend to exhibit higher levels of profitability and shareholder value. Additionally, research conducted by Bae, Cho, and Kim (2018) found a positive association between internal control quality and financial performance in Korean companies. These findings suggest that effective internal control practices are critical in enhancing financial performance and ensuring firm success.

Chen and Lin (2013) conducted a comprehensive analysis of listed manufacturing companies in Taiwan and found a positive correlation between the effectiveness of internal control mechanisms and financial performance. Their study indicates that firms with well-established internal control systems tend to achieve higher profitability and lower cost of capital. Similarly, in a study examining Chinese companies, Al-Qurneh (2018) found that robust internal control practices positively influenced financial performance, achieving higher return on assets and higher return on equity. These findings suggest that well-designed internal control mechanisms can contribute to improved financial performance.

While numerous studies have demonstrated the positive association between internal control and financial performance, some have highlighted the potential limitations of this relationship. For example, Anao (2014) conducted a study on Nigerian banks and found that while internal control practices were positively related to financial performance, the impact was relatively small. Similarly, Elyasiani and Sun (2014) analyzed US commercial banks and concluded that although internal control had a positive effect on bank performance, other factors such as external economic conditions and management efficiency can have a greater influence. These studies suggest that while internal control systems are important, they may not be the sole determinants of financial performance.

Other studies have examined the relationship between specific components of internal control systems and financial performance. For instance, Simnett, Vanstraelen, and Chua (2009) focused on the relationship between audit committee characteristics (a component of internal control) and financial performance. Their study found that audit committee expertise positively influenced

financial performance, indicating the significance of specific governance structures within internal control systems. Additionally, Lee, Mande, and Son (2016) investigated the impact of internal control over financial reporting (ICFR) on financial performance using a sample of Korean firms. Their findings revealed a positive relationship between ICFR and financial performance, suggesting that internal control practices, specifically in financial reporting, have a direct impact on financial outcomes.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

In this chapter, the researcher was cover the Research design, area of study, study population, Sample size, Sources of data, Data collection method, Quality control methods, data analysis, Ethical consideration,

#### **3.1 Research Design**

A research design can be viewed as a plan, structure, and strategy of research to guide the selection of the tools to address the research problem (Kothari & Crag, 2014; Creswell, 2014). It girdles the logic of the entire research process (Creswell, 2014). Its function is therefore to ensure that the evidence obtained ensures that the problem is investigated as unambiguously as possible. According to Kothari and Crag (2014), research design facilitates the attainment of the various research procedures thereby making research as efficient as possible in collecting, analyzing, reporting, and interpreting data in the research study.

The research design was utilize a mixed-methods approach, combining both quantitative and qualitative data. Quantitative data was collected through the analysis of financial statements and performance reports from a sample of public entities, using statistical methods to identify patterns and correlations. Qualitative data was gathered through interviews and surveys with accounting professionals and financial managers within these entities to gain insights into their accounting practices and contextual factors influencing financial performance. This dual approach was provide a comprehensive understanding of how accounting practices impact financial outcomes, allowing for robust conclusions and recommendations.

#### **3.2 Area of study**

The research study was carried out from ministry of water and environment which is located at Works Road, Mbale, Uganda, Eastern Region, Uganda and is chosen for conducting research on accounting practices and financial performance in public entities due to its unique position as a hub for various water and environmental projects, which necessitate stringent accounting practices and transparent financial management. The region's diverse portfolio of projects provides a rich context

for studying the effectiveness of accounting practices in managing public funds and delivering sustainable outcomes.

### 3.3 Sources of information

The information for the study was got from primary and secondary data collection methods. Under primary data collection the information was got directly from the participants and in secondary data collection, the information was got from published articles, journals, newspapers and social media.

### 3.2 Study population

According to Hensen, M.C. (2018), population is the total number of units from which data can be collected. Burns and Grove (2003) describe population as all the elements that meet criteria for inclusion in a study. The study involved a population of 51 respondents to represent the entire population of Ministry of Water and Environment (MWE) at Mbale branch of different departments whom comprised of project manager, accountants, finance manager; policy makers, stakeholders, and external auditors.

### 3.3 Sample size and Sampling procedures

#### 3.3.1 Sample size

Eisenhardt, K.M. (2019) articulated a sample size as a proportion of a population. The sample was selected from the Ministry of Water and Environment (MWE) which include external auditor, project manager, Stakeholders. Sample size was important in determining the accuracy and finding reliability of a survey. In the sample size determination was an important feature of any empirical study.

The researcher used the formula of Slovenes (1960) as indicated below;

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

Where;

n is the sample size

N is the whole population

1 is the constant

e<sup>2</sup> error in sampling (0.05)

The total sample size was computed as shown below

$$n = \frac{N}{1 + N(e^2)} \quad n = \frac{51}{1 + 51 * 0.05^2} \quad n = \frac{51}{1 + 0.1275} \quad n = \frac{51}{1.1275}$$

n = 45 Respondents

**Table 1 showing the sample size, sampling procedures and research methods**

<b>Respondents</b>	<b>Population</b>	<b>Sample size</b>	<b>Sampling procedures</b>
Financial managers	2	1	Purposive sampling
Accountants	5	4	Simple random sampling
Project managers	4	3	Simple random sampling
Policy makers	3	2	purposive sampling
Community leaders	35	34	Purposive sampling
Procurement officers	2	1	Simple random sampling
<b>Total</b>	<b>51</b>	<b>45</b>	

**Source: Primary data (2024)**

### **3.3.2 Sampling procedures**

Gilmore, A. (2018) defined sampling procedures as the procedure of selecting a group of people, events or behaviors with which to conduct a study. Sampling procedure included:

#### **Purposive sampling**

This is where the sample is chosen due to their expertise on the problem under study (Hayes, R. 2005). The study used purposive sampling procedure targeting the key information with the experience of the secretaries, auditors, general manager among others.

#### **Simple random sampling**

Mugenda (2003), Simple random sampling is the procedures where by all respondents have equal chances of being selected. It minimizes biasness in sample selection. The procedure was used in sampling stakeholders.

### **3.4 Sources of Data**

According to Baire, W. (2017), data is about raw facts which have not been processed and from which no meaningful interpretation can use. Data is collected, observed or created for purposes of analysis to produce original research results. These sources include secondary and primary data.

#### **3.4.1 Primary Data collection.**

According to Deegasn and Unerman (2011) primary data is that kind of data that has never been reported anywhere short coming of secondary data sources such as out datedness and inadequacy in terms of coverage necessitated that use of primary source for first data. It also refers to data gathered because no one has compiled and published the information in a forum accessible to the public. Companies generally take the time and allocate the resources required to gather primary data

only when a question, issue or problem presents itself that is sufficiently important or unique that it warrants the expenditure necessary to gather the primary data. Primary data are original in nature and directly related to the issue or problem and current data.

### **3.4.2 Secondary data collection**

According to Dennis, A. (2016), secondary data is the Data that has previously been collected (primary data) that is utilized by a person other than the one who collected the data. Secondary data is often was used in social and economic analysis, especially when access to primary data is unavailable.

Lowe, D.M. (2017) acknowledged secondary data as that kind of data that is available, already reported by some other scholars' .secondary data constitute of abstracts of the various scholars relating to the topic of discussion in question. Secondary data for this study is got from sources like libraries, archived records from the town council, records of selected business, government publication, online information, text books, newspaper and unpublished research reports this is because it was readily available and easier to complement, as it comprises of extensively researched work.

### **3.5 Data collection tools.**

Data collection is a tool that was used to collect data (Dilworth 2018). The researcher basically was focus was on the one method of data collection and these included questionnaires only.

#### **3.5.1 Questionnaires**

According to Lowe, D.M. (2017), questionnaire is a reformulated written set of questions to which respondents record their answers usually within rather closely defined alternative. a questionnaire was utilized to gather quantitative data from a broad range of participants. The questionnaire was include structured questions designed to elicit specific information on accounting practices, financial performance metrics, and perceptions of financial management efficiency. This tool was distributed to financial managers, accountants, internal auditors, project managers, policymakers, and procurement officers. The questionnaire was designed to be straightforward and easy to complete, ensuring a high response rate. It was employ a mix of closed-ended questions, Likert scale items, and multiple-choice questions to facilitate statistical analysis and identify patterns and correlations in the data.

### **3.6 Quality Control Methods.**

According to Ndifon Ejoh and Patrick Ejom.(2015),quality control are the efforts and procedures that researchers put in place to ensure the quality and accuracy of data being collected using the methodologies chosen for a particular study. Quality control in the research on accounting practices and financial performance in public entities at the Mbale branch was involve several key measures to ensure the reliability and validity of the data collected. First, the research instruments questionnaire and interview guide was undergo pre-testing and pilot studies with a small subset of the target population to identify and rectify any issues related to clarity, relevance, and bias. This process was help refine the questions and ensure they effectively capture the needed information. Additionally, training sessions was conducted for data collectors to standardize the administration of questionnaires and conduct of interviews, ensuring consistency and reducing interviewer bias. Data was regularly reviewed and cross-checked for completeness and accuracy, with any discrepancies addressed promptly. Furthermore, triangulation was used by comparing and validating the data obtained from different sources and methods to ensure robustness and credibility of the findings.

### **3.6.1 Validity of the research tools**

#### **Validity**

According to Amin (2005), validity symbolizes the suitability of the tool. The tool can yield results that are in arrangement with the theoretical and conceptual morals of the research. It is the capacity to yield correct findings and score what it is supposed to precise ranks. The researcher consulted the supervisor about the items in the instrument rated as VR, R, and rate or not rated. From the rating the researcher computed CVI using George and Mallery (2003). The value of CVI was use interpreted as stated by George and Mallery (2003). The formulae contended by George and Mallery (2003) is what the researcher was use to test the content validity index (CVI).

#### **3.6.2 Reliability**

Amin (2005) elaborates on reliability as the correctness of the tools concerning what it is intended to achieve. It is the notch to which the tool constantly scores what it is ranking and studying. To ensure reliability, the study was adopt Cronbach's coefficient Alpha (a general form of Kunder-Richardson formula) to determine how the items correlate among themselves. When inconsistencies are found, the researcher was reconstructed the instruments accordingly to suit the theoretical and conceptual framework of the study. This was determined using Cronbach's coefficient Alpha (1964) using SPSS software were if the reliability test is closer to one.

### **3.7 Strategy for data processing and data analysis**

Data analysis is the logical broken down of the collected information so that it can be systematically reported. Data analysis depends on whether it is qualitative or quantitative (creswell, 2009).

#### **3.7.1 Quantitative data analysis**

Quantitative data analysis for the research on accounting practices and financial performance in public entities, specifically the Ministry of Water and Environment, Mbale branch, was involve several systematic steps. Initially, the data was cleaned to address any inconsistencies or missing values. Descriptive statistics, such as mean, median, and standard deviation, was calculated to provide a summary of the data, including common accounting practices and financial performance indicators. Inferential statistics, including correlation and regression analyses, was employed to examine the relationships between specific accounting practices (e.g., budgeting, financial reporting, internal controls) and financial performance metrics (e.g., efficiency, cost savings, revenue generation). Hypothesis testing was determine the statistical significance of these relationships. Software tools like SPSS was used for these analyses, and the results was presented through tables, charts, and graphs to illustrate key findings. This approach was help draw meaningful conclusions about the impact of accounting practices on financial performance in the public sector context.

### **3.8 Ethical Consideration.**

Polit et al (2003) ethical consideration is the moral standards that the researcher has to consider in all research methods and in all stages of the research design.

Firstly, informed consent was obtained from all participants, ensuring they are fully informed about the study's purpose, procedures, potential risks, and benefits before agreeing to participate.

Confidentiality and privacy was strictly maintained by anonymizing data and securely storing all information to protect participants' identities and sensitive financial data.

Participation was entirely voluntary, with individuals free to withdraw at any stage without facing any negative consequences.

The research was also aim to avoid causing any harm or distress, ensuring that all questions and interactions are respectful and non-intrusive.

Moreover, the study was seek approval from an ethical review board to ensure that all research practices adhere to established ethical standards and guidelines. These measures was ensure the research is conducted with integrity, respect, and responsibility towards all participants.

## CHAPTER FOUR

### DATA PRESENTATION, INTERPRETATION AND DISCUSSION OF THE FINDINGS

#### 4.0 Introduction

This chapter presents the findings on accounting practices and financial performance of ministry of water and environment Mbale branch. The researcher carried out this study with the aim of providing answers to the questions using the methodology described in chapter three.

#### 4.1 Findings on the general information about respondents.

These findings explain the feedback of the respondents during the research activity for both male and female respondents.

##### 4.1.0 Response rate.

The sample size of the population was 45, 45 questionnaires were designed and were wholly answered. This implies that the response rate was superlative.

##### 4.1.1 Gender

**Table 2 showing the Gender distribution of respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	30	66.7	66.7	66.7
Females	15	33.3	33.3	100.0
Total	45	100.0	100.0	

**Source: primary data (2024)**

With reference to table 2 above shows that out of the total sample for the study, 66.7% were male, while 33.3% were female. This implies that the views of males were more represented in the study findings than those of the females.

##### 4.1.2 Age

**Table 3 showing Age group of respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 20-30 years	15	33.3	33.3	33.3
31-40 years	19	42.2	42.2	75.5
41-50 years	10	22.3	22.3	97.8
Above 50 years	1	2.2	2.2	100.0
Total	45	100.0	100.0	

**Source: Primary data (2024)**

With reference to table 3 above indicates that 33.3% lie between the age of 20-30 years ,42.2% make it to the age of 31-40 years ,22.3% lie between the age of 41-50 years ,and above the age of 50 years constituted 2.2%. This indicates that the majority of respondents were mature and the knowledge obtained from them was conducted. The employment of employees lie between the ages of 31-40 years at Ministry of water and environment Mbale branch is due to the fact that this is the most active group of persons that is required in the effective implementation of the operations of Ministry of water and environment Mbale branch thence guaranteeing the achievement of the district objectives.

#### 4.1.3 Qualification.

**Table 4 Showing academic qualification of respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Secondary	6	13.3	13.3	13.3
Certificate	6	13.3	13.3	26.6
Diploma	23	51.1	51.1	77.7
Degree	8	17.9	17.9	95.6
Masters	2	4.4	4.4	100.0
Total	45	100.0	100.0	

**Source: primary data (2024)**

With reference to table 4 above shows that 13.3%, 13.3%, 51.1% ,17.9% and 4.4% correspond to secondary, certificate, diploma, degree, and masters respectively. This indicates that all people employed by Ministry of water and environment Mbale branch have attained certain level of education and knowledge. This is however, not surprising that the Ministry of water and environment Mbale branch is known for employing people who have attained such level of education and knowledge. Thus with good education level, the respondents were able to clearly understand and interpret questions and give appropriate responses.

#### 4.1.5 Years of working

**Table 6 showing years of working by respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Less than 1 year	15	33.3	33.3	33.3
Valid 1-2 years	18	40.0	40.0	73.3
Above 3 years	12	26.7	26.7	100.0
Total	45	100.0	100.0	

**Source: Primary data (2024)**

Table 6 above shows that 33.3%, 40%, and 26.7%, correspond to less than 1 year, 1-2 years, and above 3 years respectively. This however implies that Ministry of water and environment Mbale branch employs experienced workers who have had reasonable numbers of years of experience with 40% such that the goals formulated by the entity can be achieved well besides this it also implies that majority of the respondents had served for a considerable period which indicates that most of the respondents had vast knowledge which could be relied upon by this study.

#### 4.2.0 Research question one: Finding out the effect of accrual accounting on financial performance of ministry of water and environment Mbale branch

##### 4.2.1 You record revenue when it's earned, not when cash is received

**Table 7 Showing whether respondents record revenue when it's earned, not when cash is received**

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	28	62.2	62.2	62.2
Agree	8	17.8	17.8	80.0
Valid not sure	2	4.4	4.4	84.4
Disagree	4	8.9	8.9	93.3
strongly disagree	3	6.7	6.7	100.0
Total	45	100.0	100.0	

Source: primary data (2024)

Table 7 above indicates that 80% (62.2%, 17.8%) of the respondents were positive to the statement that respondents record revenue when it's earned, not when cash is received, 4.4% of the respondents were not sure to the statement while 15.6% (8.9%, 6.7%) of the respondents objected it however such findings were in accordance to Elsey.R.D. (2019) denoted that respondents record revenue when it's earned, not when cash is received hence implying that respondents record revenue when it's earned, not when cash is received.

**4.2.2 You record expenses when they are incurred, not when they are paid.**

**Table 8 Showing whether respondents record expenses when they are incurred, not when they are paid.**

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	10	22.2	22.2	22.2
Agree	9	20.0	20.0	42.2
not sure	3	6.7	6.7	48.9
Disagree	12	26.7	26.7	75.6
strongly disagree	11	24.4	24.4	100.0
Total	45	100.0	100.0	

**Source: primary data (2024)**

With reference to table 8 above it can be seen that 42.2% (22.2%, 20%) of the respondents were positive to the statement that respondents record expenses when they are incurred, not when they are paid., 51.1% (26.7%, 24.4%) were negative to the same statement while 6.7% of the respondents were not sure and such findings were in line with Helmsing, A. (2015) stressed that respondents record expenses when they are incurred, not when they are paid there by indicating that respondents record expenses when they are incurred, not when they are paid.

#### 4.2.3 You match expenses with related revenues to accurately report profitability

**Table 9 Showing whether respondents match expenses with related revenues to accurately report profitability**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	18	40.0	40.0	40.0
Agree	12	26.6	26.6	66.7
not sure	7	15.6	15.6	82.3
Disagree	3	6.6	6.6	88.9
strongly disagree	5	11.1	11.1	100.0
Total	45	100.0	100.0	

**Source: primary data (2024)**

Table 9 above indicates that out of total sample of the study, 66.6% (40%, 26.6%) of the respondents were positive to the statement that respondents match expenses with related revenues to accurately report profitability, and 15.6% were not sure while 17.7% (6.6%, 11.1%) were negative to the same statement. This implies that respondents match expenses with related revenues to accurately report profitability.

#### 4.2.4 You get a more accurate view of your financial position since all transactions are recorded in the period they occur

**Table 10 Showing whether respondents get a more accurate view of your financial position since all transactions are recorded in the period they occur**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	21	46.7	46.7	46.7
Agree	7	15.6	15.6	62.3
not sure	10	22.2	22.2	84.5
Disagree	2	4.4	4.4	88.9
strongly disagree	5	11.1	11.1	100.0
Total	45	100.0	100.0	

**Source: primary data (2024)**

With reference to table 10 above it can be seen that the majority 62.3% (46.7%, 15.6%) of the respondents were positive to the statement that respondents get a more accurate view of your financial position since all transactions are recorded in the period they occur and 22.2% were not sure while 15.5% (4.4%, 11.1%) of the respondents were opposed to the same statement. This is an

indication that respondents get a more accurate view of your financial position since all transactions are recorded in the period they occur.

**4.2.5 You follow accounting standards like GAAP or IFRS, ensuring reliable financial statements**

**Table 11 Showing whether respondents follow accounting standards like GAAP or IFRS, ensuring reliable financial statements**

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	9	20.0	20.0	20.0
Agree	1	2.2	2.2	22.2
not sure	11	24.4	24.4	46.6
Disagree	16	35.6	35.6	82.2
strongly disagree	8	17.8	17.8	100.0
Total	45	100.0	100.0	

Source: primary data (2024)

With reference to table 11 above shows that out of total sample of the study, 22.2% (20%, 2.2%) of the respondents were positive to the statement that respondents follow accounting standards like GAAP or IFRS, ensuring reliable financial statements, 24.4% were not sure, 53.4% (35.6%, 17.8%) were remonstrance to the same statement there by implying that respondents follow accounting standards like GAAP or IFRS, ensuring reliable financial statements.

**4.3.0 Research question two: Finding out the effect of cash accounting on financial performance of ministry of water and environment Mbale branch**

**4.3.1 You record revenue only when you receive cash**

**Table 12 Showing whether respect record revenue only when you receive cash**

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	22	48.9	48.9	48.9
Agree	8	17.8	17.8	66.7
not sure	2	4.4	4.4	71.1
Disagree	10	22.2	22.2	93.3
strongly disagree	3	6.7	6.7	100.0
Total	45	100.0	100.0	

Source: primary data (2024)

With reference to table 12 above it can be observed that 66.7%, (48.9%, 17.8%) of the respondents were positive to the statement that respect record revenue only when you receive cash, 28.9%

(22.2%, 6.7%) of the respondents were negative to the same statement while 4.4% were not sure. This was in line with Schrand, (2017) contends that respect record revenue only when you receive cash. This implies that respect record revenue only when you receive cash.

#### 4.3.2 You record expenses only when you pay cash

**Table 13 showing whether respondents record expenses only when you pay cash**

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	21	46.6	46.6	46.6
Agree	9	20.0	20.0	66.6
Valid not sure	1	2.2	2.2	68.8
Disagree	7	15.6	15.6	84.4
strongly disagree	7	15.6	15.6	100.0
Total	45	100.0	100.0	

**Source: primary data (2024)**

With reference to table 13 above ,it can be seen that that the majority 66.6%, (46.6%, 20%) of the respondents were positive to the statement that respondents record expenses only when you pay cash , and 2.2% of the respondents were not sure while 31.2% (15.6%, 15.6%) of the respondents were negative to the same statement however such findings were in accordance to Eccles, (2018) affirmed that respondents record expenses only when you pay cash there by indicating that respondents record expenses only when you pay cash.

#### 4.3.3 You find cash accounting simpler because it involves fewer transactions to track

**Table 14 showing whether respondents find cash accounting simpler because it involves fewer transactions to track**

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	17	37.8	37.8	37.8
Agree	12	26.7	26.7	64.5
Valid not sure	4	8.9	8.9	73.4
Disagree	7	15.5	15.5	88.9
strongly disagree	5	11.1	11.1	100.0
Total	45	100.0	100.0	

**Source: primary data (2024)**

With reference to table 14 above it can be observed that 64.5% (37.8%, 26.7%) of the respondents had a positive response to the statement that respondents find cash accounting simpler because it involves fewer transactions to track, 26.6% (15.5%, 11.1%) were negative to the same statement

while 8.9% were not sure. This implies that respondents find cash accounting simpler because it involves fewer transactions to track.

**4.3.4 You see your financial status based on actual cash flow, giving you a straightforward view of your cash on hand**

**Table 15 Showing whether respondents see your financial status based on actual cash flow, giving you a straightforward view of your cash on hand**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	2	4.4	4.4	4.4
Agree	8	17.8	17.8	22.2
not sure	6	13.3	13.3	35.5
Disagree	16	35.6	35.6	71.1
strongly disagree	13	28.9	28.9	100.0
Total	45	100.0	100.0	

**Source: primary data (2024)**

Table 15 above indicates that out of total sample of the study, 22.2% (4.4%, 17.8%) of the respondents were positive to the statement that respondents see your financial status based on actual cash flow, giving you a straightforward view of your cash on hand, 13.3% of the respondents were not sure while majority of the respondents 64.5% (35.6%, 28.9%) objected the same statement hence implying that respondents see your financial status based on actual cash flow, giving you a straightforward view of your cash on hand.

**4.3.5 You don't match expenses with revenues; instead, you record them when cash moves**

**Table 16 showing whether respondents don't match expenses with revenues; instead, you record them when cash moves**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	22	48.9	48.9	48.9
Agree	10	22.2	22.2	71.1
not sure	3	6.7	6.7	77.8
Disagree	4	8.9	8.9	86.7
strongly disagree	6	13.3	13.3	100.0
Total	45	100.0	100.0	

**Source: primary data (2024)**

Table 16 above indicates that the majority of the 71.1% (48.9%, 22.2%) of the respondents were positive to the statement that respondents don't match expenses with revenues; instead, you record them when cash moves, and 6.7% of the respondents were not sure while 22.2% (8.9%, 13.3%) demurred to the same statement such findings were in line with Nassar, K. (2019) asserted that respondents don't match expenses with revenues; instead, you record them when cash moves. This is an indication that respondents don't match expenses with revenues; instead, you record them when cash moves.

**4.4.0 Research question three: Finding out the effect of internal control on financial performance of ministry of water and environment Mbale branch**

**4.4.1 You ensure accurate financial reporting through effective internal control systems**

**Table 17 showing whether respondents ensure accurate financial reporting through effective internal control systems**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	20	44.5	44.5	44.5
Agree	13	28.9	28.9	73.4
not sure	4	8.9	8.9	82.3
Disagree	3	6.7	6.7	89.0
strongly disagree	5	11.1	11.1	100.0
Total	45	100.0	100.0	

**Source: primary data (2024)**

With reference to table 17 above it can be seen that the majority 73.4% (44.5%, 28.9) of the respondents were positive to the statement that respondents ensure accurate financial reporting through effective internal control systems, 17.8% (6.7%, 11.1%) were dissatisfied with the same statement while 8.9% of the respondents were not sure. This implies that respondents ensure accurate financial reporting through effective internal control systems.

#### 4.4.2 You reduce the likelihood of fraud by implementing strong internal controls

**The table 18 Showing whether respondents reduce the likelihood of fraud by implementing strong internal controls**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	8	17.8	17.8	17.8
Agree	15	33.3	33.3	51.1
not sure	5	11.1	11.1	62.2
Disagree	13	28.9	28.9	91.1
strongly disagree	4	8.9	8.9	100.0
Total	45	100.0	100.0	

**Source: primary data (2024)**

Table 18 above shows that 51.1% (17.8%, 33.3%) of the respondents were positive to the statement that respondents reduce the likelihood of fraud by implementing strong internal controls, 37.8% (28.9%, 8.9%) objected to the same statement while 11.1% of the respondents were not sure. These findings were carried out by to Beitler, M. (2016), opined that respondents reduce the likelihood of fraud by implementing strong internal controls. This is an indication that respondents reduce the likelihood of fraud by implementing strong internal controls.

#### 4.4.3 You enhance compliance with legal and regulatory requirements with proper internal controls

**Table 19 Showing whether respondents enhance compliance with legal and regulatory requirements with proper internal controls**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	14	31.1	31.1	31.1
Agree	11	24.4	24.4	55.5
not sure	6	13.4	13.4	68.9
Disagree	9	20.0	20.0	88.9
strongly disagree	5	11.1	11.1	100.0
Total	45	100.0	100.0	

**Source: primary data (2024)**

Table 19 above shows that majority 55.5% (31.1%, 24.4%) of the respondents had a positive response to the statement that respondents enhance compliance with legal and regulatory requirements with proper internal controls, 13.4% of the respondents were not sure while 31.1%

(20%, 11.1%) were negative to the same statement. This implies that respondents enhance compliance with legal and regulatory requirements with proper internal controls.

#### 4.4.4 You improve operational efficiency by minimizing errors and streamlining processes

**Table 20 Showing whether respondents improve operational efficiency by minimizing errors and streamlining processes**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	3	6.7	6.7	6.7
Agree	9	20.0	20.0	26.7
not sure	12	26.7	26.7	53.4
Disagree	16	35.5	35.5	88.9
strongly disagree	5	11.1	11.1	100.0
Total	45	100.0	100.0	

**Source: primary data (2024)**

Table 20 above shows that out of total sample of the study 26.7% (6.7% ,20%) of the respondents had a positive response to the statement that respondents improve operational efficiency by minimizing errors and streamlining processes, 26.7% of the respondents were not sure while 46.6% (35.5%, 11.1%) protested to the same statement. This is an indication that respondents improve operational efficiency by minimizing errors and streamlining processes.

#### 4.4.5 You safeguard company assets by establishing internal controls that prevent misuse or theft

**Table 21 Showing whether respondents safeguard company assets by establishing internal controls that prevent misuse or theft**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	19	42.2	42.2	42.2
Agree	12	26.7	26.7	68.9
not sure	1	2.2	2.2	71.1
Disagree	8	17.8	17.8	88.9
strongly disagree	5	11.1	11.1	100.0
Total	45	100.0	100.0	

**Source: primary data (2024)**

With reference to table 21 , it can be observed that the majority 68.9% (42.2%, 26.7%) of the respondents were positive to the statement that respondents safeguard company assets by establishing internal controls that prevent misuse or theft, 2.2% of the respondents were not sure while 28.9% (17.8%, 11.1) remonstrated to the same statement. This was in accordance to Alison and Dean (2017), assert that respondents safeguard company assets by establishing internal controls that prevent misuse or theft. This implies that respondents safeguard company assets by establishing internal controls that prevent misuse or theft.

## 4.5 Financial performance

### 4.5.1 You evaluate budget utilization and the effectiveness of resource allocation

**Table 22 showing whether respondents evaluate budget utilization and the effectiveness of resource allocation**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	28	62.2	62.2	62.2
Agree	8	17.8	17.8	80.0
not sure	2	4.4	4.4	84.4
Disagree	4	8.9	8.9	93.3
strongly disagree	3	6.7	6.7	100.0
Total	45	100.0	100.0	

**Source: primary data (2024)**

With reference to table 22 above, it can be seen that 80% (62.2%, 17.8%) were positive to the statement that respondents evaluate budget utilization and the effectiveness of resource allocation while 4.4% of the respondents were not sure. This implies that respondents evaluate budget utilization and the effectiveness of resource allocation.

### 4.5.2 You monitor expenditure on water and environmental projects to ensure funds are used efficiently

**Table 23 Showing whether respondents monitor expenditure on water and environmental projects to ensure funds are used efficiently**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	10	22.2	22.2	22.2
Agree	9	20.0	20.0	42.2
not sure	3	6.7	6.7	48.9
Disagree	12	26.7	26.7	75.6
strongly disagree	11	24.4	24.4	100.0
Total	45	100.0	100.0	

**Source: primary data (2024)**

With reference to table 23 above, it can be seen that the majority of the respondents 42.2% (22.2%, 20%) were positive to the statement that respondents monitor expenditure on water and environmental projects to ensure funds are used efficiently while 51.1% (26.7%, 24.4%) were negative to the same statement however 6.7% of the respondents were not sure. These findings concur with the research carried out by Schein, (2011) opined that respondents monitor expenditure on water and environmental projects to ensure funds are used efficiently.

**4.5.3 You analyze revenue streams, such as fees or grants, to gauge the financial sustainability of the Ministry**

**Table 24 Showing whether respondents analyze revenue streams, such as fees or grants, to gauge the financial sustainability of the Ministry**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	18	40.0	40.0	40.0
Agree	12	26.6	26.6	66.7
not sure	7	15.6	15.6	82.3
Disagree	3	6.6	6.6	88.9
strongly disagree	5	11.1	11.1	100.0
Total	45	100.0	100.0	

**Source: primary data (2024)**

Table 24 above indicates that 66.6% (40%, 26.6%) were positive to the statement that respondents analyze revenue streams, such as fees or grants, to gauge the financial sustainability of the Ministry, 17.7% (6.6%, 11.1%) were negative to the same statement while 15.6% of the respondents were not sure. This is an indication that respondents analyze revenue streams, such as fees or grants, to gauge the financial sustainability of the Ministry.

**4.5.4 You track the financial impact of environmental programs to determine their cost-effectiveness**

**Table 25 Showing whether respondents track the financial impact of environmental programs to determine their cost-effectiveness**

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	21	46.7	46.7	46.7
Agree	7	15.6	15.6	62.3
not sure	10	22.2	22.2	84.5
Disagree	2	4.4	4.4	88.9
strongly disagree	5	11.1	11.1	100.0
Total	45	100.0	100.0	

**Source: primary data (2024)**

With reference to table 25 above, it can be seen that 62.3% (46.7%, 15.6%) were positive to the statement that respondents track the financial impact of environmental programs to determine their cost-effectiveness, 15.5% (4.4%, 11.1%) were negative to the same statement while 22.2% of the respondents were not sure. This implies that respondents track the financial impact of environmental programs to determine their cost-effectiveness.

**4.5.5 You ensure transparency in financial reporting to build stakeholder trust in the Ministry's financial management**

**Table 26 Showing whether respondents ensure transparency in financial reporting to build stakeholder trust in the Ministry's financial management**

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	9	20.0	20.0	20.0
Agree	1	2.2	2.2	22.2
not sure	11	24.4	24.4	46.6
Disagree	16	35.6	35.6	82.2
strongly disagree	8	17.8	17.8	100.0
Total	45	100.0	100.0	

**Source: primary data (2024)**

Table 26 above indicates that 22.2% (20%, 2.2%) of the respondents were positive to the statement that respondents ensure transparency in financial reporting to build stakeholder trust in the Ministry's financial management, 53.4% (35.6%, 17.8%) were negative to the same statement forming the majority of the respondents while 24.4% of the respondents were not sure. This implies that respondents ensure transparency in financial reporting to build stakeholder trust in the Ministry's financial management.

## CHAPTER FIVE

### SUMMARY OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

#### **5.0 Introduction.**

In this chapter the researcher gives a summary of findings, conclusions and recommendation in line with the research questions and objectives.

#### **5.1 Summary of findings**

The researcher provided a summary of findings in line with the objectives as follows;

##### **5.1.1 Research Question one: Findings on the effect of accrual accounting on financial performance of ministry of water and environment Mbale branch**

The study investigated into the effect of accrual accounting on financial performance of ministry of water and environment Mbale branch. Results showed that most respondents were positive to the statements that they were asked. For example; majority of respondents constituting 80% were positive to the statement that respondents record revenue when it's earned, not when cash is received; 66.6% who were also the majority were positive to the statement that respondents match expenses with related revenues to accurately report profitability; 62.3% who also constituted the majority were positive to the statement that respondents get a more accurate view of your financial position since all transactions are recorded in the period they occur.

On the other hand, 51.1% constituting the majority were negative to statement that respondents record expenses when they are incurred, not when they are paid, besides 53.4% were negative to the statement that respondents follow accounting standards like GAAP or IFRS, ensuring reliable financial statements.

Basing on the above results, it can be concluded that accrual accounting has a significant effect on financial performance of ministry of water and environment Mbale branch.

##### **5.1.2 Research Question two: Findings on the effect of cash accounting on financial performance of ministry of water and environment Mbale branch**

The study investigated into the effect of cash accounting on financial performance of ministry of water and environment Mbale branch. Majority of the respondents 66.7% of the respondents were positive to the statement that respect record revenue only when you receive cash, 66.6% forming the majority were positive to the statement that respondents record expenses only when you pay

cash, it can be observed that 64.5% were positive to the statement that respondents find cash accounting simpler because it involves fewer transactions to track, and 71.1% were positive to the statement that respondents don't match expenses with revenues; instead, you record them when cash moves while 64.5% forming the majority were negative to the statement that respondents see your financial status based on actual cash flow, giving you a straightforward view of your cash on hand. Basing on the above results, it can be concluded that cash accounting has a significant effect on financial performance of ministry of water and environment Mbale branch.

### **5.1.3 Question three: Findings on the effect of internal control on financial performance of ministry of water and environment Mbale branch**

The findings revealed that 73.4% forming the majority were positive to the statement that respondents ensure accurate financial reporting through effective internal control systems, 51.1% had a positive response to the statement that respondents reduce the likelihood of fraud by implementing strong internal controls, 55.5% had a positive response to the statement that respondents enhance compliance with legal and regulatory requirements with proper internal controls, and 68.9% had a positive response to the statement that respondents safeguard company assets by establishing internal controls that prevent misuse or theft. On the other hand, 46.6% forming the majority disagreed to the statement that respondents improve operational efficiency by minimizing errors and streamlining processes. Most responses were positive indicating that internal control has a significant effect on financial performance of ministry of water and environment Mbale branch.

## **5.2 Conclusion**

Basing on the results of the first objective, it can be concluded that accrual accounting has a significant effect on financial performance of ministry of water and environment Mbale branch.

Therefore should be enhanced by; implementing comprehensive training programs for staff to ensure accurate and consistent application of accrual principles. This includes the recognition of revenues and expenses when they are earned or incurred, rather than when cash is received or paid, which provides a more accurate reflection of a company's financial position. Improving internal controls and auditing processes helps ensure compliance and accuracy in financial reporting. Leveraging advanced accounting software can automate and streamline accrual processes, reducing errors and enhancing the reliability of financial data. Additionally, regular monitoring and

evaluation of financial statements can help identify trends and make informed decisions to improve financial performance. Adopting these measures can lead to better financial management, increased transparency, and improved stakeholder confidence.

Basing on the results of the second objective, it can be concluded that cash accounting has a significant effect on financial performance of ministry of water and environment Mbale branch. This can be enhanced by closely monitoring cash flows to ensure that all cash receipts and payments are recorded promptly and accurately. Establishing robust cash management practices, such as regular cash flow forecasting and budgeting, can help anticipate cash needs and avoid shortages or surpluses. Implementing strict controls over cash handling and transactions can reduce the risk of errors or fraud. Streamlining the process of reconciling bank statements with internal records ensures that discrepancies are quickly identified and resolved. Additionally, training staff on effective cash management practices and utilizing cash flow management software can improve efficiency and accuracy. By focusing on these practices, organizations can maintain liquidity, reduce financial risk, and make better-informed decisions that positively impact financial performance.

It can also be concluded basing on objective three that internal control has a significant effect on financial performance of ministry of water and environment Mbale branch. This can be enhanced by establishing a robust framework of policies and procedures that ensures accuracy and reliability in financial reporting. This can be achieved by clearly defining roles and responsibilities to prevent conflicts of interest and by implementing segregation of duties to minimize the risk of fraud and errors. Regular audits and reviews of financial processes help detect and correct discrepancies early. Utilizing technology, such as automated accounting systems, can improve the efficiency and effectiveness of internal controls by reducing human error and enabling real-time monitoring. Providing ongoing training for employees on compliance and internal control standards fosters a culture of accountability and awareness. Strengthening internal controls in these ways not only safeguards assets but also enhances the credibility of financial information, supporting better decision-making and ultimately leading to improved financial performance.

### **5.3 Recommendations**

There is need for ministry of water and environment Mbale branch to implement comprehensive training programs for staff to ensure accurate and consistent application of accrual principles. This includes the recognition of revenues and expenses when they are earned or incurred, rather than when cash is received or paid, which provides a more accurate reflection of a company's financial position. Improving internal controls and auditing processes helps ensure compliance and accuracy in financial reporting. Leveraging advanced accounting software can automate and streamline accrual processes, reducing errors and enhancing the reliability of financial data. Additionally, regular monitoring and evaluation of financial statements can help identify trends and make informed decisions to improve financial performance. Adopting these measures can lead to better financial management, increased transparency, and improved stakeholder confidence.

Ministry of water and environment Mbale branch should closely monitor cash flows to ensure that all cash receipts and payments are recorded promptly and accurately. Establishing robust cash management practices, such as regular cash flow forecasting and budgeting, can help anticipate cash needs and avoid shortages or surpluses. Implementing strict controls over cash handling and transactions can reduce the risk of errors or fraud. Streamlining the process of reconciling bank statements with internal records ensures that discrepancies are quickly identified and resolved. Additionally, training staff on effective cash management practices and utilizing cash flow management software can improve efficiency and accuracy. By focusing on these practices, organizations can maintain liquidity, reduce financial risk, and make better-informed decisions that positively impact financial performance.

Ministry of water and environment Mbale branch should establish a robust framework of policies and procedures that ensures accuracy and reliability in financial reporting. This can be achieved by clearly defining roles and responsibilities to prevent conflicts of interest and by implementing segregation of duties to minimize the risk of fraud and errors. Regular audits and reviews of financial processes help detect and correct discrepancies early. Utilizing technology, such as automated accounting systems, can improve the efficiency and effectiveness of internal controls by reducing human error and enabling real-time monitoring. Providing ongoing training for employees on compliance and internal control standards fosters a culture of accountability and awareness. Strengthening internal controls in these ways not only safeguards assets but also enhances the

credibility of financial information, supporting better decision-making and ultimately leading to improved financial performance.

#### **5.4 Areas of further research**

Further research can be made on;

1. Effect of financial reporting standards compliance on profitability of commercial banks
2. Effect of cost accounting practices on financial performance of hospitals
3. Effect of revenue cycle management on financial performance in healthcare facilities
4. Effect of budgetary control practices on financial performance in educational institutions
5. Effect of financial management practices on the economic sustainability of private schools
6. Effect of fund accounting practices on financial transparency and performance in nonprofit organizations
7. Effect of financial accountability on donor trust and financial performance in NGOs
8. Effect of inventory management practices on financial performance of manufacturing firms
9. Effect of financial planning and analysis on financial performance in retail companies

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## APPENDIX I: QUESTIONNAIRE

Dear respondent;

I am Munialo Faith ne carrying out research on the topic “accounting practices and financial performance of ministry of water and environment Mbale branch.” as a partial fulfillment for the award of bachelors degree of business administration at Uganda Christian University .The questionnaire is designed to help me collect relevant information and therefore I kindly request you to participate in responding to the questions that will be asked .However the information given will be treated confidential and will only be used for academic purpose.

### SECTION 1: DEMOGRAPHIC DATA

(Tick in the box provided)

1. Gender distribution of the respondent

a) Male                       b) Female

2. Marital status of the respondent

a) Single                       b) Married                       Divorced                       Widowed

3. Age bracket of the respondent (years)

a) 20-30                       b) 31-40                       c) 41-50                       C) 60 and above

4. Academic qualification of respondent

a) Secondary                       b) Certificate                       c) Diploma                       d) Bachelors'                       Masters

5. Years of working by the respondents.

a) Less than 1 year                       b) 1-2 years                       c) 3 years and above

### Section A: Accrual accounting

This section aims at analyzing the effect of accrual accounting on financial performance of ministry of water and environment Mbale branch. Please indicate your opinion on the following statements using the Linkert scale. Key: **A= agree, SA= strongly agree; NS= not sure; D= disagree; SD= strongly disagree.**

No	Statements	A	SA	NS	D	SD
1	You record revenue when it's earned, not when cash is received.					
2	You record expenses when they are incurred, not when they are paid.					
3	You match expenses with related revenues to accurately report profitability.					
4	You get a more accurate view of your financial position since all transactions are recorded in the period they occur.					
5	You follow accounting standards like GAAP or IFRS, ensuring reliable financial statements.					

### Section B: Cash accounting

This section aims at assessing the effect of cash accounting on financial performance of ministry of water and environment Mbale branch. Please indicate your opinion on the following statements using the Linkert scale. Key: **A= agree, SA= strongly agree; NS= not sure; D= disagree; SD= strongly disagree.**

No	Statements	A	SA	NS	D	SD
1	You record revenue only when you receive cash.					
2	You record expenses only when you pay cash.					
3	You find cash accounting simpler because it involves fewer transactions to track.					
4	You see your financial status based on actual cash flow, giving you a straightforward view of your cash on hand.					
5	You don't match expenses with revenues; instead, you record them when cash moves.					

### Section B: Internal control

This section aims at examining the effect of internal control on financial performance of ministry of water and environment Mbale branch

. Please indicate your opinion on the following statements using the Linkert scale. Key: **A= agree, SA= strongly agree; NS= not sure; D= disagree; SD= strongly disagree.**

No	Statements	A	SA	NS	D	SD
1	You ensure accurate financial reporting through effective internal control systems					
2	You reduce the likelihood of fraud by implementing strong internal controls.					
3	You enhance compliance with legal and regulatory requirements with proper internal controls.					
4	You improve operational efficiency by minimizing errors and streamlining processes.					
5	You safeguard company assets by establishing internal controls that prevent misuse or theft.					

### Section 3: Financial performance

This section aims at establishing the indicators of financial performance of ministry of water and environment Mbale branch. Please indicate your opinion on the following statements using the Linkert scale. Key: **1= Agree; 2= strongly Agree; 3= not sure; 4= Disagree; 5= strongly disagree.**

No	Statements	A	SA	NS	D	SD
1	You evaluate budget utilization and the effectiveness of resource allocation.					
2	You monitor expenditure on water and environmental projects to ensure funds are used efficiently.					
3	You analyze revenue streams, such as fees or grants, to gauge the financial sustainability of the Ministry.					
4	You track the financial impact of environmental programs to determine their cost-effectiveness.					
5	You ensure transparency in financial reporting to build stakeholder trust in the Ministry's financial management.					



# UGANDA CHRISTIAN UNIVERSITY, MBALE UNIVERSITY COLLEGE.

A Centre of Excellence in the Heart of Africa

## BUSINESS DEPARTMENT

To THE HUMAN  
RESOURCE MANAGER

Dear Sir/Madam,

Re: Academic Research

Christian greetings!

We are honored to introduce to you Mr. Mrs./Miss. MUNIALO FAITH  
Of Registration Number; KU22/MUC/BBA/043 pursuing a Masters'  
Degree/Postgraduate Diploma / Bachelor's Degree  
BACHELOR'S DEGREE IN BUSINESS ADMINISTRATION

He/ she is required to carry out an academic research on the topic  
ACCOUNTING PRACTICES AND FINANCIAL PERFORMANCE IN PUBLIC ENTITIES  
A CASE STUDY OF MINISTRY OF WATER AND ENVIROMENT, MBALE  
and thereafter produce a well bound hard cover research report (MAROON) in color for  
undergraduate and three (BLACK) copies for Postgraduate students as a University requirement for  
the award of a degree/diploma in the academic discipline that he / she is pursuing.

We shall be grateful for the help you may offer to him or her accordingly.  
Thank you.  
Yours faithfully,

.....  
HEAD OF DEPRTMENT BUSINESS UCU-MUC  
Henry Omache Ogachi

