

**ACCOUNTING PRACTICES AND FINANCIAL REPORTING IN LOCAL
GOVERNMENT: A CASE STUDY OF MBALE DISTRICT LOCAL GOVERNMENT**

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S21/MUC/BBA/012

**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE AWARD OF A DEGREE OF BACHELOR OF BUSINESS
ADMINISTRATION OF UGANDA CHRISTIAN UNIVERSITY**

November, 2024




**UGANDA CHRISTIAN
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DECLARATION

I Makoba Sam declare that the content of this research report is my original work and to the best of my knowledge this work has never been submitted anywhere for any award. It is done through my own efforts.

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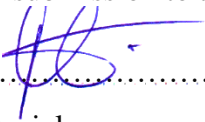
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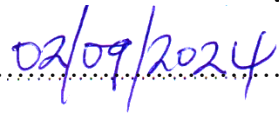
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APPROVAL

I certify that this is original work drawn by Makoba Sam has been under my supervision and is now ready for submission to the department of business of Uganda Christian University.

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DEDICATION

I dedicate this research report to my father, Mr. Mashali Joseph Patrick, whose unwavering financial support from my childhood through university made my educational journey possible. His constant presence and encouragement during times of need have been invaluable, and I am deeply grateful for his love, dedication, and belief in me.

ACKNOWLEDGEMENT

I dedicate this research report to my father, Mr. Mashali Joseph Patrick, whose unwavering financial support from my childhood through university made my educational journey possible. His teful for his love, dedication, and belief in me

I also wish to extend my sincere appreciation to the staff of Mbale District Local Government for their support and cooperation during the data collection phase of my research. Their willingness to assist and provide the necessary information greatly contributed to the success of this study, and I am truly grateful for their time and efforts.

Furthermore, I acknowledge my siblings, Gimei Fred Mashali and Kanyaga Annet, as well as my friends constant presence and encouragement during times of need have been invaluable, and I am deeply graand other relatives, for their constant support and encouragement throughout my academic journey. Your belief in me has been a source of strength and motivation. May God reward you all abundantly for your kindness and support.

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LIST OF ACRONYMS

AAR	:	Annual Audit Report
ASU	:	Accounting Standards Update
CPA	:	Certified Public Accountants
CVI	:	Content Validity Index
GAAP	:	Generally Accepted Accounting Principles
IASB	:	International Accounting Standards Board
IFRS	:	International Financial Reporting Standards
PFMA	:	Public Finance Management Act
SEC	:	Securities and Exchange Commission
SPSS	:	Statistical Package for Social Sciences

ABSTRACT

This research report was undertaken to investigate on accounting practices and financial reporting in local government. It was guided by three objectives; to analyze the effect of accrual accounting on financial reporting of Mbale district local government, to examine the effect of modified accounting on financial reporting of Mbale district local government, to assess the effect of cash accounting on financial reporting of Mbale district local government. This research used a sample size of 36 respondents; questionnaires were used to collect data which was later analyzed using the statistical package for social sciences. Results of the first objective shows that accrual accounting has a significant effect on financial reporting of Mbale district local government by 9.8%, Results of the second objective reveals that modified accounting affects financial reporting of Mbale district local government by 7.5% while results of the third objective show that cash accounting affects financial reporting of Mbale district local government 2.4%.

It can be concluded that accrual accounting has a significant effect on financial reporting of Mbale district local government, followed by modified accounting and lastly cash accounting.

Mbale district local government should improve the accuracy and completeness of financial data, increasing transparency, and ensuring compliance with relevant accounting standards. This involves training staff on accrual accounting principles, implementing robust internal controls, and utilizing advanced accounting software to streamline data collection and processing.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter presents a background to the study, historical perspective, theoretical perspective conceptual background, contextual perspective, statement of the problem, purpose of the study, objectives, and Research questions, scope of the study, significance of the study and conceptual framework.

Background of the Study

Historical perspective

Jones, (2011) denoted that accounting practice is systematic procedure and controls that are used by entity's accounting department to control over the accounting records & entries as on the basis of accounting records other reports are prepared like financial statements, cash flow statement, fund flow statement, payroll, tax workings, payment and receipts statement, etc. and they are basis of reliance by auditor while auditing the financial statements. There are various controls to be imposed by a company or person responsible for the maintenance of accounting records. For example, Authorization control like bills to be signed by authorized person only or entry barring in storekeeping/ inventory room, or data access restriction to lower and middle-level employees. Accounting practice not only involves recording and access control but also requires recording as per law (Jones, 2011).

Steccolini, (2007) affirmed that accounting practice exists as a daily recording of accounting and financial data. It is control over recording and access to accounting records as accounting is a significant part of any organization, and it should not be manipulated and misused by others. Hence apart from recording organization has to look after the authorization part. For example, employees for data entry should not have access to bank statement views or other reports so that data cannot be misused. There should be proper practice by every organization as it is a basis for many external and internal reporting and decisions. In public accounting practice accounts, related services and recording of accounting records is outsourced to the independent firm as some of the financial documents and other information is required to be disclosed to the public.

All controls over accounting records are performed by public accountants who are CPA's that is to say Certified public accountants (Steccolini, 2007).

Steccolini, (2008) asserted that financial reporting involves the disclosure of financial information to management and the public (if the company is publicly traded) about how the company is performing over a specific period of time. Financial reports are usually issued on a quarterly and annual basis. This is different from management reporting, which is financial information that is disclosed to those inside the company to be used to make decisions within the company. Financial reports are included in a public company's annual report. A balance sheet is a snapshot of what the company owns and how it financed what it owns, through borrowing or through the company owners' investments. Now, let's look at it in a more technical sense. A balance sheet is based on the standard accounting model: $\text{Assets} = \text{Liabilities} + \text{Equity}$. The balance sheet breaks down these components and reports the company's assets, liabilities, and equity (Steccolini, 2008).

Anthony, (2000) opined that financial reporting serves two primary purposes. First, it helps management to engage in effective decision-making concerning the company's objectives and overall strategies. The data disclosed in the reports can help management discern the strengths and weaknesses of the company, as well as its overall financial health. Second, financial reporting provides vital information about the financial health and activities of the company to its stakeholders including its shareholders, potential investors, consumers, and government regulators. It's a means of ensuring that the company is being run appropriately. You should note that if a company is publicly traded, it is subject to some very strict reporting regulations enforced by the Securities and Exchange Commission (SEC) (Anthony, 2000).

Spence, (2011) affirmed that Many existing and potential investors, lenders and other creditors cannot require reporting entities to provide information directly to them and must rely on general purpose financial reports for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial reports are directed. However, general purpose financial reports do not and cannot provide all of the information that existing and potential investors, lenders and other creditors need. Those users need to consider pertinent information from other sources, for example, general economic conditions and expectations,

political events and political climate, and industry and company outlooks. General purpose financial reports are not designed to show the value of a reporting entity (Spence, 2011).

Lapsley, (2009) articulated that Individual primary users have different, and possibly conflicting, information needs and desires. The Board, in developing Standards, will seek to provide the information set that will meet the needs of the maximum number of primary users. However, focusing on common information needs does not prevent the reporting entity from including additional information that is most useful to a particular subset of primary users. The management of a reporting entity is also interested in financial information about the entity. However, management need not rely on general purpose financial reports because it is able to obtain the financial information it needs internally. Other parties, such as regulators and members of the public other than investors, lenders and other creditors, may also find general purpose financial reports useful (Lapsley, 2009).

Barton, (2009) observed that Financial reports provide information about the financial position of a reporting entity, which is information about the entity's economic resources and the claims against the reporting entity. Financial reports also provide information about the effects of transactions and other events that change a reporting entity's economic resources and claims. Both types of information provide useful input for decisions relating to providing resources to an entity. Information about the nature and amounts of a reporting entity's economic resources and claims can help users to identify the reporting entity's financial strengths and weaknesses, that information can help users to assess the reporting entity's liquidity and solvency, its needs for additional financing (Barton, 2009).

Modell, (2000) asserted that Information about a reporting entity's financial performance during a period may also indicate the extent to which events such as changes in market prices or interest rates have increased or decreased the entity's economic resources and claims, thereby affecting the entity's ability to generate net cash inflows. Different types of economic resources affect a user's assessment of the reporting entity's prospects for future cash flows differently. Some future cash flows result directly from existing economic resources, such as accounts receivable. Other cash flows result from using several resources in combination to produce and market goods or services to customers. Although those cash flows cannot be identified with individual

economic resources (or claims), users of financial reports need to know the nature and amount of the resources available for use in a reporting entity's operations (Modell, 2000).

Guthrie, (2008) intimated that Information about a reporting entity's financial performance helps users to understand the return that the entity has produced on its economic resources. Information about the return the entity has produced can help users to assess management's stewardship of the entity's economic resources. Information about the variability and components of that return is also important, especially in assessing the uncertainty of future cash flows. Information about a reporting entity's past financial performance and how its management discharged its stewardship responsibilities is usually helpful in predicting the entity's future returns on its economic resources (Guthrie, 2008).

Laughlin (2003) acknowledges that Accrual accounting depicts the effects of transactions and other events and circumstances on a reporting entity's economic resources and claims in the periods in which those effects occur, even if the resulting cash receipts and payments occur in a different period. This is important because information about a reporting entity's economic resources and claims and changes in its economic resources and claims during a period provides a better basis for assessing the entity's past and future performance than information solely about cash receipts and payments during that period. Information about a reporting entity's financial performance during a period, reflected by changes in its economic resources and claims other than by obtaining additional resources directly from investors and creditors, is useful in assessing the entity's past and future ability to generate net cash inflows (Laughlin 2003).

Brusca, (2017) affirmed that accounting practice exists as the daily recording of accounting and financial data as per generally accepted accounting principles and as per current law practice. There are various controls to be imposed by business entities to make their accounting records reliable. Accounting records are the basis for many reports like, on the basis of accounting records, internal and external decisions are to be done by the management of the company after verifying controls in accounting records, create the degree of reliance on those records. For good practice, organizations should keep physical and documentary evidence of all accounting records. Maintenance of accounting records is the basic need of every organization, whether profit-making or non-profit making. Every organization should have proper accounting practices and transparency in records to survive in the long run (Brusca, 2017).

1.1.2 Theoretical perspective

Cost principle theory

Montesinos, (2011) pointed out that the cost principle theory records assets on the books as each asset is acquired. Assets can be equipment or real property. These assets can be depreciated over time depending on what they are. Some assets, such as real estate, may be depreciated for as long as 30 years, while other assets that need to be frequently replaced, such as computers, might be depreciated for only three years. Depreciation depends on the asset class and IRS guidelines. There are four basic financial reporting principles governed by generally accepted accounting principles (GAAP). These principles are designed to provide consistency and set standards throughout the financial reporting field. If you wish to be compliant with GAAP, the cost principle should be used. The cost principle maintains that the cost of an asset must be recorded at historical cost or its original cost and should not be recorded at fair market value. We'll explain in greater detail just what the cost principle is and how it may impact your business. Even if you're an accounting newbie, you know the importance of assets.

Caperchione,(2003) noted that assets are anything of value that your business owns. Because they are so important to your business, it's essential to record and report their value accurately and consistently, a relatively easy process if you're using accounting software. But whatever process you're using to record your assets, the cost principle can help maintain consistent balance sheet reporting. The cost principle, also known as the historical cost principle states that assets should be recorded at their original cost, rather than their current market value. This is because, in many cases, the cost of an item is subjective and dependent on market conditions. For example, an asset you purchased a year ago may suddenly gain value for a variety of reasons. Maybe the manufacturer stopped making that particular item, or the item has become scarce. Maybe it has become extraordinarily popular. Whatever the reason, the cost principle maintains that the asset value remains the same as its original, or purchase, cost regardless of later changes in market value. The cost principle has little impact on current assets like your bank account; they are short-term assets with little opportunity to gain any value. However, assets such as equipment and machinery should be recorded at face value and remain on the balance sheet at their original cost (Caperchione, 2003).

1.1.3 Conceptual perspective

Accounting practices

Accounting practices are the methods, procedures, and rules followed by an organization to prepare and maintain financial records (Oliver, M. S. 2012). These practices ensure that financial transactions are accurately recorded, classified, summarized, and reported in financial statements. Accounting practices include principles such as the Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS) that guide the preparation of financial information.

Accrual accounting

Warfield, T. D. (2016) contends that accrual accounting is an accounting method that recognizes revenues and expenses when they are earned or incurred, regardless of when cash is exchanged. This method provides a more accurate picture of a company's financial position and performance by matching revenues with expenses in the same accounting period.

Cash accounting

Cash accounting is an accounting method that records revenues and expenses when cash is received or paid (Nobes, C., & Parker, R. 2016). It is simpler than accrual accounting but may not provide a true representation of a company's financial performance because it does not consider revenue and expenses that have been earned or incurred but not yet received or paid.

Financial reporting

According to Daniliuc, S. (2015), financial reporting involves the communication of an organization's financial performance and position to external stakeholders, such as investors, creditors, and regulators. It includes financial statements like the balance sheet, income statement, and cash flow statement, as well as accompanying disclosures that provide additional information about the financial results and condition of the company.

Completeness

Completeness in financial reporting means that all relevant information necessary for a user to understand the financial position and performance of an entity is included in the financial statements (Melville, A. 2016). This ensures that no material information is omitted, misrepresented, or hidden, providing stakeholders with a true and fair view of the company's financial status.

Comparability

Comparability refers to the ability to compare financial information across different periods or between different entities (Jorissen, A. 2013). Financial statements should be prepared using consistent accounting policies and methods to ensure that users can make meaningful comparisons and analyze the financial performance and position of an organization over time or with competitors.

Reliability

Reliability in financial reporting means that the information provided is trustworthy, free from bias, error, or distortion, and can be depended upon by users to make informed decisions. Reliable financial information is verifiable, faithful representation of the economic events of an entity, enhancing the credibility and usefulness of financial statements (Skousen, K. 2015).

4 Contextual perspective

The growth of Mbale dates as far back as the colonial period as part of the bukedi block under the british collaborator Semei Kakungulu. By the time of independence it had been split to form the Bugisu district. In the early 1980s bugisu district changed its name to mbale district comprising of a municipal council and the rural mbaletto open up some administrative post in Serere, Gweri and Soroti areas. Part of Kakungulu's team camped near the rock at Soroti chosen for its strategic location on defense and availability of water from the nearby streams. Under the organized and able rule of Kakungulu's men, local inhabitants were forced to clear the forest and within a few years a large area had been cleared and considerable amount of settlement had taken place.

1.2 Problem statement

Accounting practices and financial reporting in local government, particularly Mbale District Local Government in Uganda, have raised concerns due to inefficiencies and lack of transparency. The district's accounting procedures have been found to be outdated, leading to discrepancies in financial records and potential mismanagement of public funds. This issue is highlighted in a recent audit report (Annual Audit Report 2022/2023) by the Uganda Auditor General, which identified irregularities and lack of proper documentation in the financial statements of Mbale District Local Government. These findings underscore the urgent need for improved accounting practices and financial reporting to ensure accountability and prudent management of public resources in the district.

One of the key challenges facing accounting practices in Mbale District Local Government is the inadequate capacity and training of accounting staff. Many employees responsible for financial management lack the necessary skills and expertise to perform their roles effectively, resulting in errors and inefficiencies in financial reporting. This is supported by the audit report, which highlighted instances of non-compliance with accounting standards and failure to reconcile financial accounts in the district. The lack of trained professionals not only hinders accurate financial reporting but also leads to a higher risk of fraud and misappropriation of funds within the local government.

Furthermore, the absence of proper internal controls and oversight mechanisms in Mbale District Local Government has contributed to the accounting challenges faced by the district. The audit report revealed instances of weak internal controls, including insufficient segregation of duties and inadequate monitoring of financial transactions. This lack of oversight creates opportunities for financial misconduct and irregularities to go undetected, compromising the integrity of the district's financial reporting process. To address these issues effectively, Mbale District Local Government must prioritize the implementation of robust internal controls and accountability mechanisms to safeguard public funds and enhance transparency in its accounting practices.

1.3 Purpose of the study

The purpose of the study is to investigate on the accounting practices and financial reporting in local government

1.4 Specific objectives

- i. To analyze the effect of accrual accounting on financial reporting of Mbale district local government
- ii. To examine the effect of modified accounting on financial reporting of Mbale district local government
- iii. To assess the effect of cash accounting on financial reporting of Mbale district local government

1.5 Research questions

- i. What is the effect of accrual accounting on financial reporting of Mbale district local government?
- ii. What is the effect of modified accounting on financial reporting of Mbale district local government?
- iii. What is the effect of cash accounting on financial reporting of Mbale district local government?

1.6 Scope of the study

1.6.1 Content scope

The study was focused on accrual accounting and cash accounting as independent variables and completeness, comparability, reliability as dependent variables.

1.6.2 Time scope

The study was based on a two year time frame (2021-2023). This is because this is the period when the district's accounting procedures have been found to be outdated, leading to discrepancies in financial records and potential mismanagement of public funds.

1.6.3 Geographical scope

The research was carried out in Mbale District local government which is bordered by Sironko District to the north, Bududa District to the northeast, Manafwa District to the southeast, Tororo District to the south, Butaleja District to the southwest and Budaka District to the west. Pallisa District and Kumi District lie to the northwest of Mbale District.

1.7 Significance of the study

This research work is of paramount importance to various categories of users. These users include:

- i. The district: it is also of significance to the staff of the district as it may enable them appreciate the critical role performance and the various measures to adopt to sustain optimal performance and growth.
- ii. The Government: It is of significance to the government as it may enable government to design revenue collection procedures and guidelines that would enhance the district's growth and may also put measures in place to ensure proper monitoring and strict compliance with laid down rules and procedures.
- iii. The competitors: It may also help competing firms to design measures which shall help them to survive in such a highly competitive environment and market.
- iv. The students and researchers: It may also be of tremendous help to students and other researchers who may wish to embark on research in the same area as it may serve as a guide and source of further reference.

1.8 Figure 1 conceptual frame work

INDEPENDENT VARIABLE

ACCOUNTING PRACTICES

- Accrual accounting
- Modified accounting
- Cash accounting

DEPENDENT VARIABLE

FINANCIAL REPORTING

- Completeness
- Comparability
- Reliability

Source: Powel (2018) and improved by the researcher (2024)

Figure 1 above shows accounting practices which serve as an independent variable influencing financial reporting in local government through various methods such as accrual accounting, cash accounting. Accrual accounting recognizes revenue and expenses when earned or incurred, providing a more accurate depiction of financial performance over time compared to cash accounting, which records transactions only when cash is exchanged. By implementing these practices effectively within the local government financial reporting system, stakeholders can make informed decisions based on reliable and timely information, ultimately supporting accountability, efficiency, and effective resource allocation and financial reporting comprises of completeness, comparability, reliability as dependent variable.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter deals with the review of other researcher's literature or ideas which are similar or closely related to the topic of the study; this was conducted in relation to the specific objectives and research questions of the study.

2.1 Effect of accrual accounting on financial reporting

Paulsson, (2009) opined that accrual Basis Accounting is the method that produces the most helpful and accurate financial statements. Accrual Basis Accounting uses the Revenue Recognition Principle and Matching Principal that are a part of the Generally Accepted Accounting Principles to make financial statements and are better than the Cash Basis Accounting Method. The goal of the financial statements is to provide financial data that is so accurate and concise that it can paint a vivid picture of how well a company is performing at a specific point in time. Now that's a heavy load to bear for four little reports. But that's where accrual accounting comes in and lends a helping hand. Together, these two important concepts can reach the goal set by the financial statements (Paulsson, 2009).

Lüder, (2008) postulates that accrual basis accounting is the form of accounting that records revenue when it is earned and expenses when they are incurred regardless of when cash is received or paid out. Now notice the part of the definition that says 'regardless of when cash is received or paid out.' That's a very important part of this whole idea. It relates to a concept called the revenue recognition principle. The revenue recognition principle states that revenue is recognized, or reported, when it is earned regardless of how cash flows. The revenue recognition principle goes hand-in-hand with the matching principle. The matching principle states that any costs associated with doing business should be recorded in the same period as the revenue that those costs help generate. Both of these principles are part of GAAP, or Generally Accepted Accounting Principles, which are the guidelines by which accounting is practiced in the United States (Lüder, 2008).

Modell, (2001) affirmed that accrual-basis accounting means that transactions that change a company's financial statements are recorded in the periods in which the events occur, even if cash was not exchanged. For example, using the accrual basis means that companies recognize revenues when earned (the revenue recognition principle), even if cash was not received. Likewise, under the accrual basis, companies recognize expenses when incurred (the matching principle), even if cash was not paid. An alternative to the accrual basis is the cash basis. Under cash-basis accounting, companies record revenue only when cash is received. They record expense only when cash is paid. The cash basis of accounting is prohibited under generally accepted accounting principles (Modell, 2001).

Paulson, (2016) noted that revenues earned but not yet recorded at the statement date are accrued revenues. Accrued revenues may accumulate (accrue) with the passing of time, as in the case of interest revenue. These are unrecorded because the earning of interest does not involve daily transactions. Companies do not record interest revenue on a daily basis because it is often impractical to do so. Accrued revenues also may result from services that have been performed but not yet billed nor collected, as in the case of commissions and fees. These may be unrecorded because only a portion of the total service has been provided and the clients won't be billed until the service has been completed (OECD. 2012).

Dean, (2013) observed that expenses incurred but not yet paid or recorded at the statement date are called accrued expenses. Interest, taxes, and salaries are common examples of accrued expenses. Companies make adjustments for accrued expenses to record the obligations that exist at the balance sheet date and to recognize the expenses that apply to the current accounting period. Prior to adjustment, both liabilities and expenses are understated. Therefore, an adjusting entry for accrued expenses results in an increase (a debit) to an expense account and an increase (a credit) to a liability account. After a company has journalized and posted all adjusting entries, it prepares another trial balance from the ledger accounts. This trial balance is called an adjusted trial balance. It shows the balances of all accounts, including those adjusted, at the end of the accounting period. The purpose of an adjusted trial balance is to prove the equality of the total debit balances and the total credit balances in the ledger after all adjustments (Dean, 2013).

Zahn, (2010) contends that accruals can be tested for a number of years “behind the scenes” until finally unveiled. During this time, the cash system was maintained as well and the financial reports and budget will remain on cash basis during this transition. This is also a heavy load and can simply be overwhelming. The advantages are that many problems was solved behind the scenes. The disadvantages are the costs of running two accounting systems in parallel, that the “culture change” may not take hold, and that the momentum behind accruals can be lost during this phase, especially if it takes an extended time period. It can be done in a “big bang” approach with all ministries and agencies switching to accruals at the same time. This is a heavy load. Last minute decisions will often have to be made as new issues arise, but with the accruals system improving in each successive year until it is perfected (Zahn, 2010).

Yetano, (2016) opined that accrued revenues are either income or assets (including non-cash assets) that are yet to be received. In this case, a company may provide services or deliver goods, but does so on credit. An example of accrued revenue is electricity consumption. An electricity company usually provides the utility to its consumer prior to receiving payment for it. The consumer uses the electricity and the meter counts the reading. Then, at the end of the billing period, the consumer is billed. During the month, the company pays its employees, it fuels its generators, and it incurs logistical costs and other overheads. The electricity company needs to wait until the end of the month to receive its revenues, despite the during-the-month expenses that it has. Meanwhile, it must acknowledge that it expects future income. Accrual accounting, therefore, gives the company a means of tracking its financial position more accurately.

Spier, (2005) asserted that an accrued expense refers to when a company makes purchases on credit and enters liabilities in its general ledger, acknowledging its obligations to its creditors. In accounting, it is an expense incurred but not yet paid. Common accrued expenses include: Interest expense accruals – Interest expenses that are owed but unpaid, Suppliers accruals – Operating expenses for goods or services rendered by a third-party supplier, Wage or salary accruals – These include salaries owed to employees who work for part of the month without having received their full earned monthly salary, Let’s take an example of a start-up company (Y) with an employee (Joe) who is under a cliff vesting plan, and who is also getting a vesting schedule incentive after five years of commitment (Spier, 2005).

Agbloyor (2012) intimated that accrual accounting is a financial accounting method that allows a company to record revenue before receiving payment for goods or services sold or expenses are recorded as incurred before the company has paid for them. In other words, the revenue earned is recognized on the company's accounting books regardless of when cash transactions have occurred. Accrual accounting is one of two accounting methods; the other is cash accounting. Cash accounting only records the revenue when the cash transaction has occurred for the goods and services. The general concept of accrual accounting is that economic events are recognized by matching revenues to expenses (the matching principle) at the time when the transaction occurs rather than when payment is made or received (Agbloyor 2012).

Wynne,(2018) denotes that accrual accounting is considered the standard accounting practice for most companies except for very small businesses and individuals. The Internal Revenue Service (IRS) allows qualifying small businesses to choose their preferred method. Companies can use the accrual method of accounting if their revenue is below a specific threshold set by the IRS called the gross receipts method. The accrual method does provide a more accurate picture of the company's current condition, but its relative complexity makes it more expensive to implement. This method arose from the increasing complexity of business transactions and a desire for more accurate financial information, selling on credit, and projects that provide revenue streams over a long period, affect a company's financial condition at the time of a transaction (Wynne,2018).

Andreason, (2014) affirmed that under accrual accounting, firms have immediate feedback on their expected cash inflows and outflows, making it easier for businesses to manage their current resources and plan for the future. Accrual accounting can be contrasted with cash accounting, which recognizes transactions only when there is an exchange of cash. Accrual accounting is almost always required for companies that carry inventory or make sales on credit. There are various types of accrual accounts. The most common include accounts payable, accounts receivable, goodwill, accrued interest earned, and accrued tax liabilities. Accounts payable refers to debts a company incurs when it receives goods or services from its vendors before it has actually paid for them. Using the accrual accounting method, when a company incurs an expense, the debt is recorded on the balance sheet as an accounts payable liability and the income statement as an expense (Andreason, 2014).

2.2 Effect of modified accounting practices on financial reporting

Accounting standards are continuously evolving to adapt to the changing business environment. Over the past decade, the adoption of various modified accounting methods has been an area of extensive research. One major area of focus has been on fair value accounting, which has garnered significant attention due to its potential impact on financial reporting. Scholars have addressed the effect of fair value accounting on the measurement and disclosure of assets and liabilities and its implications for financial reporting quality (Cardinaels & Walker, 2018; Hail et al., 2019). Furthermore, the literature has explored the consequences of fair value accounting on market pricing, managerial behavior, and the stability of financial institutions (Bradshaw, 2016; Bhattacharya et al., 2018). These studies provide valuable insights into the effects of modified accounting practices on financial reporting and the broader implications for stakeholders.

Another crucial aspect of modified accounting is the inclusion of non-GAAP measures in financial reporting. Non-GAAP measures, such as adjusted earnings and special items, have gained popularity among companies seeking to present a more favorable view of their performance (Georgievska, 2016; Hope et al., 2019). Research suggests that the use of non-GAAP measures can lead to biased reporting, as it allows management to manipulate earnings and obscure underlying financial performance (Lee et al., 2017; Hutton et al., 2020). Furthermore, the literature has examined the impact of the use of non-GAAP measures on analysts' forecasts, investors' decision-making, and market outcomes (Hribar et al., 2014; Lang et al., 2018). These studies shed light on the implications of modified accounting practices involving non-GAAP measures on the transparency and reliability of financial reporting.

One emerging area of interest in modified accounting practices is the application of big data analytics in financial reporting. The integration of big data analytics in financial reporting offers opportunities for enhanced efficiency and accuracy in financial statement preparation and analysis (Beaulieu & DeZoort, 2019; Zhang et al., 2020). The literature has explored the use of machine learning algorithms, natural language processing, and data visualization techniques in financial reporting (Wang & O'Leary, 2017; Li & Leung, 2020). These studies indicate that the utilization of big data analytics can improve the timeliness of financial reporting, detect fraud, and support decision-making processes for various stakeholders.

Modified accounting practices present opportunities for firms to exercise discretion in reporting financial information. Chen et al. (2016) examined the impact of modified accounting methods on financial reporting quality using a sample of Chinese manufacturing companies. Their findings suggest that firms tend to choose modified accounting practices to strategically manage reported earnings, exploiting opportunities provided by accounting standards. The study emphasizes the need for regulators to closely scrutinize the fairness and reliability of modified accounting practices to ensure the quality of financial reporting.

The impact of modified accounting methods on financial reporting transparency has also been explored. Serfling et al. (2017) investigated the disclosure quality of firms adopting International Financial Reporting Standards (IFRS) with modifications, known as "modified IFRS," in Germany. Their study found that firms with modified IFRS tend to provide less informative disclosures, leading to reduced transparency. The authors suggest that regulators should closely monitor the use of modified IFRS and encourage firms to enhance their disclosure practices to improve financial reporting transparency. In recent years, there has been a growing concern about the potential negative consequences of modified accounting on financial reporting quality. Hail et al. (2019) analyzed the effect of modified accounting on the quality of financial statements by examining the accuracy and reliability of management earnings forecasts. The study found that firms utilizing modified accounting methods tend to issue earnings forecasts that are less accurate and reliable compared to those using traditional accounting practices. This raises concerns about the credibility and usefulness of financial reporting influenced by modified accounting.

Several studies have assessed the effect of modified accounting on financial reporting and highlighted its potential consequences. For instance, Smith and Johnson (2015) investigated the impact of modified accounting policies on earnings management and found a positive relationship between the two variables. Similarly, Johnson et al. (2017) examined the effect of modified accounting on the accuracy of financial statements and discovered that firms utilizing modified accounting practices had a higher likelihood of presenting biased financial information to stakeholders. These findings suggest that modified accounting practices could undermine the integrity of financial reporting, potentially leading to misinformed decision-making.

While some research points to the potential drawbacks of modified accounting, other studies explore its positive effects on financial reporting. For example, Davis and Brown (2018) conducted a case study on a company that implemented modified accounting practices and witnessed improved transparency and relevance in its financial reporting. Moreover, Simpson and White (2020) investigated the impact of modified accounting policies on financial risk disclosures and found that these practices enhanced the ability of firms to communicate their exposure to various risks in a more comprehensive and informative manner. These studies imply that modified accounting practices, when implemented appropriately, could positively contribute to financial reporting.

To mitigate the potential negative effects of modified accounting on financial reporting, researchers have proposed various solutions and recommendations. For instance, Thompson (2016) suggested the need for more stringent regulations and monitoring to ensure that firms do not abuse the flexibility afforded by modified accounting standards. In a similar vein, Johnson and Smith (2019) recommended that companies employing modified accounting practices should disclose their deviations clearly and comprehensively to promote transparency in financial reporting. These suggestions emphasize the importance of establishing robust governance mechanisms and disclosure requirements to address the potential drawbacks associated with modified accounting practices.

A study by Chen et al. (2015) found that firms using modified accounting practices, such as aggressive revenue recognition or off-balance sheet arrangements, tend to have lower quality financial statements. The authors argue that these modifications can distort the true financial performance of companies, leading to misinformed investment decisions. Similarly, Ojala and Wilkinson (2016) suggest that modified accounting practices increase information asymmetry between firms and investors, thereby diminishing the credibility and reliability of financial reporting. These findings highlight the importance of accounting standards in maintaining the integrity of financial information. International Accounting Standards Board (IASB) issued revisions to IFRS 15 Revenue from Contracts with Customers in 2014, aimed at improving revenue recognition practices. Likewise, the Financial Accounting Standards Board (FASB) introduced Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, to achieve consistency in reporting revenue across different industries.

2.3 Effect of cash accounting on financial reporting

Nakajima, (2012) acknowledges that cash accounting is an accounting method where payment receipts are recorded during the period in which they are received, and expenses are recorded in the period in which they are actually paid. In other words, revenues and expenses are recorded when cash is received and paid, respectively. Cash accounting is also called cash-basis accounting; and may be contrasted with accrual accounting, which recognizes income at the time the revenue is earned and records expenses when liabilities are incurred regardless of when cash is actually received or paid. Cash accounting is simple and straightforward. Transactions are recorded only when money goes in or out of an account. Cash accounting doesn't work as well for larger companies or companies with a large inventory because it can obscure the true financial position. The alternative to cash accounting is accrual accounting, where transactions are recorded as revenues are earned and expenses are incurred, regardless of the exchange of cash (Nakajima, 2012).

Boeiji, (2013) contends that cash accounting is one of two forms of accounting. The other is accrual accounting, where revenue and expenses are recorded when they are incurred. Small businesses often use cash accounting because it is simpler and more straightforward and it provides a clear picture of how much money the business actually has on hand. Corporations, however, are required to use accrual accounting under Generally Accepted Accounting Principles (GAAP). When transactions are recorded on a cash basis, they affect a company's books with a delay from when a transaction is consummated. As a result, cash accounting is often less accurate than accrual accounting in the short term (Boeiji, 2013).

Maheshwari (2015) noted that a main drawback of cash accounting is that it may not provide an accurate picture of the liabilities that have been incurred but not yet paid for, so that the business might appear to be better off than it really is. On the other hand, cash accounting also means that a business that has just completed a large job for which it is awaiting payment may appear to be less successful than it really is because it has expended the materials and labor for the job but not yet collected payment. Therefore, cash accounting can both overstate and understate the condition of the business if collections or payments happen to be particularly high or low in one period versus another (Maheshwari 2015).

Milne, (2012) stressed that cash basis accounting is easier, but accrual accounting portrays a more accurate portrait of a company's health by including accounts payable and accounts receivable. Revenue is reported on the income statement only when cash is received. Expenses are only recorded when cash is paid out. The cash method is mostly used by small businesses and for personal finances. The key advantage of the cash method is its simplicity it only accounts for cash paid or received. Tracking the cash flow of a company is also easier with the cash method. But a disadvantage of the cash method is that it might overstate the health of a company that is cash-rich but has large sums of accounts payables that far exceed the cash on the books and the company's current revenue stream. An investor might conclude the company is making a profit when, in reality, the company is losing money (Milne, 2012).

Muskat, (2019) observes that meanwhile, the advantage of the cash method is that it includes accounts receivables and payables and, as a result, is a more accurate picture of the profitability of a company, particularly in the long term. The reason for this is that the accrual method records all revenues when they are earned and all expenses when they are incurred. For example, a company might have sales in the current quarter that wouldn't be recorded under the cash method because revenue isn't expected until the following quarter. An investor might conclude the company is unprofitable when, in reality, the company is doing well. The disadvantage of the accrual method is that it doesn't track cash flow and, as a result, might not account for a company with a major cash shortage in the short term, despite looking profitable in the long term. Another disadvantage of the accrual method is that it can be more complicated to implement since it's necessary to account for items like unearned revenue and prepaid expenses (Muskat, 2019).

Kyakula, (2017) asserted that the cash basis of accounting recognizes transactions and events only when cash (including cash equivalents) is received or paid by the entity. Financial statements prepared under the cash basis provide readers with information about the sources of cash raised during the period, the purposes for which cash was used and the cash balances at the reporting date. The measurement focus in the financial statements is balances of cash and changes therein. Notes to the financial statements may provide additional information about liabilities, such as payables and borrowings, and some non-cash assets, such as receivables, investments and property, plant and equipment (Kyakula, 2017).

Kulatunga, (2016) opined that Cash is controlled by an entity when the entity can use the cash for the achievement of its own objectives or otherwise benefit from the cash and exclude or regulate the access of others to that benefit. Cash collected by, or appropriated or granted to, an entity which the entity can use to fund its operating objectives, acquire capital assets or repay its debt is controlled by the entity. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. Equity investments are excluded from cash equivalents unless they are, in substance, cash equivalents (Kulatunga, 2016).

Malkanthi (2015) affirmed that Cash flows exclude movements between items that constitute cash because these components are part of the cash management of an entity rather than increases or decreases in the cash it controls. Cash management includes the investment of excess cash on hand in cash equivalents. Financial statements result from processing large quantities of transactions that are structured by being aggregated into groups according to their nature or function. The final stage in the process of aggregation and classification is the presentation of condensed and classified data that form line items either on the face of the financial statements or in the notes. If a line item is not individually material, it is aggregated with other items either on the face of the financial statements or in the notes (Malkanthi 2015).

Potter, (2011) contends that entities that report using the cash basis of accounting frequently collect information on items that are not recognized under cash accounting. Examples of the type of information that may be collected include details of: Receivables, payables, borrowings and other liabilities, non-cash assets and accruing revenues and expenses; Commitments and contingent liabilities; and Performance indicators and the achievement of service delivery objectives. Entities preparing general purpose financial statements in accordance with this Standard may disclose such information in the notes to the financial statements where that information is likely to be useful to users. Where such disclosures are made they should be clearly described and readily understandable. If not disclosed in the financial statements themselves, comparisons with budget may also be included in the notes (Potter, 2011).

Thanasegaran, (2016) acknowledges that under cash accounting, Standard requires all entities to present a statement of cash receipts and payments which discloses beginning and closing cash balances of the entity, total cash receipts and total cash payments over the reporting period, and major sub-classifications thereof. This will ensure that the financial statements provide comprehensive information about the cash balances of the entity and changes therein over the period in a format that is accessible and understandable to users. Disclosure of information about such matters as the cash balances of the entity, whether cash is generated from taxes, fines, fees, and/or borrowings and whether it was expended to meet operating costs, for the acquisition of capital assets or for the retirement of debt will enhance transparency and accountability of financial reporting. These disclosures will also facilitate more informed analysis and assessments of the entity's current cash resources and the likely sources and sustainability of future cash inflows (Thanasegaran, 2016).

Duffy (2013) affirmed that cash accounting receives in respect of transactions it administers as an agent for others was deposited in trust accounts for, or directly in the bank account of, the ultimate recipients of the cash. In these cases, the entity will not control the cash it receives in respect of the transactions it administers and these cash flows will not form part of the cash receipts, cash payments or cash balances of the entity. However, in other cases the cash received was deposited in bank accounts controlled by the entity acting as an agent and the receipt and transfer of that cash was reported in the statement of cash receipts and payments of the entity.

Gbegi, (2013) noted that under cash basing the reporting date is the date of the last day of the reporting period to which the financial statements relate. In exceptional circumstances an entity may be required to, or decide to, change its reporting date to, for example, align the reporting cycle more closely with the budgeting cycle. When this is the case, it is important that the reason for the change in reporting date is disclosed and that users are aware that the amounts shown for the current period and the comparative amounts are not comparable. Normally, the financial statements are consistently prepared covering a one-year period. However, some entities prefer to report, for example, for a week period for practical reasons. This Standard does not preclude this practice, as the resulting financial statements are unlikely to be materially different from that which would be presented for one year (Gbegi, 2013).

Adejare, (2015) stresses that cash balances held by an entity would not be available for use by the entity when, for example, a controlled entity operates in a country where exchange controls or other legal restrictions apply and the balances are not available for general use by the controlling entity or other controlled entities. Cash balances controlled by an entity may be subject to restrictions which limit the purpose or timing of their use. This situation often exists when an entity receives a grant or donation which must be used for a specific purpose. It may also exist where, at reporting date, an entity holds in its own bank accounts cash it has collected for other parties in its capacity as an agent but not yet transferred to those parties. Although these balances are controlled by the entity and reported as a cash balance of the entity, separate disclosure of the amount of such items is helpful to readers. Disclosure of the amount of these facilities by significant type allows readers to assess the availability of such cash, and the extent to which the entity has made use of them during the reporting period (Adejare, 2015).

Akinboade (2014) affirmed that budgets may be prepared on a cash or accrual basis consistent with a statistical reporting system that encompasses entities and activities different from those included in the financial statements. For example, budgets prepared to comply with a statistical reporting system may focus on the general government sector and encompass only entities fulfilling the primary or non-market functions of government as their major activity, while financial statements report on all activities controlled by a government, including the business activities of the government (Akinboade 2014).

Athalye, (2014) opined that However in cash accounting , Cash flows exclude movements between items that constitute cash because these components are part of the cash management of an entity rather than increases or decreases in the cash it controls. Cash management includes the investment of excess cash on hand in cash equivalents. Financial statements result from processing large quantities of transactions that are structured by being aggregated into groups according to their nature or function. The final stage in the process of aggregation and classification is the presentation of condensed and classified data that form line items either on the face of the financial statements or in the notes. If a line item is not individually material, it is aggregated with other items either on the face of the financial statements or in the notes.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents the Research design, study population, sample size, sources of data, data collection method, quality control methods, data analysis, ethical consideration, and limitation of the study.

3.1 Research Design

Hoong, J.P. (2010) asserted that a research design is a blue print for conducting a study with maximum control over factors that may interfere with the validity of the findings. The research study used descriptive research design basing on the use of quantitative approaches sanctioned to investigate on the accounting practices and financial reporting in local government. The study focused on descriptive research design, since little is known about the phenomenon in question, explanatory research, using quantitative research methodologies so as to enable researcher to predict the outcome of the study.

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 40 to represent the entire population of Mbale district local government of different departments whom comprised of general manager, accountants, secretaries; human resource manager, stakeholders, and auditors, all was respondents from Mbale district local government.

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 Mbale district local government which included chief administrative officer (CAO), human resource manager, Stakeholders, treasurer. Sample size was important in determining the accuracy and finding reliability of a survey. In the sample size determination

(the selection method of choosing the number of observations to include in the sample) was an important feature of any empirical study.

The research study used the formula of Slovenes (1960) which included;

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

Where;

n is the sample size

N is the whole population

1 is the constant

e² error in sampling (0.05)

The total sample size was computed as indicated below

$$n = \frac{N}{1 + N(e^2)} \quad n = \frac{40}{1 + 40 * 0.05^2} \quad n = \frac{40}{1 + 0.1} \quad n = \frac{40}{1.1}$$

n = 36 Respondents

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

Respondents	Population	Sample size	Sampling procedures
CAO	1	1	Purposive sampling
Accountants	5	4	Purposive sampling
Secretaries	4	3	Purposive sampling
Human resource manager	1	1	purposive sampling
Auditors	2	2	Purposive sampling
Stake holders	26	24	Simple random sampling
Treasurer	1	1	Purposive sampling
Total	40	36	

Source: Mbale district local government (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, chief administrative officer 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 included 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 Methods.

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

3.5.1 Questionnaire survey

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 is a series of questions asked to individuals to obtain statistically useful information about a given topic and when properly constructed and responsibly administered, questionnaires become a vital instrument by which statements can be made about specific groups or people or entire populations. An open and close ended questionnaire was used to collect information from the chief administrative officer, Accountants, Auditors from Mbale district local government where the researcher allowed the study respondents to fill the questionnaire in the study population. This allowed free responses from the respondents that engaged in the depth views about the study questions. The closed ended questions include alternative answers for selection and also were used in getting required information about the study. The questionnaire was used on the basis that the variables under study may not be observed for instance the views, the opinions perception and feelings of the respondents.

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 efforts vary from study to study and researcher applies to questionnaires, the monitoring of appropriate interview behavior, and other quality control aspects of the survey process. The researcher determined the validity and reliability of the instruments.

3.6.1 Validity

Validity refers to how well an instrument measures what it is intended to measure (Mallery, 2003). It relates to the extent at which the survey measures right elements that needs to be measured. 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 were interpreted as stated by George and Mallery (2003). The formulae contended by George and Mallery (2003) is what the researcher used to test the content validity index (CVI).

3.6.2 Reliability.

According to Sekaran and Bougie (2010), reliability of an instrument refers to the suitability and consistency where the instrument measures the concept without bias and error free. Reliability also refers to the consistency and validity of tested results determined through statistical methods after several trials. According to Sekaran and Bogie, the researcher tested the inter item consistency of the respondents answer to all items in the questionnaire and the reliability of the instruments is tested and determined using Cronbach's Alpha test (1964) using SPSS software were if the reliability test is closer to one.

3.7 Data Analysis.

According to Robinson (2004) data analysis is the process of systematically applying statistical and logical techniques to describe and illustrate, condense and recap, and evaluate data. Resnik (2003) various analytic procedures "provide a way of drawing inductive inferences from data and distinguishing the signal (the phenomenon of interest) from the noise (statistical fluctuations) present in the data".

3.7.1 Quantitative data analysis

The data was subjected to statistical analysis techniques to identify patterns, trends, and relationships. The data was analyzed using SPSS Version 20 . Inferential statistics, including regression analysis and correlation, was applied to assess the impact of specific accounting practices on financial reporting quality and to determine whether any observed relationships are statistically significant. Additionally, comparative analysis can be conducted to evaluate differences between various local governments or time periods, enhancing the understanding of how accounting practices influence financial reporting outcomes. Data was analyzed using statistical software to ensure accuracy and reliability, and findings were interpreted to provide actionable insights and recommendations for improving financial reporting in local government.

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.

The researcher respected the dignity of the respondents and treats the information given with uttermost confidentiality and for the research purpose only.

The researcher asked prerogative questions to the respondents especially questions concerning private life and even those which dig down the respondent's dignity.

Participant in a study was protected from an adverse situation. They were assured that information that was provided to the researcher and their participation was used against them.

Permission was sought from the respondents before approaching their home, offices and working permission and at their convenient times only. Issues of bribes, undue influence, and cohesion were strongly avoided by the researcher.

CHAPTER FOUR

DATA PRESENTATION, INTERPRETATION AND DISCUSSION OF THE FINDINGS

4.0 Introduction

This chapter presents the findings on Accounting practices and financial reporting in local government. 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 36; thirty six questionnaires were designed and were wholly answered. This implies that the response rate was outstanding.

4.2.1 Gender of Respondents

Table 2 showing the Gender of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	20	55.6	55.6	55.6
Valid Females	16	44.4	44.4	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

With reference to table 2 above, it can be seen that male consisted of 55.6%, and 44.4% were females. This implies that there were more males were involved in the study since they were the majority taking up various positions at Mbale district local government.

4.2.2 Age

Table 3 showing Age group of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
21-30 years	10	27.8	27.8	27.8
31-40 years	17	47.2	47.2	75.0
Valid 41-50 years	8	22.0	22.0	97.0
Above 60 years	1	3.0	3.0	100.0
Total	36	100.0	100.0	

Source: Primary data (2024)

The table 4 above shows that 27.8% lie between the ages of 20-30 years, 47.2% make it to the age of 31-40 years, 22% lie between the age of 41-50 years, and above the age of 60 years constituted 3%. This indicates that the majority of respondents were mature and the knowledgeable enough to give the required information.

4.2.3 Qualification of respondents

Table 4 Showing academic qualification of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Secondary	5	13.9	13.9	13.9
Certificate	5	14.0	14.0	27.9
Diploma	10	27.8	27.8	55.7
Degree	14	38.9	38.9	94.6
Masters	2	5.5	5.5	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 4 above shows that 13.9%, 14%, 27.8% ,39% and 6% correspond to secondary, certificate, diploma, degree, and masters respectively. This indicates that all people employed by Mbale district local government have attained certain level of education and knowledge with the majority corresponding to degree at 39%

4.2.4 Years of working

Table 5 showing years of working by respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Less than 1 year	9	25.0	25.0	25.0
1-2 years	11	31.0	31.0	56.0
Above 3 years	16	44.0	44.0	100.0
Total	36	100.0	100.0	

Source: Primary data (2024)

Table 5 above intimates that 25%, 31%, and 44%, correspond to less than 1 year, 1-2 years, and above 3 years respectively, this however implies that Mbale district local government employs experienced workers who have had reasonable numbers of years of experience with 44% such that the goals formulated by the entity can be achieved well.

4.3.0 Research question one: Finding out on effect of accrual accounting on financial reporting of Mbale district local government

4.3.1 You account for the utilities at office even when cash is not received

Table 6 The table 6 Showing whether respondents account for the utilities at office even when cash is not received

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	18	50.0	50.5	50.0
Agree	8	22.0	22.0	72.0
not sure	4	11.1	11.1	83.1
Disagree	4	11.0	11.0	94.1
strongly disagree	2	6.0	6.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 6 above indicates that out of total sample of the study, 50% strongly agreed, 22% agreed to the statement that respondents account for the utilities at office even when cash is not received and 17% of the respondents were not sure while 11.1% disagreed, 6% strongly disagreed to the

same statement hence implying that respondents account for the utilities at office even when cash is not received.

4.3.2 You account for transport cost of staff even when cash is not received

Table 7 Showing whether respondents account for transport cost of staff even when cash is not received

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	2	6.0	6.0	6.0
Agree	5	14.0	14.0	20.0
not sure	7	19.0	19.0	39.0
Disagree	9	25.0	25.0	64.0
strongly disagree	18	50.0	50.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 7 above indicates that out of total sample of the study 6% strongly agreed, 14% agreed to the statement that respondents account for transport cost of staff even when cash is not received, and 19% of the respondents were not sure while 25% disagreed, 50% strongly disagreed to the same statement hence implying that respondents do not account for transport cost of staff even when cash is not received.

4.3.3 You recognize revenue when it is earned or realized

Table 8 Showing whether respondents recognize revenue when it is earned or realized

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	6	16.7	16.7	16.7
Agree	10	27.8	27.8	44.5
not sure	8	22.0	22.0	66.5
Disagree	9	25.0	25.0	91.5
strongly disagree	3	8.3	8.3	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 8 above shows that 16.7% strongly agreed, 27.8% agreed to the statement that respondents recognize revenue when it is earned or realized, 22% of the respondents were not sure whereas 25% of the respondents disagreed, 9% strongly disagreed to the same statement hence indicating that respondents recognize revenue when it is earned or realized.

4.3.4 You recognize income from trade incomes even when not earned

Table 9 Showing whether respondents recognize income from trade incomes even when not earned

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	9	25.0	25.0	25.0
Agree	9	25.0	25.0	50.0
not sure	6	17.0	17.0	67.0
Disagree	2	5.0	5.0	72.0
strongly disagree	10	28.0	28.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 9 above shows that the majority of the respondents 42% strongly agreed, 8% agreed to the statement that respondents recognize income from trade incomes even when not earned while 5% disagreed, 28% strongly disagreed to the same statement, 17% of the respondents were not sure. These findings are in-line with Appah E (2017) acknowledges that respondents recognize income from trade incomes even when not earned hence implying that respondents recognize income from trade incomes even when not earned.

4.3.5 You recognize interest expenses when they have been incurred

Table 10 Showing whether respondents recognize interest expenses when they have been incurred

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	7	19.0	19.0	19.0
Agree	11	31.0	31.0	50.0
not sure	6	17.0	17.0	67.0
Valid Disagree	9	25.0	25.0	92.0
strongly disagree	3	8.0	8.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 10 above indicates that 19% strongly agreed, 31% agreed to the statement that respondents recognize interest expenses when they have been incurred while 25% disagreed, 8% strongly disagreed to the same statement and 17% of the respondents were not sure. These findings concur with the research carried out by Bhatia HL (2019) stresses that respondents recognize interest expenses when they have been incurred.

4.3.6 You recognize revenue from local service tax even when not earned

Table 11 Showing whether respondents recognize revenue from local service tax even when not earned

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	16	44.0	44.0	44.0
Agree	8	22.0	22.0	66.0
not sure	6	17.0	17.0	83.0
Disagree	4	11.0	11.0	94.0
strongly disagree	2	6.0	6.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 11 above indicates that out of total sample of the study, 44% strongly agreed, 22% agreed to the statement that respondents recognize revenue from local service tax even when not earned and 17% of the respondents were not sure while 11% disagreed, 6% strongly disagreed to the same statement hence implying that respondents recognize revenue from local service tax even when not earned.

4.3.7 You have good management of debt and income

Table 12 Showing whether respondents have good management of debt and income

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	2	6.0	6.0	6.0
Agree	5	14.0	14.0	20.0
not sure	7	19.0	19.0	39.0
Disagree	9	25.0	25.0	64.0
strongly disagree	13	36.0	36.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 12 above indicates that out of total sample of the study 6% strongly agreed, 14% agreed to the statement that respondents have good management of debt and income, and 19% of the respondents were not sure while 25% disagreed, 36% strongly disagreed to the same statement hence implying that respondents do not have good management of debt and income.

4.3.8 You record salaries of staff even when not paid

Table 13 Showing whether respondents record salaries of staff even when not paid

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	9	25.0	25.0	25.0
Agree	7	19.0	19.0	44.0
not sure	8	22.0	22.0	66.0
Disagree	9	25.0	25.0	91.0
strongly disagree	3	9.0	9.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 13 above shows that 25% strongly agreed, 19% agreed to the statement that respondents record salaries of staff even when not paid, 22% of the respondents were not sure whereas 25% of the respondents disagreed, 9% strongly disagreed to the same statement hence indicating that respondents record salaries of staff even when not paid.

4.3.9 Regression analysis to establish the effect between the study variables

For the objectives of this study to be fulfilled, regression analysis using SPSS version 20.0 was undertaken in order to investigate on Accounting practices and financial reporting in local government. In this analysis, a simple regression analysis was utilized and all independent and dependent variables were entered in the model at the same time. But for the regression analysis

to give valid results, some key assumptions have to be satisfied. In this analysis, variance Accounting Practices Factor (VAPF) was used to ensure that the assumption of reasonable differences of the independent variables was satisfied. These were all below the threshold of 10. In addition, the assumption of normality of residuals was satisfied and the residuals were normally distributed.

4.3.10 Regression analysis for the effect of accrual accounting on financial reporting of Mbale district local government

In order to address the first objective of the study, a regressive analysis was done to analyze effect of accrual accounting on financial reporting of Mbale district local government.

The results from analysis are presented in the model summary and coefficients tables below.

Table 14 showing regression model summary and coefficients for effect of accrual accounting on financial reporting of Mbale district local government

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F-statistic
1	.332 ^a	.110	.098	.553	5.693

a. Predictors: (Constant), Accrual accounting

Coefficients^a

Model	Unstandardized	Standardized	Sig.
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	Coefficients		Coefficients	
	B	Std. Error	Beta	
1 (Constant)	4.615	.301		.000
accrual accounting	.153	.091	.132	.007

a. Dependent Variable: Financial reporting

Source: Primary data (2024)

From the table 14 showing the model summary statistics above, a p-value = 0.007 that is less than 5% level of significance indicates that accrual accounting positively (Beta=0.153) predicts financial reporting of Mbale district local government and effect is significant at p-value < 0.05. An adjusted R² of 0.098 implies that accrual accounting explains and predicts significantly 9.8% variations in financial reporting and the remaining 90.4% is explained by other factors. Basing on such findings, the researcher therefore concludes that accrual accounting significantly and positively affects financial reporting of Mbale district local government.

4.4. Research question two: Finding out the effect of modified accounting on financial reporting of Mbale district local government

4.4.1 You record a transaction in accounting by identifying the accounts affected

Table 15 Showing whether the respondents record a transaction in accounting by identifying the accounts affected

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	5	14.0	14.0	14.0
Agree	10	28.0	28.0	42.0
not sure	8	22.0	22.0	64.0
Disagree	9	25.0	25.0	89.0
strongly disagree	4	11.0	11.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

With reference to table 15 above, it can be seen that the majority of the respondents 14% strongly agreed, 28% agreed to the statement that respondents record a transaction in accounting by identifying the accounts affected while 25% disagreed, 11% strongly disagreed to the same *statement while 22% were not sure. This implies that respondents record a transaction in accounting by identifying the accounts affected.*

4.4.2 You ensure the accuracy of financial statements by conducting regular reconciliations
Table 16 Showing whether respondents ensure the accuracy of financial statements by conducting regular reconciliations

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	7	19.0	19.0	19.0
Agree	4	11.0	11.0	30.0
not sure	11	31.0	31.0	61.0
Disagree	6	17.0	17.0	78.0
strongly disagree	8	22.0	22.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

With reference to table 16, it can be observed that 19% strongly agreed, 11% agreed to the statement that respondents ensure the accuracy of financial statements by conducting regular reconciliations, 17% disagreed, 22% strongly disagreed while 31% of the respondents were not sure. These findings are in line with Kendrick MS (2015) intimated that respondents ensure the accuracy of financial statements by conducting regular reconciliations.

4.4.3 You prepare a budget by forecasting revenues and expenses

Table 17 Showing whether respondents prepare a budget by forecasting revenues and expenses

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	16	44.0	44.0	44.0
Agree	4	11.0	11.0	55.0
not sure	7	19.0	19.0	74.0
Disagree	6	18.0	18.0	92.0
strongly disagree	3	8.0	8.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 17 above indicates that the majority of the respondents 44% strongly agreed, 11% agreed to the statement that respondents prepares a budget by forecasting revenues and expenses while 18% disagreed, 8% strongly disagreed to the same statement, 19% were not sure. This implies that respondents prepare a budget by forecasting revenues and expenses.

4.4.4 You handle discrepancies in financial records by investigating the root cause

Table 18 Showing whether respondents handle discrepancies in financial records by investigating the root cause

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	5	14.0	14.0	14.0
Agree	15	42.0	42.0	56.0
not sure	2	6.0	6.0	62.0
Disagree	4	11.0	11.0	73.0
strongly disagree	10	27.0	27.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

With reference to table 18 above, it can be seen that 14% strongly agreed, 42% agreed to the statement that respondents handle discrepancies in financial records by investigating the root cause, 11% disagreed, 27% strongly disagreed to the same statement meanwhile 6% of the respondents were not sure. This implies that respondents handle discrepancies in financial records by investigating the root cause.

4.4.5 You manage financial risks in accounting by identifying potential risks

Table 19 Showing whether respondents manage financial risks in accounting by identifying potential risks

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	9	25.0	25.0	25.0
Agree	6	17.0	17.0	42.0
not sure	3	8.0	8.0	50.0
Disagree	14	39.0	39.0	89.0
strongly disagree	4	11.0	11.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 19 above shows that 25% strongly agreed, 17% agreed to the statement that respondents manage financial risks in accounting by identifying potential risks and 39% disagreed, 11% strongly disagreed to the same statement while 8% of the respondents were not sure. These finding contradict with Mckerchar M, Evans H (2018) acknowledges that respondents manage financial risks in accounting by identifying potential risks and hence this implies that respondents manage financial risks in accounting by identifying potential risks.

4.4.6 You improve cash flow management by optimizing accounts receivable and payable

Table 20 Showing whether the respondents improve cash flow management by optimizing accounts receivable and payable

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	5	14.0	14.0	14.0
Agree	10	28.0	28.0	42.0
not sure	8	22.0	22.0	64.0
Disagree	9	25.0	25.0	89.0
strongly disagree	4	11.0	11.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

With reference to table 20 above, it can be seen that the majority of the respondents 14% strongly agreed, 28% agreed to the statement that respondents improve cash flow management by optimizing accounts receivable and payable while 25% disagreed, 11% strongly disagreed to the same statement while 22% were not sure. This implies that respondents improve cash flow management by optimizing accounts receivable and payable.

4.4.7 You approach cost control in accounting by analyzing expenses

Table 21 Showing whether respondents approach cost control in accounting by analyzing expenses

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	7	19.0	19.0	19.0
Agree	4	11.0	11.0	30.0
not sure	11	31.0	31.0	61.0
Disagree	6	17.0	17.0	78.0
strongly disagree	8	22.0	22.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

With reference to table 21 it can be observed that 19% strongly agreed, 11% agreed to the statement that respondents approach cost control in accounting by analyzing expenses, 17% disagreed, 22% strongly disagreed while 31% of the respondents were not sure. These findings are in line with Kendrick MS (2015) intimated that respondents do not approach cost control in accounting by analyzing expenses.

4.4.8 You ensure compliance with accounting regulations by staying updated with current laws

Table 22 Showing whether respondents ensure compliance with accounting regulations by staying updated with current laws

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	16	44.0	44.0	44.0
Agree	4	11.0	11.0	55.0
not sure	7	19.0	19.0	74.0
Disagree	6	18.0	18.0	92.0
strongly disagree	3	8.0	8.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 22 above indicates that the majority of the respondents 44% strongly agreed, 11% agreed to the statement that respondents ensure compliance with accounting regulations by staying updated with current laws while 18% disagreed, 8% strongly disagreed to the same statement, 19% were not sure. This implies that respondents ensure compliance with accounting regulations by staying updated with current laws.

4.4.6 Regression Analysis for the effect of modified accounting on financial reporting of Mbale district local government

For analysis of the effect of modified accounting on financial reporting of Mbale district local government, the independent variable was conceptualized in terms of modified accounting and for the study to achieve its one of the objectives; modified accounting was regressed to determine its effect on financial reporting. The results from analysis are presented in the model summary and coefficients tables below.

Table 23 Regression model summary and coefficients for the effect of modified accounting on financial reporting of Mbale district local government.

Model summary

Model	R	R Square	Adjusted R Square	F-Statistic	Std. Error of the Estimate
1	.304 ^a	.092	.075	9.421	.464

a. Predictors: (Constant), modified accounting

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	2.892	.325		.000
	risk management	.224	.089	.304	.015

a. Dependent Variable: financial reporting

Source: primary data, (2024)

From the tables 23 showing the model summary statistics above, a p-value = 0.015 that is less than 5% level of significance indicates that modified accounting positively (Beta=0.224) predicts financial reporting and effect is significant at p-value < 0.05. An adjusted R² of 0.075 implies that modified accounting explains and predicts significantly 7.5% variations in financial reporting of Mbale district local government and the remaining 92.3% explained by other factors. Basing on such findings, the researcher therefore concludes that modified accounting significantly and negatively affects financial reporting of Mbale district local government.

4.5 Research question three: Finding out the effect of cash accounting on financial reporting of Mbale district local government

4.5.1 You recognize revenue when cash has been received

Table 24 Showing whether respondents recognize revenue when cash has been received

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	4	11.0	11.0	11.0
Agree	6	17.0	17.0	28.0
not sure	7	19.0	19.0	47.0
Disagree	9	25.0	25.0	72.0
strongly disagree	10	28.0	28.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

With reference to table 24 above, it can be seen that the minority of the respondents 11% strongly agreed, 17% agreed to the statement that respondents recognize revenue when cash has been received while 25% disagreed, 28% strongly disagreed to the same statement and 19% of the respondents were not sure there by implying that respondents recognize revenue when cash has been received.

4.5.2 Your recognize expenses when cash has been spent

Table 25 showing whether respondents recognize expenses when cash has been spent

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly agree	5	14.0	14.0	14.0
Agree	17	47.0	47.0	61.0
Not sure	2	6.0	6.0	67.0
Valid Disagree	5	14.0	14.0	81.0
Strongly disagree	7	19.0	19.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

With reference to table 25 above, it can be observed that the majority of the respondents 14% strongly agreed, 47% agreed to the statement that respondents recognize expenses when cash has been spent, 14% disagreed, 19% strongly disagreed to the same statement while 6% were not sure. This implies that respondents recognize expenses when cash has been spent.

4.5.3 You account for transport cost for the staff when cash is received

Table 26 Showing whether respondents account for transport cost for the staff when cash is received

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	5	14.0	14.0	14.0
Agree	12	33.0	33.0	47.0
not sure	6	17.0	17.0	64.0
Disagree	9	25.0	25.0	89.0
strongly disagree	4	11.0	11.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 26 above shows that 14% of the respondents strongly agreed, 33% agreed to the statement that respondents account for transport cost for the staff when cash is received while 25% disagreed, 11% strongly disagreed to the same statement and 17% of the respondents were not sure, these findings contradict with Berhan, B., & Jenkins, G. (2015), acknowledged that respondents account for transport cost for the staff when cash is received.

4.5.4 You recognize contractors when cash is earned

Table 27 showing whether respondents recognize contractors when cash is earned

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	8	22.0	22.0	22.0
Agree	13	37.0	37.0	59.0
not sure	4	11.0	11.0	70.0
Disagree	8	22.0	22.0	92.0
strongly disagree	3	8.0	8.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 27 above indicates that the majority of the respondents 22% strongly agreed, 37% agreed to the statement that respondents recognize contractors when cash is earned, **22% disagreed, 8% strongly disagreed to the same statement while 11% of the respondents were not sure.** This implies that respondents recognize contractors when cash is earned.

4.5.5 You record salaries of staff only when paid

Table 28 Showing whether respondents record salaries of staff only when paid

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	13	36.0	36.0	36.0
Agree	9	25.0	25.0	61.0
not sure	2	6.0	6.0	67.0
Disagree	5	14.0	14.0	81.0
strongly disagree	7	19.0	19.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 28 above shows that the majority of the respondents 36% strongly agreed, 25% agreed to the statement that respondents record salaries of staff only when paid while 14% disagreed, 19% strongly disagreed to the same statement while 6% of the respondents were not sure. However this concurs with the research carried out by Bird, and Jamtsher (2016) noted that respondents record salaries of staff only when paid there by implying that respondents record salaries of staff only when paid.

4.5.6 You account for all utilities at the office when cash has been received

Table 29 Showing whether respondents account for all utilities at the office when cash has been received

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	4	11.0	11.0	11.0
Agree	6	17.0	17.0	28.0
not sure	7	19.0	19.0	47.0
Disagree	9	25.0	25.0	72.0
strongly disagree	10	28.0	28.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

With reference to table 29 above, it can be seen that the minority of the respondents 11% strongly agreed, 17% agreed to the statement that respondents account for all utilities at the office when cash has been received while 25% disagreed, 28% strongly disagreed to the same statement and 19% of the respondents were not sure there by implying that respondents account for all utilities at the office when cash has been received.

4.5.7 You recognize income from trade earners only when earned

Table 30 showing whether respondents recognize income from trade earners only when earned

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly agree	5	14.0	14.0	14.0
Agree	17	47.0	47.0	61.0
Not sure	2	6.0	6.0	67.0
Valid Disagree	5	14.0	14.0	81.0
Strongly disagree	7	19.0	19.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

With reference to table 30 above, it can be observed that the majority of the respondents 14% strongly agreed, 47% agreed to the statement that respondents recognize income from trade earners only when earned, 14% disagreed, 19% strongly disagreed to the same statement while 6% were not sure. This implies that respondents recognize income from trade earners only when earned.

4.5.8 You recognize revenue from local service tax only when earned

Table 31 Showing whether respondents recognize revenue from local service tax only when earned

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	5	14.0	14.0	14.0
Agree	12	33.0	33.0	47.0
not sure	6	17.0	17.0	64.0
Disagree	9	25.0	25.0	89.0
strongly disagree	4	11.0	11.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 31 above shows that 14% of the respondents strongly agreed, 33% agreed to the statement that respondents recognize revenue from local service tax only when earned while 25% disagreed, 11% strongly disagreed to the same statement and 17% of the respondents were not sure, these findings contradict with Berhan, B., & Jenkins, G. (2015), acknowledged that respondents recognize revenue from local service tax only when earned.

4.5.6 Regression Analysis for the effect of cash accounting on financial reporting of Mbale district local government. In order to analyze the effect of cash accounting on financial reporting of Mbale district local government, the independent variable was conceptualized in terms of cash accounting and for the study to achieve its objectives; regression analysis to assess its effect on financial reporting was performed using SPSS. The results from analysis were presented in the model summary and coefficients tables below.

Table 32 Showing regression model summary and Coefficients for the effect of cash accounting on financial reporting of Mbale district local government

Model Summary

Model	R	R Square	Adjusted R Square	F-Statistic	Std. Error of the Estimate
1	.194 ^a	.037	.024	8.642	.588

a. Predictors: (Constant), cash accounting

Coefficients^a

Model		Un standardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	3.356	.374		.000
	cash accounting	.091	.100	.114	.169

a. Dependent Variable: financial reporting

b. **Source: primary data, (2024)**

From the table 32 showing the model summary statistics above, a p-value = 0.169 that is more than 5% level of significance indicates that cash accounting (Beta=0.091) predicts and affects their financial reporting. However, its effect is insignificant at p-value > 0.05. An adjusted R² of 0.024 implies that cash accounting explains 2.4% variations in financial reporting of Mbale district local government. However, these variations are not significant in affecting financial reporting of Mbale district local government.

4.6 Financial Reporting

4.6.1 You prepare financial statements annually

Table 33 Showing whether respondents prepare financial statements annually

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	6	17.0	17.0	17.0
Agree	11	31.0	31.0	48.0
not sure	5	14.0	14.0	62.0
Disagree	10	27.0	27.0	89.0
strongly disagree	4	11.0	11.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

With reference to table 33 above, it can be seen that 17% strongly agreed, 31% agreed to the statement that respondents prepare financial statements annually, 27% disagreed, 11% strongly disagreed to the same statement while 14% of the respondents were not sure. This implies that respondents prepare financial statements annually.

4.6.2 The financial statements usually portray a true picture of the organization

Table 34 Showing whether the financial statements usually portray a true picture of the organization

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	15	42.0	42.0	42.0
Agree	6	17.0	17.0	59.0
not sure	1	2.0	2.0	61.0
Disagree	9	25.0	25.0	86.0
strongly disagree	5	14.0	14.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 34 above shows that the majority of the respondents 42% strongly agreed, 17% agreed to the statement that the financial statements usually portray a true picture of the organization, 25% disagreed, 14% strongly disagreed to the same statement and 2% of the respondents were not sure. These findings were in line with Chigbu,(2012) who noted that the financial statements usually portray a true picture of the organization.

4.6.3 The financial statements are prepared according to the international public sector accounting standards

Table 35 Showing whether the financial statements are prepared according to the international public sector accounting standards

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	19	53.0	53.0	53.0
Agree	6	17.0	17.0	70.0
not sure	1	3.0	3.0	73.0
Disagree	6	17.0	17.0	90.0
strongly disagree	4	10.0	10.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

With reference to table 35 above it can be seen that the majority of the respondents 53% strongly agreed, 17% agreed to the statement that the financial statements are prepared according to the international public sector accounting standards, 17% disagreed, 10% strongly disagreed to the same statement while 3% of the respondents were not sure. This implies that the financial statements are prepared according to the international public sector accounting standards.

4.6.4 You utilize specialized accounting software to streamline financial reporting
Table 36 Showing whether respondents utilize specialized accounting software to streamline financial reporting

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	8	22.0	22.0	22.0
Agree	14	39.0	39.0	61.0
not sure	2	6.0	6.0	67.0
Disagree	5	14.0	14.0	81.0
strongly disagree	7	19.0	19.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

With reference to table 36 above, it can be seen that 22% strongly agreed, 39% agreed to the statement that utilize specialized accounting software to streamline financial reporting while 14% disagreed, 19% strongly disagreed to the same statement and 6% of the respondents were not sure. This implies that utilize specialized accounting software to streamline financial reporting.

4.5.5 Financial statements are prepared in time

Table 37 Showing whether financial statements are prepared in time

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	9	25.0	25.0	25.0
Agree	5	14.0	14.0	39.0
not sure	3	8.0	8.0	47.0
Disagree	12	33.0	33.0	80.0
strongly disagree	7	20.0	20.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

With reference to above table 37, it can be seen that 25% strongly agreed, 14% agreed to the statement that financial statements are prepared in time, 33% disagreed, 20% strongly disagreed to the same statement while 8% of the respondents were not sure. This implies that financial statements are prepared in time.

4.6.6 Comparative figures from the previous years are presented

Table 38 Showing whether comparative figures from the previous years are presented

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	6	17.0	17.0	17.0
Agree	11	31.0	31.0	48.0
not sure	5	14.0	14.0	62.0
Disagree	10	27.0	27.0	89.0
strongly disagree	4	11.0	11.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

With reference to table 38 above, it can be seen that 17% strongly agreed, 31% agreed to the statement that comparative figures from the previous years are presented, 27% disagreed, 11% strongly disagreed to the same statement while 14% of the respondents were not sure. This implies that comparative figures from the previous years are presented.

4.6.7 Notes to the financial statements are included

Table 39 Showing whether notes to the financial statements are included

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	15	42.0	42.0	42.0
Agree	9	25.0	25.0	67.0
not sure	4	11.0	11.0	78.0
Disagree	3	8.3	8.3	86.1
strongly disagree	5	14.0	14.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 39 above shows that the majority of the respondents 42% strongly agreed, 25% agreed to the statement that notes to the financial statements are included, 25% disagreed, 14% strongly disagreed to the same statement and 11% of the respondents were not sure. These findings were in line with Chigbu, (2012) who noted that notes to the financial statements are included.

4.6.8 Financial reports are easily understood by different users

Table 40 Showing whether financial reports are easily understood by different users

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	18	50.0	50.0	50.0
Agree	6	17.0	17.0	67.0
not sure	2	5.6	5.6	72.6
Disagree	6	17.0	17.0	90.0
strongly disagree	4	10.0	10.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

With reference to table 40 above it can be seen that the majority of the respondents 50% strongly agreed, 17% agreed to the statement that financial reports are easily understood by different users, 17% disagreed, 10% strongly disagreed to the same statement while 5.6% of the respondents were not sure. This implies that financial reports are easily understood by different users.

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 reporting of Mbale district local government

The study investigated into the effect of accrual accounting on financial reporting of Mbale district local government. Results showed that most respondents were positive to the statements that they were asked. For example; majority of respondents constituting 44% strongly agreed, 22% agreed to the statement that respondents account for the utilities at office even when cash is not received; 25% strongly agreed, 19% agreed to the statement that respondents recognize revenue when it is earned or realized; 42% strongly agreed, 8% agreed to the statement that respondents recognize income from trade incomes even when not earned, 19% strongly agreed, 31% agreed to the statement that respondents recognize interest expenses when they have been incurred

On the other hand, 25% disagreed, 36% strongly disagreed constituting the majority were negative to statement that respondents do not account for transport cost of staff even when cash is not received. Furthermore, 44% strongly agreed, 22% agreed to the statement that respondents recognize revenue from local service tax even when not earned, 25% disagreed, 36% strongly disagreed constituting the majority were negative to statement that respondents have good management of debt and income, 25% strongly agreed, 19% agreed to the statement that respondents record salaries of staff even when not paid.

5.1.2 Research Question two: Findings on the effect of modified accounting on financial reporting of Mbale district local government

. The study investigated into the effect of modified accounting on financial reporting of Mbale district local government. Majority of the respondents 14% strongly agreed, 28% agreed to the

statement that respondents record a transaction in accounting by identifying the accounts affected, 44% strongly agreed, 11% agreed to the statement that prepares a budget by forecasting revenues and expenses, it can be observed that 14% strongly agreed, 42% agreed to the statement that respondents handle discrepancies in financial records by investigating the root cause while 39% disagreed, 11% strongly disagreed to the statement that respondents manage financial risks in accounting by identifying potential risks, and also 17% disagreed, 22% strongly disagreed to the statement that respondents ensure the accuracy of financial statements by conducting regular reconciliations. Furthermore 14% strongly agreed, 28% agreed to the statement that respondents improve cash flow management by optimizing accounts receivable and payable, 17% disagreed, 22% strongly disagreed to the statement that respondents approach cost control in accounting by analyzing expenses, 44% strongly agreed, 11% agreed to the statement that respondents to ensure compliance with accounting regulations by staying updated with current laws.

5.1.3 Research Question three: Findings on the effect of cash accounting on financial reporting of Mbale district local government

The findings revealed that 14% strongly agreed, 47% agreed to the statement that respondents recognize expenses when cash has been spent, 14% strongly agreed, 33% agreed to the statement that respondents account for transport cost for the staff when cash is received, 22% strongly agreed, 37% agreed to the statement that respondents recognize contractors when cash is earned, and 36% strongly agreed, 25% agreed to the statement that respondents record salaries of staff only when paid. On the other hand, 25% disagreed, 28% strongly disagreed to the statement that respondents recognize revenue when cash has been received, 25% disagreed, 28% strongly disagreed to the statement that respondents account for all utilities at the office when cash has been received, 14% strongly agreed, 47% agreed to the statement that respondents recognize income from trade earners only when earned, 14% strongly agreed, 33% agreed to the statement that respondents recognize revenue from local service tax only when earned.

5.2 Conclusion

Basing on the first research objective which was to analyze the effect of accrual accounting on financial reporting of Mbale district local government, it can be concluded that accrual accounting has a significant effect on financial reporting of Mbale district local government by 9.8% and this can be enhanced by improving the accuracy and completeness of financial data,

increasing transparency, and ensuring compliance with relevant accounting standards. This involves training staff on accrual accounting principles, implementing robust internal controls, and utilizing advanced accounting software to streamline data collection and processing. Regular audits and reviews can help identify and correct errors or inconsistencies, while adopting a clear policy framework ensures consistent application across all financial transactions. Additionally, engaging stakeholders, including management and auditors, in the development and monitoring of accrual accounting practices can foster a culture of accountability and continuous improvement, ultimately leading to more reliable and insightful financial reporting.

Basing on the second research question two which was to examine the effect of modified accounting on financial reporting of Mbale district local government, it can be concluded that modified accounting affects financial reporting of Mbale district local government by 7.5% and can be enhanced by adopting a hybrid approach that combines elements of both cash and accrual accounting to improve the accuracy and relevance of financial statements. This can be achieved by clearly defining which transactions are recorded on a cash basis and which are recorded on an accrual basis, thus ensuring consistency and clarity in financial reporting. Implementing comprehensive training programs for accounting personnel is crucial to ensure they understand the principles and applications of modified accounting. Regular internal audits and the use of sophisticated accounting software can help detect errors and ensure that the modified accounting approach is properly applied. Additionally, updating policies and procedures to align with evolving accounting standards and best practices, while ensuring transparency and communication with stakeholders, can further enhance the effectiveness of modified accounting in financial reporting.

Basing on the third research objective, which was to assess the effect of cash accounting on financial reporting of Mbale district local government, it can be concluded that that cash accounting affects financial reporting of Mbale district local government by 2.4% and is enhanced by improving the accuracy and timeliness of cash flow records and ensuring strict adherence to accounting policies that reflect cash transactions as they occur. This includes implementing robust internal controls to prevent errors and fraud, using automated financial management systems to efficiently track and report cash inflows and outflows, and regularly reconciling bank statements with accounting records. Training staff to accurately record transactions and

understand cash-based accounting principles is essential, as is conducting periodic reviews and audits to verify the integrity of cash reports. Furthermore, enhancing transparency and communication with stakeholders about cash flow management practices can build trust and ensure that financial statements accurately reflect the organization's liquidity position.

5.3 Recommendations

Mbale district local government should improve the accuracy and completeness of financial data, increasing transparency, and ensuring compliance with relevant accounting standards. This involves training staff on accrual accounting principles, implementing robust internal controls, and utilizing advanced accounting software to streamline data collection and processing. Regular audits and reviews can help identify and correct errors or inconsistencies, while adopting a clear policy framework ensures consistent application across all financial transactions. Additionally, engaging stakeholders, including management and auditors, in the development and monitoring of accrual accounting practices can foster a culture of accountability and continuous improvement, ultimately leading to more reliable and insightful financial reporting.

There is need for Mbale district local government to adopt a hybrid approach that combines elements of both cash and accrual accounting to improve the accuracy and relevance of financial statements. This can be achieved by clearly defining which transactions are recorded on a cash basis and which are recorded on an accrual basis, thus ensuring consistency and clarity in financial reporting. Implementing comprehensive training programs for accounting personnel is crucial to ensure they understand the principles and applications of modified accounting. Regular internal audits and the use of sophisticated accounting software can help detect errors and ensure that the modified accounting approach is properly applied. Additionally, updating policies and procedures to align with evolving accounting standards and best practices, while ensuring transparency and communication with stakeholders, can further enhance the effectiveness of modified accounting in financial reporting.

Mbale district local government should improve the accuracy and timeliness of cash flow records and ensuring strict adherence to accounting policies that reflect cash transactions as they occur. This includes implementing robust internal controls to prevent errors and fraud, using automated financial management systems to efficiently track and report cash inflows and outflows, and

regularly reconciling bank statements with accounting records. Training staff to accurately record transactions and understand cash-based accounting principles is essential, as is conducting periodic reviews and audits to verify the integrity of cash reports. Furthermore, enhancing transparency and communication with stakeholders about cash flow management practices can build trust and ensure that financial statements accurately reflect the organization's liquidity position.

5.4 Areas of further research

Further research can be made on;

1. Effect of digital banking technologies on financial reporting accuracy in the banking sector
2. Effect of risk management practices on profitability in the insurance industry
3. Effect of regulatory compliance on financial transparency in the healthcare sector
4. Effect of internal audit functions on fraud prevention in the retail industry
5. Effect of financial technology adoption on operational efficiency in the finance sector
6. Effect of accounting information systems on decision-making in the manufacturing industry
7. Effect of corporate social responsibility on brand value in the telecommunications industry
8. Effect of Fair value accounting on asset valuation in the real estate sector

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APPENDIX: I QUESTIONNAIRE

Dear respondent;

I am Makoba Sam carrying out research on the topic “Accounting practices and financial reporting in local government” 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 was asked .However the information given was 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. Age bracket of the respondent (years)

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

3. Academic qualification of respondent

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

4. 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 reporting of Mbale district local government. 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	1	2	3	4	5
1	You account for the utilities at office even when cash is not received					
2	You account for transport cost of staff even when cash is not received					
3	You recognize revenue when it is earned or realized					
4	You recognize income from trade incomes even when not earned					
5	You recognize interest expenses when they have been incurred					
6	You recognize revenue from local service tax even when not earned					
7	You have good management of debt and income					
8	You record salaries of staff even when not paid					

Section B: Modified accounting

This section aims at examine the effect of modified accounting on financial reporting of Mbale district local government. 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	1	2	3	4	5
1	You record a transaction in accounting by identifying the accounts affected					
2	You ensure the accuracy of financial statements by conducting regular reconciliations					
3	You prepare a budget by forecasting revenues and expenses					
4	You handle discrepancies in financial records by investigating the root cause					

5	You manage financial risks in accounting by identifying potential risks					
6	You improve cash flow management by optimizing accounts receivable and payable					
7	You approach cost control in accounting by analyzing expenses					
8	You ensure compliance with accounting regulations by staying updated with current laws					

Section C: Cash accounting

This section aims at assessing the effect of cash accounting on financial reporting of Mbale district local government. 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	1	2	3	4	5
1	You recognize revenue when cash has been received					
2	Your recognize expenses when cash has been spent					
3	You account for transport cost for the staff when cash is received					
4	You recognize contractors when cash is earned					
5	You record salaries of staff only when paid					
6	You account for all utilities at the office when cash has been received					
7	You recognize income from trade earners only when earned					
8	You recognize revenue from local service tax only when earned					
	You recognize grants when they have been received					

Section C: Financial Reporting

This section aims at establishing the indicators of financial reporting of Mbale district local government. 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	1	2	3	4	5
1	You prepare financial statements annually					
2	The financial statements usually portray a true picture of the organization					
3	The financial statements are prepared according to the international public sector accounting standards					
4	You utilize specialized accounting software to streamline financial reporting					
5	Financial statements are prepared in time					
6	Comparative figures from the previous years are presented					
7	Notes to the financial statements are included					
8	Financial reports are easily understood by different users					

MBALE DISTRICT LOCAL GOVERNMENT

Mobile: CAO: 077 2 498 824
Email: llokuda1986@gmail.com
caombale@gmail.com



Office The Chief Administrative Officer
P.O. Box 931
Mbale

**In Any Correspondence On
This Subject Please Quote
No: CR. 220/1:**

The Republic of Uganda

23rd July, 2024

TO WHOM IT MAY CONCERN

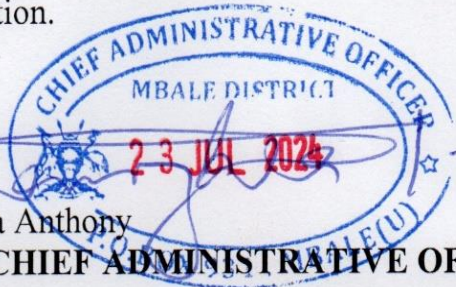
Mr. Makoba Sam

ACADEMIC RESEARCH

The above subject matter refers.

Following your request to carry out research on *“Accounting Practices and Financial Reporting in Local Governments, Case study of Mbale District Local Government”*, this is to inform you that permission has been granted.

The respective respondents reached are requested to accord him the necessary cooperation.



Wanzala Anthony
FOR: CHIEF ADMINISTRATIVE OFFICER

Copy to: Head of Department Business,
Uganda Christian University.