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**THE ADOPTION OF INTERNATIONAL PUBLIC SECTOR
ACCOUNTING STANDARDS (IPSAS): A COMPARATIVE STUDY
BETWEEN NIGERIA AND MALAYSIA**

YUNUSA IBRAHIM (832419)



**THESIS SUBMITTED TO
TUNKU PUTERI INTAN SAFINAZ SCHOOL OF ACCOUNTANCY,
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(INTERNATIONAL ACCOUNTING)**



Kolej Perniagaan
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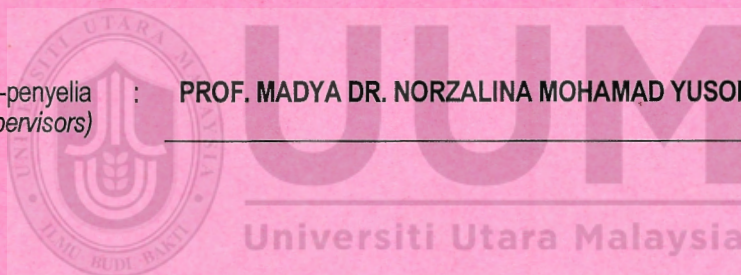
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ABSTARCT

This study examines the adoption of International Public Sector Accounting Standards (IPSAS) in Nigeria and Malaysia by comparing their historical, socio-political, and economic contexts. Globalization necessitates uniform financial reporting in the public sector, and IPSAS offers a framework to enhance the accountability, transparency, and comparability of financial statements.

The study employs secondary data by examining government publications, scholarly literature, and international norms. It identifies the primary reasons for the adoption of IPSAS in both nations, including international demands for financial transparency and governance changes, as well as the principal reasons for its non-adoption, such as technical challenges and stakeholder opposition. By clarifying these factors, the study offers valuable insights to other nations considering similar changes regarding effective strategies and best practices.

Nigeria and Malaysia employ distinct approaches to adopting IPSAS due to their divergent governance structures, institutional frameworks, and public sector reforms. Nigeria implemented IPSAS in 2014 as a component of a broader financial management reform; nevertheless, challenges such as corruption, institutional opposition, and inadequate infrastructure have impeded its execution. Conversely, Malaysia has had a more seamless transition to IPSAS due to its proactive strategy, robust governance frameworks, and emphasis on public sector modernization.

Findings of this study indicate the significance of historical and institutional factors in influencing the adoption of IPSAS. The study contributes to the field of public sector accounting by demonstrating the significance of contextual analysis in the adoption of international standards. The consequences are significant for policymakers, public accountants, and international organizations seeking to enhance accountability and financial reporting across various socio-economic contexts.

Keywords: IPSAS, public sector, accrual basis accounting, cash basis accounting, adoption

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Table of Contents

ABSTARCT.....	2
ACKNOWLEDGEMENT.....	3
Table of Contents.....	4
List of Abbreviations	7
CHAPTER ONE	9
1.1 Background to the Study.....	9
1.2 Problem Statement.....	13
1.3 Research Objectives.....	14
1.4 Research Questions.....	14
1.5 Scope of the Study	14
1.6 Significance of the Study	15
1.7 Definition of Key Terms.....	15
1.8 Organisation of the Study	16
CHAPTER TWO	17
2.1 Introduction.....	17
2.2 Conceptual Framework.....	17
2.2.1 Concepts of IPSAS.....	17
2.2.2 Public Sector	18
2.2.3 Public Sector Accounting.....	19
2.2.4 Financial Reporting Standards.....	20
2.2.5 Standards Issued by the International Public Sector Accounting Standard Board.....	20
2.2.6 Cash and Accrual Accounting.....	21
2.2.7 Effect of Accrual Basis IPSAS in the Public Sector	23
2.2.8 IPSAS in Developing Countries	23
2.2.8.1 IPSAS in South Asia.....	23
2.2.8.2 IPSAS in Africa	24
2.2.8.3 IPSAS in the Asia-Pacific Region.....	25
2.2.8.4 IPSAS in Latin America	26
2.2.8.5 IPSAS in Developed Countries.....	27
2.2.8.6 IPSAS in Anglo-Saxon Countries.....	28
2.2.8.7 IPSASs in Nordic Countries	28
2.2.8.8 IPSAS in Non-Nordic European Countries.....	29
2.2.8.9 IPSAS in Other OECD Countries	30

2.3 Theoretical Framework	31
2.3.1 Institutional Isomorphism theory	31
2.3.2 Coercive isomorphism on IPSAS adoption	32
2.3.3 Mimetic isomorphism on IPSAS adoption	34
2.3.4 Normative isomorphism on IPSAS adoption.....	35
2.4 Empirical Review.....	36
CHAPTER THREE	42
3.1 Introduction.....	42
3.2 Research Design.....	42
3.3 Data Collection Methods	42
3.4 Data Analysis Methods	43
3.5 Justification for Using Secondary Data	43
3.6 Ethical Considerations	44
CHAPTER FOUR.....	45
4.1 Introduction.....	45
4.2 Context of the study	45
4.2.1 Historical Background and Motivations for IPSAS Adoption.....	45
4.2.1.1 Nigeria.....	45
4.2.1.2 Malaysia.....	49
4.2.2 Implementation Processes.....	52
4.2.2.1 Nigeria.....	52
4.2.2.2 Malaysia.....	54
4.2.3 Outcomes of IPSAS Adoption	56
4.2.3.1 Nigeria.....	56
4.2.3.2 Malaysia.....	62
4.3 Research Questions.....	72
4.4 Discussion of Findings.....	76
CHAPTER FIVE	80
5.1 Introduction.....	80
5.2 Summary of Findings.....	80
5.2.1 Motivations for Adoption	80
5.2.1.1 Nigeria:	80
5.2.1.2 Malaysia:.....	80
5.2.2 Implementation Processes.....	81

5.2.2.1 Nigeria:	81
5.2.2.2 Malaysia.....	81
5.2.3 Outcomes of Adoption	81
5.2.3.1 Nigeria.....	81
5.2.3.2 Malaysia.....	82
5.3 Conclusion	82
5.4 Implications of the Study	82
5.5 Limitations of the Study.....	83
5.6 Recommendations for Future Research	83
5.7 Final Remarks	84
References.....	85
Appendices.....	94



List of Abbreviations

- ACC.A** – Accrual Accounting
- AGD** – Accountant General of Malaysia
- ASCSC** – Accrual Accounting Steering Committee
- CCM** – Companies Commission of Malaysia
- FAAC** – Federation Account Allocation Committee
- FSRC** – Financial Statement Review Committee
- FEC** – Federal Executive Council
- GASAC** – Government Accounting Standards Advisory Committee
- GPFS** – General Purpose Financial Statements
- IAS** – International Accounting Standards
- IASB** – International Accounting Standard Board
- IFAC** – International Federation of Accountants
- IFRS** – International Financial Reporting Standards
- IMF** – International Monetary Fund
- IPSASB** – International Public Sector Accounting Standard Board
- IPSAS** – International Public Sector Accounting Standards
- LGC** – Local Government Council
- MASB** – Malaysian Accounting Standard Board
- MCCG** – Malaysian Code on Corporate Governance
- MIA** – Malaysian Institute of Accountants
- MICG** – Malaysian Institute of Corporate Governance
- MICPA** – Malaysian Institute of Certified Public Accountants
- MPSAS** – Malaysian Public Sector Accounting Standards
- NCOA** – National Chart of Accounts
- NPM** – New Public Management
- NSE** – Nigerian Stock Exchange
- OECD** – Organisation for Economic Co-Operation and Development
- OPEC** – Organisation of the Petroleum Exporting Countries

PFM – Public Financial Management

PSC – Public Sector Committee



CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Over time, numerous nations have established distinct financial reporting standards to direct their accounting practices (Christensen & Parker, 2010). The advancement of globalization through international trade and commercial activities as well as enhanced national collaborations requires standardized financial reporting (Abimbola et al., 2019). With this development in mind, it is important that there is consistency to the standards of financial reporting as the consumers in the world over need the same transparency to their financial information (Kara, 2012).

It is the International Public Sector Accounting Standards Board (IPSASB) that set the International Public Sector Accounting Standards (IPSAS) to be the basis of setting out the rules of preparing of the financial statements of public sector entities around the world. Berger (2016) stated that IPSAS is a well-established and well comprehensive accounting standard. These are guidelines which provide for cash accounting mechanisms in public sector financial operations within the country.

A number of countries have chosen to move away from using their old cash records for processing, and instead convert to an accrual accounting system that is based on IPSAS (Bergmann et al., 2019; Brusca et al., 2018). Nevertheless, the implementation of IPSAS has been inconsistent globally, with varying degrees of adoption by different governments and regions (OECD/IFAC, 2017; Christiaens et al., 2015). For instance, even if Finland and Germany have gained numerous benefits from becoming adopted IPSAS based accounting, they have taken a gradual path towards the adoption of which has demonstrable benefits (Aboukhadeer et al., 2023).

Scholars such as Bakre et al. (2017), Oulasvirta (2014), and Robb and Newberry (2007) have articulated intellectual critiques of IPSAS. These criticisms primarily focus on the business-oriented model of accounting that IPSAS uses for the public sector, its limited exploration of certain subsectors, and the lack of mandatory enforcement of the standards. Over recent decades, research in public sector accounting has increasingly focused on harmonizing financial reporting standards and adopting accrual accounting to reduce the inconsistencies observed between countries (Brusca & Condor, 2002; Caperchione et al., 2013; Groot &

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Appendices

Table 1: Implementation of IPSAS in Developing Countries

	Examples – Countries of Investigation	Implementation Strategy	Drivers on Implementation	Implementation Challenges	Unintended Consequences of Implementation
South Asia	Sri Lanka. Bangladesh; India	Often, Cash Basis IPSAS are adopted	International pressures (donors)	Technical ambiguities; lack of training and education; valuation	IPSASs implementation at times rather a legitimacy seeking exercise
Africa	South Africa. Uganda. Zimbabwe. Ghana. Benin	More than 30 governments have adopted Cash Basis IPSAS	Donor prescriptions within good governance principles	Challenges to fulfil key reporting requirements of the Cash Basis IPSAS: consolidated statements: disclosing support received in kind from donors. long transition periods; shortage of skilled staff	Rise of corruption, patronage politics and neo patrimonialism; fabrication of standards

Asia Pacific	Indonesia. Thailand. Vietnam. Malaysia	33 countries have implemented accrual based IPSAS. Thai/Malay Public Sector Accounting Standards (T/MPSASs) based on IPSAS	WB; ADB	Lacking will and skill of politicians and other stakeholders regarding applying accrual information in decision-making; lack of qualified accountants. insufficient trainings	In Indonesia: dysfunctional impact of contractors to implement reforms. decentralization has led to increased local corruption and paralyzed the independency of internal auditors
Latin America	Honduras. El Salvador; Guatemala, Nicaragua.	Little interest on the Cash Basis IPSAS, as modified cash accounting has	Rather coercive institutional modernization pressures given the fiscal risks	Concerns with the technicalities inherited to IPSASs; complexity of certain standards; errors in	Still too early to assess the implications of



	Panama. Colombia. Dominican Republic. Ecuador. Peru; Brazil	been frequently implemented; some countries are still in the process of gradual implementation, others have finished implementation	that countries in the region were exposed to	reporting; merely formal adoption in some countries	IPSASs implementation
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Source: Compiled by the author, based on review of the literature

Table 2: Implementation of IPSAS in Developed Countries

	Examples – Countries of Investigation	Implementation Strategy	Drivers on Implementation	Implementation Challenges	Unintended Consequences of Implementation
Anglo Saxon	Australia. Canada. Ireland; New Zealand. United Kingdom. United States	Early reformers, larger reform package, often private sector oriented ACC.A	Internal forces mostly (except Ireland)	Information technology (IT) systems, OBS, ACCA information usefulness	ACCA information quality issues, audit opinions lacking or in jeopardy (United States)

					especially)
Nordic	Denmark. Finland. Iceland. Norway. Sweden	Nordic countries followed Anglo Saxon countries in implementing ACCA A stepwise approach was common	Limited (external) institutional pressure. Internal sources and practices more important	OBS, decision usefulness and user interest	Complex solutions due to special accounting techniques (e.g. Norway)
Non Nordic European	Austria. Belgium. Czech Republic. Estonia. France. Germany. Greece. Hungary. Italy. Luxembourg; Netherlands;	Cost-benefit approach, stepwise manner, implementation aligned with legal traditions, continued quality enhancing measures	Different stakeholders' views – encompassing politicians, international standard setters and transnational institutions, such as IMF,	IT systems, Informational usefulness and public awareness, competence, OBS, data quality, amending rules and regulation, managing the reform and stakeholder coverage	Argued economic consequences concerning debt levels (e.g. Greece)

	Poland. Portugal. Slovak Republic. Slovenia. Spain. Switzerland		consultants. combined traces of isomorphic pressures		
Other OECD	Chile. Mexico. Israel; Japan; (South) Korea; Turkey	Cost-benefit approach (e.g. Chile), stepwise approach	External assistance with the practical implementation (e.g. Chile)	Complexity, training and competence, IT systems, informational usefulness and public awareness	

Source: Compiled by the author, based on review of the literature

Table 3: Overview of Accrual Accounting Reforms in OECD Countries

Country	Accounting basis	Primary standard setting reference	Accrual reform status	Transition period to accrual accounting	Benefits achieved (improved ...)

Australia	Accruals	IFRSs	Completed	Progressed through the 1990s (10 years)	Transparency, accountability, usefulness of data for fiscal analysis, asset management
Austria	Accruals	IPSASs	Completed	2009-2014 (5 years)	Budgetary process applied (forecasting and evaluations)
Belgium	Accruals	Eurostat's European System of Accounts	Ongoing	2009-2020? (11 years)	Financial information, standardization, consistency and integration;
Canada	Accruals	Not defined	Completed	Mid 1990s-2003 (8 years)	Transparency, accountability, public awareness, financial business processes
Chile	Accruals	IPSASs	Ongoing	2011-?	Not assessed
Czech Republic	Accruals	IPSASs	Ongoing	2007-2016? (9 years)	Fiscal statistics
Denmark	Accruals	Private sector	Completed	2003-2008 (5 years).	Full costs of operation information

		(IPSAS recently)		improvements ongoing	
Estonia	Accruals	IPSASs	Completed	2003-2005 (2 years)	Not stated
Finland	Accruals	Private sector	Completed	During 1990s (8-10 years?)	Transparency, accountability
France	Accruals	Not defined	Completed	2001/2002-2006(4 years)	Transparency, accountability, public awareness, asset and liabilities management, information to stakeholders
Germany	Cash	Not defined	No plans (Not an option)	N/A	N/A
Greece	Cash transitioning to accruals	Not defined	Planned	2016? -?	N/A
Hungary	Accruals	Not defined	Completed	2013-2015 (1.5 year)	Not yet

Iceland	Accruals	Private sector (IPSAS recently)	Ongoing	1998-?	Not assessed (beyond improved forecasts and ratio analysis)
Ireland	Cash	Not defined	Being considered	N/A	N/A
Israel	Accruals	IPSASs	Completed	Mid 2000s 2013/2014 (10 years)	Public awareness, user orientation/relevance, transparency, reliability, comprehensive information
Italy	Cash	Not defined	Ongoing	2009-?	Not assessed
Japan	Accruals	Private sector	Completed	2000-2005 (5 years)	Evaluation of the full cost of public policies
(South) Korea	Accruals	IPSASs	Completed	2009-2011 (2 years)	Better information and understanding of public

					finances, performance based fiscal management, full costs per project, transparency and financial
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					management
Luxemburg	Cash	Hitherto no clear reference, planning EPSASs orientation	Planned	N/A	N/A
Mexico	Accruals	Not defined	Completed	2008-2015 (7 years)	Transparency, accountability, awareness public
Netherlands	Cash	Not defined	No plans (Not an option)	N/A	N/A
New Zealand	Accruals	IPSASs	Completed	1988-1994 (6 years)	Transparency and performance based accountability evaluation
Norway	Cash	Main accounts: Not defined Accruals in some	No plans (Not an option)	N/A	N/A

		agencies: private sector			
Poland	Accruals	Not defined	Completed	1990s	Not yet achieved
Portugal	Cash trans. to accruals	Transitioning toward IPSASs	Ongoing	2015/2016- ?	N/A
Slovak Republic	Accruals	IPSASs	Completed	1998-2006 (8 years)	Not stated
Slovenia	Cash (Transition to accruals)	IMF's Government Finance Statistics Manual, (Partially IFRSs)	Planned (adopted by 2022?)	N/A	N/A
Spain	Accruals	IPSASs	Completed	1980s-2010 (25 years)	Financial information, standardization of business processes, accountability and transparency, (ratio) analysis

Sweden	Accruals	Not defined	Completed	1990s-2010? (15 years)	Not yet (properly) achieved
Switzerland	Accruals	IPSASs	Completed	2000s-? (the end not specified)	Transparency and accountability
Turkey	Accruals	IPSASs (vaguely)	Ongoing	2005-?	Transparency and accountability
United Kingdom	Accruals	IFRSs	Completed	1993-2002 (10 years)	Making additional financial information available, close alignment of estimates, budgets and accounts
United States of America	Accruals	Not defined	Not stated	1996-? (an end is not specified)	Not stated

Source: Compiled by the author, based on review of the literature (foremost OECD and IFAC 2023)