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THE IMPACT OF TRANSITION TO INTERNATIONAL GOVERNMENTAL ACCOUNTING STANDARDS ON THE QUALITY OF FINANCIAL REPORTING: A REVIEW

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Abstract

The study aims to demonstrate the impact of the transition to international accounting standards in the public sector on the quality of financial reporting, as well as the role of the transition to international public sector accounting standards in achieving transparency and accountability and facilitating the process of integration with the international community, and to achieve the goal of the research, previous literature dealing with this has been reviewed. The topic and the study reached a set of conclusions, the most important of which are: The adoption of international accounting standards in the public sector leads to saving time, effort, and ease in comparing the financial statements of different government units, and that there is an increasing trend towards adopting international standards from some Iraqi government institutions, such as Diwan Financial Supervision and the Ministry of Finance.

Keywords: government accounting standards, financial reporting quality

Introduction

What the economic units in the public sector in the world are witnessing, and especially in Iraq in terms of decline in performance, and even bankruptcy and exposure to closure, is the absence of accountability, control and waste of public money, due

to lack of transparency, sound financial disclosure and lack of commitment to international and local standards that enhance the effectiveness of reporting Financial, the International Federation of Accountants (IFAC) and the Public Sector Committee (PSC) have started a program to develop and publish international accounting standards for the public sector, and the program has obtained financial support and support from many international financial and development institutions interested in improving financial management and enhancing accountability, and during the second phase Which began in (2002) AD until (2017 AD), the Public Sector Committee (PSC) and its successor, the International Public Sector Accounting Standards Board (IPSASB), produced six standards that are unique to the public sector while continuing to adapt to (IFRS) in other standards. As international governmental accounting standards (IPSASs) converge with international financial reporting standards (IFRS) that are adopted by the private sector, then these standards are approved and modified to fit the public sector context and When was appropriate,

That the adoption of international accounting standards for the public sector (IPSASs) issued by the International Accounting Standards Board in the public sector, which encourages the adoption of (IPSASs) on an accrual basis, despite the existence of a standard on a cash basis, it may have an important and significant impact on the quality of financial reporting in the financial statements. Many countries of the world have been transformed into the accrual basis, and according to international accounting standards in the public sector, but some others, including Iraq, are still preparing their accounts according to the modified cash or cash basis, and the application of international accounting standards in the public sector according to the accrual basis can be To lead to improving financial reporting by affecting the quality of the financial statements, which are issued from the government accounting system, as they reflect the real revenues and expenditures of them, as well as to show the assets and liabilities in detail, and thus correctly express the result of the activities of these units and their financial position.

Literature review

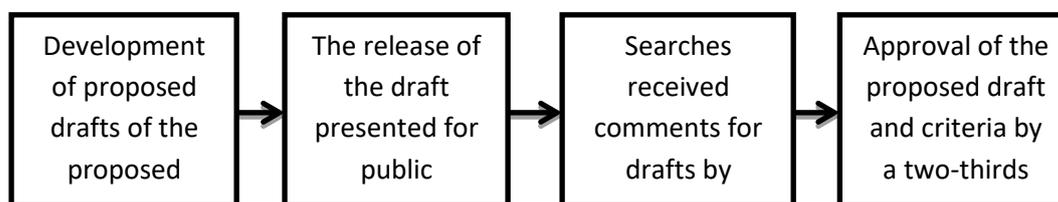
First: A theoretical introduction to governmental accounting standards and the quality of financial reporting

Before dealing with governmental accounting standards and the quality of financial reporting, we have to highlight the International

Public Sector Accounting Standards Board (IPSASB), which consists of (18) members from different parts of the world with experience and experience in preparing financial reports for the public sector, and they are appointed by the International Federation For accountants (IFAC), the board also includes observers who attend meetings, but they do not have the right to vote regarding the issuance of drafts or voting for international governmental accounting standards. (IPSASB) follows sound legal procedures in developing these standards, and these procedures provide an opportunity for all interested in preparing financial reports in The public sector, including the preparers and users who are directly affected by the International Governmental Accounting Standards (IPSASs), by expressing their opinions and to ensuring that those views are taken into account in the development process (UN, 2013: 12).The following figure shows the legal procedures followed by IPSASB in issuing standards:

Figure (1)

Procedures for issuing international governmental accounting standards



Reference: - United Nations (UN) (2013) United Nations policy framework for International Public Sector Accounting Standards, 31 December 2013. (P.13)

(IPSASB) aims to develop programs aimed at improving public sector financial management and accountability, including developing accounting standards and enhancing their acceptance, and this goal clarifies the following: (PSC, 2004: 2)

1- Including budget information in the accounting system and budget reporting data is crucial to improving the financial management of the public sector.

2-Ensure that officials are accountable for their budget decisions. Users must know the degree of officials 'ability to work within the limits of the approved budget.

3-The approved and planned budget reports, as well as the compliance reports issued as a component of the general purpose financial statements, are the best mechanism through which the people can be informed of the country's conditions.

According to the statement of the International Public Sector Accounting Standards Board (IPSASB), this goal is achieved through the following: (European Commission, 2013: 11)

1-Setting high-quality standards for use by public sector agencies.

2-Enhancing international rapprochement.

3-Providing comprehensive information for financial management in the public sector.

(IPSASB) urges governments to prepare and approve annual general budgets and make them available to the public, as they provide financial information about the unit's operational plans for the next period and its capital needs and are useful for communicating goals and expectations to interested parties. It is used to justify the collection of resources from taxpayers and other resource providers. And the establishment of the authority for collection and spending. (IPSASB, 2015, Handbook: 35)

-International Accounting Standards Board publications in the public sector

(IPSASB) ratified in (2015) six international standards based on accrual accounting as follows: (IPSASB, 2015, Handbook: 7)

(IPSAS33): Adoption of international governmental accounting standards on an accrual basis for the first time.

(IPSAS34): Separate Financial Statements.

(IPSAS35): consolidated financial statements.

(IPSAS36): investment in associates and joint ventures.

(IPSAS37): Joint arrangements.

(IPSAS38): Disclosure of investment in other companies.

This is in addition to the (32) standards issued earlier as in the following table:

Table (1)
International governmental accounting standards issued before 2015

The number	The name of the standard	The number	The name of the standard
1	.View financial statements	.17	Property, Manufacturer, and Equipment
2	.Cash flow statement	.18	Reporting on sectors
3	Accounting policies and changes in accounting estimates and errors	.19	Provisions, liabilities and contingent assets
4	The effects of changes in foreign exchange rates	.20	Disclosure of related parties
5	Borrowing costs	.21	Impairment of non-cash assets
6	Consolidated and Separate Financial Statements	.22	Disclosure of financial information about the government sector
7	Investments in associates	.23	Revenue for non-exchange transactions
8	Quotas in joint ventures	.24	Display budget information in financial statements
.9	Revenue from exchange transactions	.25	Employee benefits
.10	Preparing financial reports in high-inflation economies	.26	Impairment of cash-generating assets
.11	Construction contracts	.27	Farming
.12	Inventory	.28	- Financial infrastructure presentation
.13	Lease contracts	.29	- Financial infrastructure recognition and measurement
.14	Events after the reporting date	.30	- Financial instruments disclosure

.15	disclosure - Financial instruments and presentation	.31	Intangible assets
.16	Investment real estate	.32	Service concession grantor the :arrangement

(IPSASB) International Public : Prepared by the researcher based on :Source Sector Accounting Standards Board, Handbook of International Public Sector Accounting pronouncements, (Edition 2015), volume & II. New

Adoption of International Governmental Accounting Standards (IPSASs):

The current time is an era for the global revolution in the field of government accounting, as government accounting reforms are underway all over Europe and in Central Asia and Southeast Europe and include many reforms moving to accrual accounting and the application of accounting standards in line with International Governmental Accounting Standards (IPSASs) (CEF, 2011: 4), and studies are continuing in this area not only on the development of accrual-based accounting and reporting standards but also the results of the budget as a result of using the accrual basis (Chan & Zhang, 2013: 22-21).

Developing countries are the main beneficiaries of IPSASs, as most developed countries have government accounting systems that are either similar or more stringent than IPSASs. The World Bank uses these standards in accounting for its financial aid to developing countries. Therefore, IPSASs are considered A recognized reference for evaluating and developing government accounting in developing countries (Chan, 2006: 5). The reason for the weakness of the public budgets of developing countries is that these countries still use the cash basis in their government accounting systems (Ouda, 2003: 16).

Compliance with IPSASs calls for adherence to all applicable standards, and as in private sector frameworks such as IAS, compliance with IPSASs is only achieved if they comply with the requirements of all of these standards and have approved a full set of general-purpose financial statements and requires compliance with (IPSASs) from the government unit to faithfully represent financial transactions and events under the conditions specified in the standards, and auditors during the annual review processes should determine whether the accounting practices and reporting on the economic unit were carried out under the requirements stipulated in the approved international governmental accounting standards (SAP). (2011: 6), and it is evident through studies that

the efforts made by countries are to a large extent directed towards adapting rather than adopting these standards in all material respects (Alshujairi, 2014: 5). For example, (Hong Kong) reforms were not Expensive because it did not fully adopt the requirements of the accrual-based International Governmental Accounting Standards (IPSASs) (Kuti, 2012: 22), as IPSASs are implemented in two ways: the direct method (accreditation) and the indirect method (adaptation).

Second: The concept of quality financial reporting

The quality of financial reporting can generally be addressed through the following concepts:

It was defined as “the accuracy of financial reporting in communicating information related to the unit’s operations and presenting it fairly (Legenkova, 2016: 2).

Tang, et, al defined it as "the extent to which the financial statements can provide the beneficiaries correctly and fairly with information about the unit's performance and financial position" (Al-Ma`tah, 2015: 23). Information is financial or non-financial and is transparent and free from misleading or confusing users "(Bekiaris, 2012: 59).

In the thirteenth standard, GASB indicated that government financial reporting consists of a set of financial reports and lists of funds, covering all government activities, as well as detailed and statistical tables and notes, or any other explanatory information (Ismail and Adas, 2010: 86-96) And this is what was indicated by Standard No. 1 issued by the International Accounting Standards Board in the public sector related to the presentation of financial statements, and its emphasis on providing useful information to all parties as an indication of the quality of government financial reporting (International Federation of Accountants, 2012: 36).

The two researchers agree with what the researchers stated above that the concept of financial reporting is broader than disclosure, whether in profit-oriented economic units or government units because it includes financial and non-financial information, as well as its quality represented by the characteristics of information, the quality of standards and the quality of receivables, which make financial reporting characterized by accuracy, transparency, and appropriateness Correct and fair presentation, free from misleading and confusion, as well as being useful in rational decision-making by the beneficiaries.

-The parties benefiting from government financial reporting

To determine the parties benefiting from financial reporting in government units, it is necessary to identify the parties that are particularly interested in obtaining the information produced by these units.

Belkaoui referred to four groups (2000: 137, Belkaoui):

- 1-Suppliers of resources: lenders, processors of materials, workers, and taxpayers.
- 2-Entities that use and benefit from the services provided by the unit.
- 3-The controlling and supervising bodies responsible for setting policies and monitoring, monitoring, and evaluating the performance of government unit managers.
- 4-Managers or administrators of government units.

-Entries to measure the quality of financial reporting

The most important approaches to the quality of financial reporting will be reviewed in order to arrive at methods for measuring the quality of financial reporting, as indicated in the following table:

Table(2)

Entries to measure the quality of financial reporting

Introduction to measuring the quality of financial reporting	
1	The quality of financial reporting is measured by relying on the accounting information quality approach
2	The quality of financial reporting is measured using three measures of accuracy, appropriateness, and timeliness
3	Three approaches are identified for the quality of financial reporting The first entry is the quality of profits, the second entry is the quality of accounting information, the third entry is the quality of accounting standards

Source: (Hussein, 2016, 33), at the disposal of the researchers

It is clear from the previous table that there are different methods of measuring the quality of financial reporting, and they were identified by two inputs. They include all previous trends except

for the quality of profits because they are not present in government units.

Conclusions

1-The adoption of international accounting standards in the public sector will lead to overcoming the difficulties in applying the performance evaluation process in a reasonable and acceptable manner locally and internationally.

2-The quality of financial reporting in government units affects performance evaluation, by providing information that is transparent, credible and objective.

3-The adoption of international accounting standards in the public sector leads to saving time, effort and ease in comparing the financial statements of different government units, in order to analyze and interpret the results of their performance and financial positions for the decision-makers related to these units. Some Iraqi governmental institutions.

4-Most of the research sample employees lack information on IPSASs.

5-There is a big difference between the International Governmental Accounting Standards (IPSASs) and the governmental accounting system adopted by government units in Iraq in terms of the principles of recognition, measurement, presentation and disclosure.

6- That there is a major deficiency in the terminology adopted in the government accounting system as a result of their adoption of the amended cash basis for the lack of accounting terms that meet the requirements for adopting IPSASs according to the accrual basis of accounting.

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