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Assessment of Public Sector Accounting Issues in International Accounting: A Theoretical Framework Proposition

Kwaji, Sini Fave
Department of Accountancy, School of Management and Information Technology, Modibbo Adama University of Technology, Yola, Adamawa State- Nigeria

***Corresponding author**
Kwaji, Sini Fave
Email: inifavek@gmail.com

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Abstract: The diversity in reformed governmental financial information systems created a need for harmonized international accounting standards, resulting in the elaboration of the International Public Sector Accounting Standards. International accounting literature provides evidence that accounting quality has economic consequences such as costs of capita, similarly Financial reporting by public sector entities providing concepts that will underpin the development of international public sector accounting standards and recommended practice guidelines. Likewise, Gross National Product is the market value of all the products and services produced in a year by Labor and property supplied by the citizens of a country, unlike gross domestic product which defines production based on the geographical location of production. In Nigeria inadequate economic growth is the main cause of poverty, economy has a very narrow and weak base, depending most on exploration of petroleum crude oil as a major source of income. The findings indicated that the development of the private sector depends largely on the activities in the public sector in developing countries as Nigeria. It is concluded that there is a great number of poverty which was among due to high and growing unemployment that exacerbated the level of poverty. It is recommended that private sectors should not depend on the activities in the public sector; they should improve their own activities by training and retraining, organize workshop and agricultural sector which was ignored to be revived into life.

Keywords: Public sector, Accounting, Issues, International accounting

INTRODUCTION

Accounting today has served as the premier news vehicle for the tax and accounting community converges which include; Mergers and acquisition, Sarbanes Oxley compliance and legislative update, Critical changes in tax laws, growth strategies and rapidly expanding client services, technology and financial planning each issue showcase departments and sections dedicated to new product, staff promotions and appointment and a calendar of events. An accountant working in the public or private sector must remain impartial and loyal to ethical guidelines when reviewing a company or individual's financial record for reporting purpose. An accountant frequently encounters ethical issues regardless of the industry and must remain continually vigilant to reduce the channels of outside forces, manipulating financial records, which could lead to both ethical and criminal violations, Ernst [1].

The international public sector Accounting standards and Boards (IPSASB) issue accounting and other guidance relating to the financial reporting needs national, regional and local governments, governmental agencies and the constituencies they serve. The international public sector accounting standards (IPSAS) and recommended practice guide (RPGS) that have been issued by the IPSAB represent the first and only compressive set of authoritative international financial reporting standard and guidance for governments and other public sector entities. IPSAS aims to improve the quality or general purpose financial reporting by public sector entities leading to better informed assessments of the resource allocation decision made by governments, thereby increasing transparency and accountability. The international accounting standards (IAS) are accounting principles methods (standards) issued by the international standard Board (IASB). They purport to be a set of standards that ideally would apply equally to financial reporting by public companies worldwide between 1973 and 2000. The IASB is better- funded, better-staffed and more independent than its predecessor, the IASC. Nevertheless, there has been substantial continuity across time in its viewpoint and in its accounting standards. Widespread international adoption of IFRS offers equity investors the next potential advantages [2]. Similarly, International accounting literature provides evidence that accounting quality has economic consequences such as costs of capital [3].

Furthermore, Gross National Product (GNP) is the market value of all the products and services produced in a year by Labor and property supplied by the citizens of a country, unlike gross domestic product (GDP) which defines production based on the geographical location of production. The Bureau of Economic Analysis [4] noted both that GDP provided an easier comparison of other measures of economic activity in the United States and that virtually all other countries have already adopted GDP as their primary measure of production. The balance of payment also known as balance of international payments, encompasses all transactions between a country's residents and non- residents involving goods, service and income, financial claims on and liabilities to the rest of the world and transfer such as gifts [5]. While, the trade balance is identical to the difference between a country's output and its domestic demand the difference between what goods a country produces and how many goods its buys from abroad [6]. In similar vein, Ajakanye & Adeyeye, [7] inadequate economic growth is the main cause of poverty in Nigeria. Nigerian economy has a very narrow and weak base, depending most on exploration of petroleum crude oil as a major source of income; the agricultural base on the economy had been frustrated and marginalized, high and growing unemployment has also exacerbated the level of poverty in Nigeria [8]. These constitute the factors influencing International Accounting.

To this end among the problems common to the public sector are, appointment of unqualified accountants to act as account supervisor, negative attitude of most accountants towards account ability resulting to inadequate keeping of financial and accounting records as stipulated by the financial regulations and treasuring circulars, delay in receiving reports from out stations which subsequently delay the preparation of financial report**,** irregular balancing of books of account. Some of the problems include lack of proper and suitable accounting systems, inefficiency of accounting and internal audits**,** ineffective control systems and negative attitude of government functionaries towards accountability [9].

The objective of this paper is to assess the various issues in public sector accounting in international accounting. This study would be important to Staff and practitioners of government accounting who would find the information useful in improving their job. The success of this work could be of immense benefit to the operations of government establishment whose financial information need for decision making purpose is very paramount, It would also serve as a reference material to accounting students, lecturers and researchers who might use it for academic and research purposes in the future. The general public would also benefit from this work since it would educate them on the awareness of the accounting knowledge. The other sections are divided into literature review, findings, conclusion and recommendation.

LITERATURE REVIEW

Institutional Framework

The public finance accountants Act and the financial Regulations are prescriptive about the maintainance and compilation of accounts, but make no mention of international Accounting Standards [10]. The public finance Act should require conformance with International Accounting Standards (IPSA). However, under Finance Act, there are proposed rules that would promulgate the allowance of IPSAS to be followed. The future accounts should be based on cash basis IPSAS with notes providing other information on assets, liabilities and contingent liabilities as required by the public finance Act. Progression to accrual- based statements would occur as adequate computer accounting systems are rolled out. A modern Financial reporting Framework is required for better accountability. Better opportunities for education and training government accountants should be developed. Government accountants need exposure and training in international accounting standards from professional institutions. A training programs that meets the IFAC-Issued international Education Standard. (ES) for professional is needed for public sector accountants and auditors consideration should be given in due course to adopting the public sector program of institutes like the chartered institute of public Finance and Accountancy (CIPFA) in United Kingdom.

Conceptual Framework.

The international public sector Accounting Standards Board (IPSASB) has its conceptual Framework for General purpose [11]. Financial reporting by public sector entities providing concepts that will underpin the development of international public sector accounting standards (IPSASS) and Recommended practice guidelines (RPG'S). The framework was developed in multiphase project after it was initiated in 2006. In some circumstances to ensure that the financial statements, provide information that is useful for a meaningful assessment of the financial performance and financial position of an entity, recognition of economic phenomena that one not captured by the elements may be necessary, consequently the identification of the elements does not precludes IPSAS'S from requiring or allowing the recognition of resources or obligations that do not satisfy the definition of an element when necessary to better achieve the objective of financial reporting.

Various research studies have examined the issues of public sector accounting in international accounting, on comparative analysis of national system, measurement of gross domestic product, measurement of gross national product, measurement on balance of payment, measurement on balance of trade, measurement of Employment rate and poverty level. Adams [12] in his book, Public sector Accounting and finance made simply defines Public sector accounting as a process of recording, communicating, summarizing, analyzing and interpreting government financial statements and statistics in aggregate and details.

International Accounting Standards

The international accounting standards (IAS) are accounting principles methods (standards) issued by the IASB. An independent organizational based in London, U. K They purport to be a set of standards that ideally would apply equally to financial reporting by public companies worldwide between 1973 and 2000, international standards were issued by IASB'S predecessor organization, the international Accounting committee (IASC) a body established in 1973 by the professional accountancy bodies in Australia, condition, France, Germany, Japan, Mexico, Netherland, United Kingdom and Ireland, and the United States, During that period, the IASC'S principles were described as international accounting standards (IAS) . Since April 2001, this rule-making function has taken over by a newly – recommended (ASB) from on IASB describe its rules under the new label IFRS, though it continue to recognize (accept as legitimate the prior, rules (IAS) issued by the old standard –setter (IASC). The IASB is better- funded, better-staffed and more independent than its predecessor, the IASC. Nevertheless, there has been substantial continuity across time in its viewpoint and in its accounting standards. Widespread international adoption of IFRS offers equity investors the next potential advantages [2].

Comparative Analysis of National System

International accounting literature provides evidence that accounting quality has economic consequences such as costs of capital [3]. Efficiency of capital allocation [13] and international capital mobility [14] compared characteristics of accounting amounts that adopted IFRS (International Financial Reporting standards) to Matched Simple of companies that did not, and found that the former evidenced less earnings management, more timely loss recognition, and more value relevance of accounting amount than did the latter. Botsari and Meeks [15] found that first time mandatory adopters experience statistically significant increase in market liquidity and value after IFRS reporting becomes mandatory. The effects were found to range in magnitude from 3 to 6 percent for market liquidity and from 2 to 4 percent for company by market capitalization to the value of its assets by their replacement value.

Gross Domestic Product (GDP)

Gross domestic product (GDP) is a measure of economic activity which captures the value of goods and services that the UK produces during a given period. GDP can be expressed in nominal or real terms. Nominal GDP reflects the value of all the value of goods and services, but it uses a constant consumer and producer price indices to remove the effects of rising price level (inflation). Periods of real GDP growth are thought to enhance the welfare of individuals as economic growth allows average becomes to rise, supporting a higher level of consumption and consequently a lower standard of living. GDP also attempts to measure the use of economy i.e the value of finished goods and service ready to be used by consumer business and government. GDP is similar to the bottom line (earnings) of an accounting statement, which determined the value added or the value of final use. Gross out (GO) is an estimate of the economy. i.e the monetary value of sales at all stages of production, It was conclude that Gross output (GO) is the national measure of the production sector, while net output (GDP) is appropriate as a measure of welfare both are required in a complete system of accounts [16].

Gross National Product (GNP)

Gross National Product (GNP) is the market value of all the products and services produced in a year by Labor and property supplied by the citizens of a country, unlike gross domestic produce (GDP) which defines production based on the geographical location of production. (GNP) allocates production based on location of ownership. GNP is an economic statistic that includes GDP, plus any income earned by residents from overseas investments, minus income earned within the domestic economy by overseas residents. GNP does not distinguish between qualitative improvements in the state of the technical arts. When a country's capital or labor resources are employed outside its borders or when a foreign firm is operating in its territory. The Bureau of Economic Analysis [17] noted both that GDP provided an easier comparison of other measures of economic activity in the United States and that virtually all other countries have already adopted GDP as their primary measure of production.

Balance of Payment (BOP)

The balance of payments accounts of a country records the payments and receipts of the residents of other countries, if all transactions are included, the payments and receipt of each country are and must be equal. Any apparent inequality simply leaves one country acquiring assets in the others, for example, if Americans buy automobiles from Nigeria, and have no transactions with Nigeria, the Nigerian must end up holding dollars, which they many hold in the bank deposits in the United States or in some other U.S Investment. The payments American make to Nigeria for automobile are balanced by the payments Nigerian made to U.S. Individual and institutions, including banks, for the acquisition of dollar assets. The balance of payment also known as balance of international payments, encompasses all transactions between a country's residents and non- residents involving goods, service and income, financial claims on and liabilities to the rest of the world and transfer such as gifts [5].

Balance of Trade

The balance of trade (BOT) is a key indicator of a nation's health. Investors and market professional appear more concerned with trade deficits than trade surplus, since chronic deficits may be also the balance of trade is the difference between the values of all goods and services country experts and the goods and service its imports. The commercial balance or net exports (sometimes symbolized as NX), is the difference between the monetary value of exports and imports of output in an economy over a certain period, Measured in the currency of that economy. It is the relationship between a nation's imports and exports. A positive balance is known as a trade surplus if it consists of exporting more than is imported, a negative balance is referred to as a trade deficit or, informally, a trade gap. The balance of trade is sometimes divided into a goods and a services balance. The trade balance is identical to the difference between a country's output and its domestic demand the difference between what goods a country produces and how many goods its buys from abroad [6].

Employment Rate and Poverty Level

In measuring the economically active population in household surveys, it is essential that careful attention be paid in questionnaire design and interviewer instruction so as to translate the notion of economic activity into appropriate questions, because the interviewer's and respondents own subjective understanding of economic activity may differ from what the concept intends to include. This requirement is fundamental, as its set the frame for all subsequent information collected in the course of the interview. A misunderstanding of whether or not certain activities are to be considered as economic may thus have irremediable impacts on the entire interview and on the survey results. Such population is engaged in activities other than regular full –time , full year paid employment or self employment, such as part-time employment casual work, work remunerated in kind, home- based work, unpaid family work and production for own consumption [18].

Ajakanye & Adeyeye, [7] inadequate economic growth is the main cause of poverty in Nigeria. Nigeria economy has a very narrow and weak base, depending most on exploration of petroleum crude oil as a major source of income; the agricultural base on the economy had been frustrated and marginalized, high and growing unemployment has also exacerbated the level of poverty in Nigeria [8].

From the empirical review of the literature, some of the findings are mixed hence the need to assess the various issues in public sector accounting in international accounting. A nation with a trade deficit will experience reduction in its foreign exchange reserves which ultimately lowers (depreciates) the value of its currency. The cheaper currency renders the nation's goods (exports) more affordable in the global market place while making imports more expensive. After an intermediate period, imports are forced down and exports rise, thus stabilizing the trade balance and the currency towards equilibrium. Global Labor Artitrage, a phenomenon described Stephen S. Roach, where one country exploits the cheap labor of another would be a case of absolute advantage that is not mutually beneficial, Fictcher [19] economists authored a significant work entitled, free trade doesn't work what should replace it and why, where he has supported a strategic approach to trade rather than an unconditional or unilateral approach. Many economists and commentators supported that, creditor nation may be just as responsible as debtor nations for disequilibrium in exchanges and that both should be under an obligation to bring trade back into a state of balance. Failure for them to do so could have serious consequences. In the words of Geoffrey [20] then editor of the economist, if the economic relationship between nations are not by one means or another, brought fairly close to balance, then there is not set of financial arrangement than can rescue the world from the impoverish results of chaos.

Theoretical Framework

The underpinning theory for the study is Classical growth theory. The Classical theory of growth based on the law of variable proportions, whereby, increasing either of the factors of production (labor or capital). While holding the other constant and assuming no technological change, will increase output, but at a diminishing rate that eventually will approach zero. These concepts have their origins in Thoman Mathu's theorizing about agriculture. Solow –Swan model=Robert Solow and Trevor Swan, developed what eventually became the main model used in growth economics in 1950's. This model assumes that there are diminishing returns to capital and labor. Capital accumulates out of saving but its level per worker decreases due to depreciation and people growth, As a result of diminishing returns to capital economies eventually reach a point where, absent technological, progress, capital per workers remain constant and economic growth ceases. The model assumes, following Schumpeter, that individual innovations are sufficiently important to affect the entire economy. The balance of payments model states that a currency is valued based on the balance of payments. The currency of a country with positive BOP balance (a BOP surplus) must appreciate, while are with a BOP deficit must devalue overtime, The reason, in the case of local BOP surplus, the local currency is therefore a relatively scarce good. The equivalent in BOP terms, is that the currency appreciates when the BOP is positive, namely when .- either the current account surplus is higher than outflows in the capital accounts, in short current account is greater capital account.

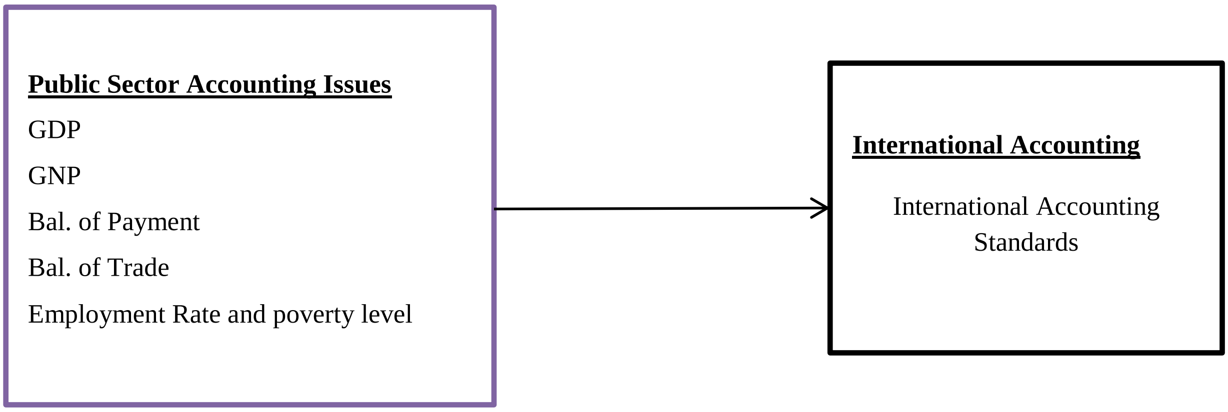

Fig-1: Theoretical Framework

CONCLUSION AND RECOMMENDATION

It is concluded that there is existing gap between the public and private sector accounting, that private sector depends largely on the activities in the public sector and that there is a great number of poverty. It is noted that the development of the private sector depends largely on the activities in the public sector, in developing countries like Nigeria; the public sector is not only the biggest actor but the hub of economic activities. There is grave poverty, which is due to inadequate economic growth. Nigeria economy has a very narrow and weak base, depending mostly on exportation of petroleum crude oil as a major source of income, the agricultural base of the economy had been frustrated and marginalized [8], High level of unemployment has exacerbated the level of poverty in Nigeria, also inappropriate macroeconomic policies, deficiencies in the labor market resulting in limited job growth, low productivity and low wages in human development It is recommended by many professional among, a United Nations Survey was conducted and recommended to made for improvement in the Government accounting systems of third World countries, especially in budgeting practices, training, data classification, methods and accounting procedures, Also the private sectors should not depend on the activities in the public sector, they should improve their own activities by training and retraining, organize workshop and agricultural sector which was ignored to be revived into life to reduce the number of poverty level.

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