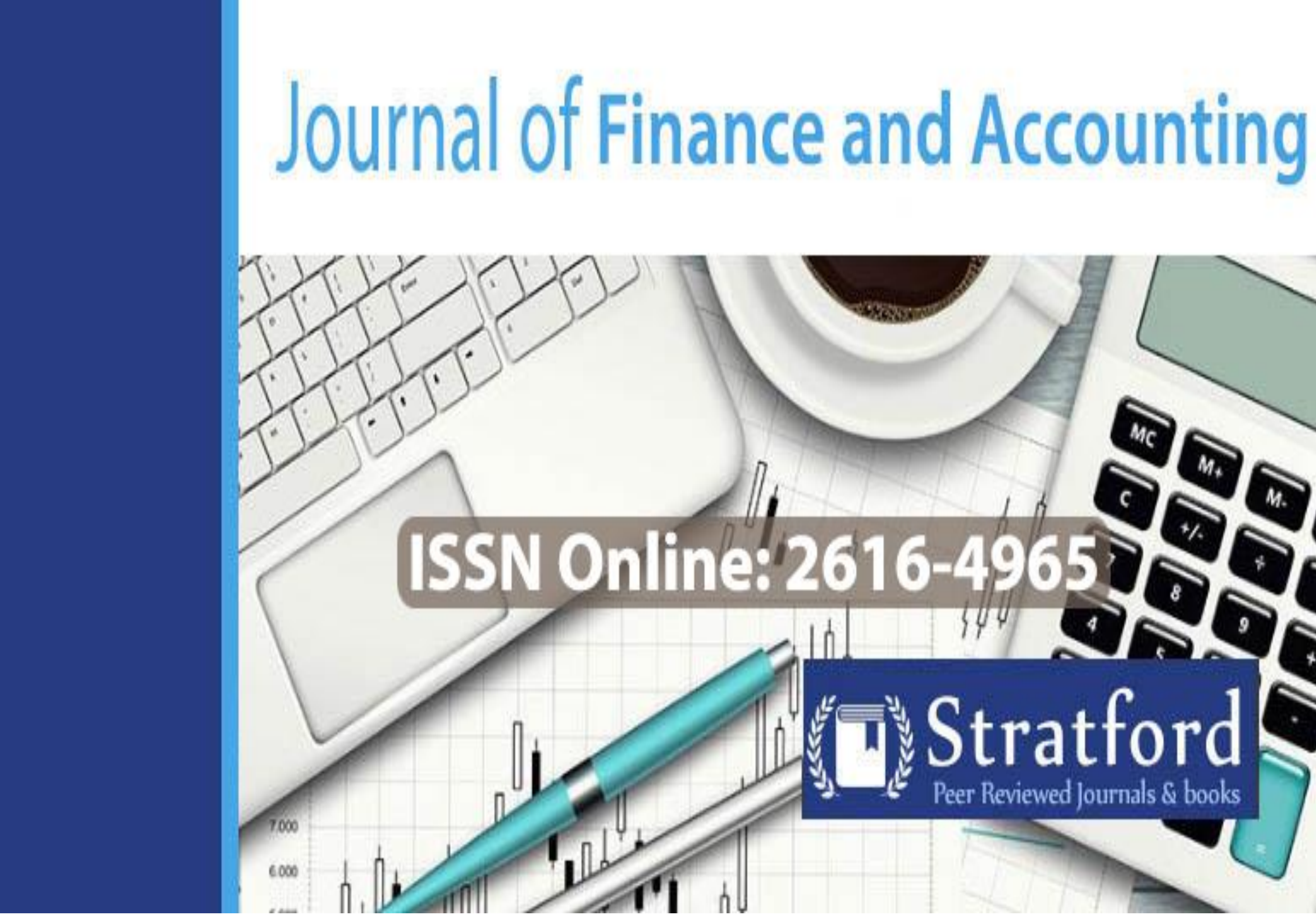

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An Assessment of Adopting Accrual Accounting on the Quality of the Financial Reports in Public Institutions in Rwanda. Case Study of Nyamasheke District

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Abstract

Globalisation has increased the interconnection of economies and cultures across the globe, which led to the need for uniformity in reporting public finance in the form of International Public Sector Accounting Standards (IPSAS), designed to harmonise accounting practices in the public sector across countries. Even though IPSAS has been ascribed to be beneficial, not all countries have adopted it at the same level. This work study seeks to ascertain the Effect of The Adoption of Accrual Accounting on the Quality of Financial Reports in Public Institutions in Rwanda, particularly in Nyamasheke district, through assessing the effect of revenue recognition, determining the effect of expenses recognition, analysing the effect of liability recognition and assessing the effect of asset recognition, on the quality of financial reports in public institutions, from 2020 to 2023. This study was conducted on a sample size of 51 accountants, budget officer, Director of finance and Director of Administration and Finance who were purposively selected from public institutions locating in the study area, namely hospitals, district headquarter, health centers, boarding schools and sector offices for to answer to a questionnaire for both descriptive and correlative analytical fact, with the help of SPSS version 20. A mixed survey design, being both descriptive and correlative, was used in this study where, in the context of accrual accounting adoption and quality of financial reporting, this study involved gathering and analyzing data to describe the current state of accrual accounting adoption and correlate it with the quality of financial reports. The study revealed that the revenue recognition with (B=0.728; t=3.978, p=.035); Expenses recognition with (B=0.587; t=3.787, p=.036); liability recognition with (B=0.834; t=4.821, p=.014) and asset recognition with (B=0.556; t=2.896, p=.047) were significantly affecting quality of financial report, but at low level as proven by the R-square of 0.106. on the other hand, the study concluded that adoption of accrual accounting had a weak significant positive effect on quality of financial report in public institutions in Rwanda. Therefore, it was recommended for public institutions to invest in comprehensive training and capacity-building programs for staff members involved in financial reporting; working towards standardizing their practices in revenue recognition, liability recognition, expenses recognition, and asset recognition and be actively engaged in the implementation process and ensure that their recognition practices are in accordance with IPSAS guidelines.

Key terms: *Revenue Recognition, Expenses Recognition, Liability Recognition, Asset Recognition and Financial Reports*

1. Introduction

Better financial reports are not only not for end users, but for society as a whole, because of the influence they have on economic decisions that can have a significant impact on society as a whole. Constant inflations and depreciations, and severe budgetary constraints faced by many Governments around the world push governments to stress more on financial accountability and transparency (Opanyi, 2016).

Despite significant efforts to improve Public Financial Management (PFM) at various levels, the Auditor General's report highlights ongoing challenges in PFM within the central government, Government Business entities, projects, and decentralized budget entities in Rwanda. According to the Office of the Auditor General (OAG) report (2018), a range of issues were identified, including concerns related to Vision Umurenge Program (VUP)-financial services, idle funds, long outstanding receivables, gaps in corporate governance of district hospitals, a high rate of non-operating biogas plants in local government, and delays in transferring funds for School feeding and capitation grants to schools. These findings underscore the need for continued efforts to address these challenges and improve the effectiveness of PFM in Rwanda.

According to the Auditor General reports, (2018), the extent of Government expenditure audited witnessed an increase this year, rising from 91.1% in the previous year to 95%. For the fiscal year ending on June 30, 2022, the total Government expenditure amounted to Frw 4,604 billion, with the Office of the Auditor General (OAG) auditing a total expenditure of Frw 4,368 billion. It was stated that a total of 221 public entities, encompassing both financial and compliance audits, were audited this year, compared to 210 audited in the previous year. Additionally, the OAG conducted 14 performance audits, 6 Information System audits, and 12 special audits.

Although some studies have been done on the effect international accounting standards for the quality of financial reporting. For instance, Opanyi (2016) highlights that the use of IPSAS standards provides high quality financial reports for better comparability and analysis, especially for developing countries that depend on foreign aid whereby comparisons between countries are made on the use of allocated resources. According to Ngozi (2014), the adoption and implementation of IPSAS bears positive impact on the reliability, reputation and integrity of financial reporting and paves the way for uniform reporting across government institutions.

Furthermore, numerous studies have been conducted in both developed and developing countries, including Ijeoma and Oghoghomeh (2014) Nadia (2015), Salia (2018). These studies have primarily focused on the implementation of International Public Sector Accounting Standards (IPSAS), examining challenges, expectations, benefits, factors influencing acceptance and adoption, and the status of implementation. However, limited research has been conducted specifically on the implementation of accrual IPSAS in public institutions. Most studies have overlooked public institutions, resulting in a significant knowledge gap regarding the implementation of these standards in this context. This gap hinders users' ability to make well-informed decisions, (Adhikari et al., 2015).

In 2017, ACCA produced a report that provided insights into the global implementation of accrual-based IPSAS, highlighting the level of adoption and implementation. On the other hand, according to the World Bank (2022), Rwanda was at the low level of 45% in the IPSAS adoption process by July 2020. Therefore, there remains a gap in understanding the factors that influence the implementation of international public sector accounting standards in public institutions. (Matekela, 2018), otherwise, this contributed to the issue for which, taking into

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consideration public institutions in Nyamasheke district, this study ascertained the effect of adopting accrual accounting on quality of the financial reports.

1.1. Objective of the study

The overall objective of this study is to ascertain the effect of the adoption of accrual accounting on the quality of financial reports in public sector in Rwanda, particularly in Nyamasheke district.

The following are the objectives that guided this study:

1. To assess the effect of revenue recognition on the quality of financial reports in public institutions, in Nyamasheke district.
2. To determine the effect of expenses recognition on the quality of financial reports in public institutions, in Nyamasheke district.
3. To analyse the effect of liability recognition on the quality of financial reports in public institutions, in Nyamasheke district.
4. To assess the effect of asset recognition on the quality of financial reports in public institutions, in Nyamasheke district.

2. Literature review

2.1. Theoretical review

The theoretical review of this study would involve examining and analyzing existing theories related to accrual accounting, financial reporting, and quality in the context of public institutions. It aims to provide a theoretical framework for understanding the relationship between accrual accounting adoption and the quality of financial reports. Here are some potential areas that could be covered:

2.1.1 Agency Theory

According to Smith (1937), the original proponent of the Agency Theory, when an entity is managed by someone other than the actual owner, there is a risk that the manager may not act in the best interest of the owner. Later, in 1973, scholars Ross and Mitnick further developed the Agency Theory by explaining that conflicts of interest can arise when principals delegate responsibilities to agents. This necessitates the need for reliable reporting to monitor the performance of agents, as outlined in the Theory of Agency: A Framework (Mitnick, 2013). The theory suggests that organizations adopt specific operational methods and policies to effectively manage resources and achieve desired rewards, which can sometimes create conflicts with the provider's resource-related goals (Donaldson and Davis, 1991; Eisenhardt, 1989; Ross, 1973).

In the context of this discussion, the government represents the owner, while the board of directors and management act as agents. The government delegates operational responsibilities of public corporations to the board of directors and management and provides resources to achieve its objectives. To obtain accurate financial reports, the government has established the reporting framework of IPSAS. Therefore, it is important to apply the agency theory to assess how effectively public corporations adhere to government decisions.

The concept of agency is relevant to this study because it involves the relationship between principals and agents in the context of financial reporting. When it comes to financial reporting in public institutions, agency theory helps to explain the dynamics and potential challenges that can affect the quality of financial reports. By considering agency theory, researchers can examine how the adoption of accrual accounting in public institutions may impact the agency relationship, the potential conflicts of interest between principals and agents, and the implications for the quality of financial reports. It helps shed light on the motivations and behaviors of agents, the effectiveness of monitoring mechanisms, and the overall integrity and reliability of financial reporting practices.

2.1.2. Positive accounting theory

Positive Accounting Theory (PAT) is a theory developed by Watts, (1983) within accounting research that seeks to explain and predict the choices and behaviors of individuals involved in financial reporting. It takes an empirical and scientific approach, focusing on understanding how economic incentives and information asymmetry influence accounting choices and practices. It seeks to explain and describe the accounting practices observed in real-world settings. It aims to understand how managers, shareholders, auditors, and other stakeholders make accounting choices based on their self-interest and the economic environment in which they operate. Individuals are rational and driven by economic incentives. It suggests that managers, as self-interested individuals, make accounting choices to maximize their own wealth or utility. For example, managers may use accruals to manipulate earnings to meet performance targets or influence stock prices. It recognizes that information asymmetry exists between managers and external stakeholders. Managers have more detailed information about the entity's operations, financial position, and future prospects. As a result, they may have incentives to use accounting methods, (Sulistyowati, 2020)

Positive accounting theory examines how managers' accounting choices, including the use of accruals, are influenced by economic incentives and information asymmetry. Positive accounting theory can help understand the factors driving the adoption of accrual accounting and its impact on financial reporting quality. (Sulistyowati, 2020)

In the context of this study, Positive Accounting Theory can provide valuable insights. By incorporating Positive Accounting Theory into the study, researchers can gain a better understanding of the motivations, behaviors, and economic implications of adopting accrual accounting in public institutions. It provides a framework to analyze the choices made by individuals within the context of financial reporting, shedding light on the factors that influence accounting practices and their impact on the quality of financial reports.

2.1.3. Institutional Theory

The core idea of institutional theory is the formation of organizations because of the pressures of the institutional environment that lead to institutionalization (DiMaggio & Powell, 1983). According to Zucker (1987), ideas in the institutional environment form the language and symbols that explain the organization's existence, which is taken for granted as norms in the organizational concept. In the context of this research, institutional pressure plays a role in explaining the form of coherent pressure from the government's external environment, how accrual accounting standards are adopted (DiMaggio & Powell, 1983).

Adoption aims to make the management of state finances more transparent and accountable. In terms of fiscal transparency, a government's legitimacy is a form of coherent pressure so that the government has strong legitimacy in managing state finances. Institutional theory in this study was used as a basic concept of thinking how to explain theories related to the concepts of integrated information systems, knowledge management, leadership commitment, the application of accrual accounting, and the quality of fiscal transparency to solve research problems. (Tanjeh, 2016)

Institutional theory emphasizes the influence of institutional forces, such as norms, rules, and social structures, on organizational behavior and practices. In the context of accrual accounting, institutional theory explores how the adoption of accrual accounting is shaped by external pressures, institutional isomorphism, and legitimacy concerns. It considers how institutions influence financial reporting practices and the quality of financial reports.

In the context of this study, Institutional Theory can provide insights into the institutional factors that impact financial reporting practices. By considering Institutional Theory in the study, researchers can analyze the institutional context in which public institutions operate and how it shapes the adoption of accrual accounting and the quality of financial reports. It helps to understand the external pressures, norms, and institutional forces that influence financial reporting practices in public institutions, providing a broader perspective on the topic beyond individual motivations and agency dynamics.

2.1.4. Information Economics Theory

Information economics theory developed by Myers and Majluf, (1984) focuses on the value and efficiency of information in economic decision-making. In the context of financial reporting quality, information economics theory explores how the quality of financial reports affects the information asymmetry between users of financial information. It investigates how the reliability, relevance, and timeliness of financial reporting impact the efficiency of capital markets and economic outcomes. It seeks to understand how the availability, quality, and characteristics of information affect the behavior of individuals and organizations within an economic system. (PwC. 2014)

Information economics theory recognizes that information has value in economic transactions. It considers how the presence or absence of information affects the behavior and decisions of individuals and organizations. The theory explores how the quality and reliability of information influence economic outcomes. Information is not always evenly distributed among market participants. Information asymmetry occurs when one party has more or better information than the other. This imbalance of information can create challenges and uncertainties in economic transactions, leading to adverse selection or moral hazard problems. It considers how accurate and timely information affects price formation, resource allocation, and the overall functioning of markets. The theory explores how well-functioning information markets can lead to more efficient outcomes. (PwC. 2014)

Information economics theory uses signaling and screening mechanisms to overcome information asymmetry. Signaling involves sending costly signals to provide information about one's characteristics or intentions. Screening involves gathering information to sort and classify individuals or organizations based on certain criteria. Both signaling and screening mechanisms can help mitigate the adverse effects of information asymmetry in economic transactions. The dynamics of principal-agent relationships, where one party (the principal) delegates decision-making authority to another party (the agent) are examined. It explores how the availability and quality of information affect the behavior of agents and how principals can design incentives and monitoring mechanisms to align the interests of principals and agents. (PwC. 2014)

Information economics theory has implications for financial reporting quality as well. It recognizes that the reliability, relevance, and timeliness of financial information play a crucial role in reducing information asymmetry, facilitating economic decision-making, and promoting efficient capital markets. Understanding the value and characteristics of information helps researchers and practitioners analyze how financial reporting practices can enhance the information environment and contribute to economic outcomes. (PwC. 2014)

In the context of this study, Information Economics Theory can provide insights into how information influences financial reporting practices and their impact on market participants.

By incorporating Information Economics Theory into the study, researchers can explore how the adoption of accrual accounting in public institutions influences information asymmetry, market efficiency, signaling mechanisms, and the quality of financial reports. It provides a framework for understanding the economic implications of financial reporting practices and the role of information in shaping market outcomes.

3. Research methodology

3.1. Research design

Research design is a specification of methods and procedures for acquiring the information needed. A mixed survey design, being both descriptive and correlative, were used in this study where, in the context of accrual accounting adoption and quality of financial reporting, this study will involve gathering and analyzing data to describe the current state of accrual accounting adoption and correlate it with the quality of financial reports. the researcher typically collected data from public institutions locating in Nyamasheke district, and focus on describing the existing accrual accounting and correlating with its financial outcomes. A descriptive analytical approach was utilized to interpret data into meaningful information to answer research questions.

3.2. Study population

The population of this study were the budget officer of the district, Director of Finance, director of administration and finance and the accountants of different public institutions locating in Nyamasheke district, namely public boarding schools, health centers, hospitals, local administration at sector level and district headquarter as well. This means all of them were equal to 51 people. (Nyamasheke district 2023)

Table 1: Target population as accountants

Unit of analysis	Population	Unit of observation	Target population	Sample	Percents
Boarding schools	9	Accountants	9	9	17.65
Health centers	13	Accountants	13	13	25.49
Hospitals	2	Accountants and DAF	9	9	17.65
Sector level	15	Accountants	15	15	29.41
District headquarter	1	Accountants, Budget officer and DoF	5	5	9.80
Total			**51**		**100**

3.3. Sample size

Grinnell and William (1990) defined a sample size as the number or objects in the sample. A sample can further be defined as all people or classes selected to take a part in research study due to the nature of the research. Therefore, researchers decided to use non-probability sampling to select the population for this study due to their small number, to minimize cost and for relevant information about the research study

In this study the researcher selected 48 accountants in addition to the budget officer of the district and 1 Director of Finance at district and 1 Director of Administration and Finance (DAF), what makes 51 participants. This sample size was assumed by the researcher to be representative of the entire population.

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3.4. Data collection instruments

In this study, questionnaires were used in order to achieve the goals. Data were collected through personal questionnaire made by the researcher herself to be used while collecting information from the accountants of public institutions, in Nyamasheke district and their answers were collected to be presented, scientifically analyzed and interpreted. The questionnaire is chosen for better discussing with respondents respecting their availability.

3.5. Data analysis

To analyze is to search and identify meaningful patterns in data. Analysis means, categorizing, ordering, manipulating and summarizing of data to obtain answers to research questions. The data collected edited, coded, classified on the basis of similarity and then tabulated.

Being a descriptive study, descriptive statistics such as measures of Mean Standard Deviation, using SPSS was conducted. Content analysis is described as a technique for the objective, systematic and quantitative description of the manifest content of a communication. Descriptive statistics was based on mean and standard deviations and presented in a table.

Inferential statistics was based on regression analysis and correlation analysis. The following regression model was used.

$Y=W0+\beta1X1+ \beta2X2+ \beta3X3+ \beta4X4+\varepsilon$
Key:
Y = Quality financial reporting
X1 = Revenue recognition
X2 = Expenses recognition
X3 = Liability recognition
X4 = Asset recognition
W0 = Coefficient of intercept (Constant).
$\beta1 \ldots \beta4$ = Coefficient of variable X1… X4

4. Research findings

This chapter had to deal with the presentation and interpretation of findings and analysis of findings referring to specific objectives as the key references of this research study. The response rate for this academic research study was 100%. This signifies a high and ideal response rate, indicating that the study successfully collected data from the 51 targeted population. This indicates a comprehensive and complete dataset for analysis, enhancing the study's validity and reliability by reducing non-response bias.

4.1. Inferential analysis

Inferential analysis was used to make inferences or generalizations about the specific data observed in a sample and provide insights into the larger context.

Table 2. Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.325[a]	.106	.028	.94926

a. Predictors: (Constant), The asset recognition, The expenses recognition, The liability recognition, The revenue recognition.

Source: Primary data, August, 2023

Table 2. displays The R value of 0.325 indicating a moderate positive correlation between the collective influence of the independent variables and the dependent variable, which is financial report quality. This suggests that the included independent variables contribute collectively to explaining a substantial portion of the variance in financial report quality, and The R Square value of 0.106 signifying that approximately 10.6% of the variance in financial report quality

can be explained by the combined influence of the included independent variables. This indicates that the chosen predictors collectively have a moderate ability to account for variations in financial report quality.

Therefore, this implies that the independent variables (recognition of revenue, recognition of expenses, recognition of liability, and recognition of assets) together contribute moderately to explaining the variance in financial report quality. The moderate R value suggests a meaningful collective impact of these variables, while the R Square and Adjusted R Square values signify the proportion of variance in the dependent variable that they can explain. This implies that the relationships between the chosen variables and financial report quality are not particularly strong.

Table 3. Analysis of variance (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.097	9	.788	2.123	.046[b]
	Residual	31.883	86	.371		
	Total	38.980	95			

a. Dependent Variable: Financial report

b. Predictors: (Constant), The asset recognition, The revenue recognition, The expenses recognition, The Liabilities recognition.

Table 3. presents the regression sum of squares of 7.097. It represents the variation in the dependent variable (financial report) that can be explained by the independent variables (asset recognition, revenue recognition, expenses recognition, and liabilities recognition), and the F-statistic is 2.123. The significance level (p-value) associated with the F-statistic is 0.046 (indicated as "Sig. (2-tailed)"). This is denoted as "b."

Furthermore, the ANOVA test assesses whether the independent variables, as a group, have a statistically significant effect on the dependent variable (financial report). The F-statistic of 2.123 indicates that there is some evidence to suggest that the independent variables collectively have an impact on the financial report. The significance level (p-value) of 0.046 (b) is less than the conventional significance level of 0.05. This suggests that the relationship between the independent variables and the financial report is statistically significant at the 0.05 significance level.

Table 4. Regression Model

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% C I B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	51.340	.469		109.467	.000	.457	2.344
	The revenue recognition	.728	.183	.685	3.978	.035	-.597	.141
	The expenses recognition	.587	.155	.583	3.787	.036	-.225	.400
	The liability recognition	.834	.173	.770	4.821	.024	-.014	.683
	The asset recognition	.556	.192	.542	2.896	.047	-.442	.329

a. Dependent Variable: Quality of financial report

Source: Primary data, August, 2023

Table 4. shows that constant term has a coefficient of 51.340 with a standard error of 0.469. The positive coefficient suggests that, when all other independent variables are held constant, the dependent variable (quality of financial report) is expected to have a value of 51.340. The associated t-value of 109.467 indicates that this coefficient is statistically significant (p = 0.003), suggesting that the constant has a significant influence on the dependent variable. Therefore, the constant term, W0, is 51.340. This implies that when all independent variables (X1, X2, X3, X4) are zero, the expected value of the quality of financial report (Y) is 51.400.

Therefore, the Beta coefficient for liability recognition (β3) is 0.770. This indicates that a one-unit increase in liability recognition is associated with a 0.770 standard deviation increase in the quality of financial report. This suggests that liability recognition has a moderate positive impact on financial report quality.

On the other side, Beta coefficient for revenue recognition (β1) is 0.685; Beta coefficient for expenses recognition (β2) is 0.583 and Beta coefficient for asset recognition (β4) is 0.542. This indicates, respectively that a one-unit increase in asset recognition is associated with a 0.685; a 0.583 and a 0.542 standard deviation increase in the quality of financial report. This suggests that revenue recognition, expenses recognition and asset recognition have positive impact on financial report quality.

Therefore, these Beta coefficients represent the change in the quality of financial report (Y) for a one-unit change in each respective independent variable (X1 to X4), while holding the other variables constant. Therefore, Y= 51.340+0.770X1+0.685X2+0.583X3+.0.542X4

Therefore, this implies that these coefficients represent the change in the quality of financial reporting (Y) for a one-unit change in each respective independent variable (X1 to X4), while holding the other variables constant. The coefficients indicate the direction and magnitude of the impact of each independent variable on the dependent variable, considering the effects of other variables in the model.

4.2. Discussion of findings

This study had to determine the effect of accrual accounting adoption on financial reporting in public institutions in Rwanda, specifically in Nyamasheke district throughout a three-year period from 2020 up to 2022, and the findings was discussed as follows:

The examination of revenue recognition's impact revealed diverse views, with a moderate positive sentiment towards accuracy and reliability improvement due to revenue recognition practices. Transparency and disclosure enhancement were also recognized as a positive outcome of revenue recognition. Comparing the findings of Matekele (2018) who underscored the importance of staff experience, standards understanding, and capacity building in accrual IPSAS implementation. The current study aligns with this by highlighting the positive impact of comprehensive recognition practices, showing how they enhance accuracy, transparency, and reliability of financial reports.

Likewise, expenses recognition practices were strongly correlated with financial report quality. Timely recognition, accurate recording of expenses, and their contribution to cost analysis and expense management were acknowledged. Confidence in reported expense figures and the effectiveness of identifying necessary expense categories received notable positive feedback. Considering the model summary and regression analysis, this study found that the collective influence of expenses recognition on financial report quality is significant. This echoes the studies by Okungu (2015), and Sayed-Ahmad (2019), which all pointed to the influential role of various factors in accrual IPSAS implementation and financial reporting quality.

Furthermore, the study affirmed the positive influence of liability recognition on financial report quality. The recognition of liability categories, accurate assessment, and reporting of financial obligations and risks were underscored. Effective alignment with accounting standards and guidelines and timely recognition of liabilities were recognized as enhancing financial report quality. As Whitefield and Savvas (2016) highlighted cost challenges and resistance to change during accrual accounting implementation, this corresponds to the findings here, which also emphasized the need for alignment with standards, and timely recognition of liabilities, thereby enhancing the quality and transparency of financial reports.

Finally, the adoption of asset recognition practices was perceived to significantly contribute to financial report quality. These practices were found to enhance overall credibility and trustworthiness of financial reports. They also play a role in identifying and addressing potential risks associated with assets, fostering better understanding of reports, and providing a clear representation of an organization's financial position. Similar to Tanjeh (2016) who emphasized the importance of knowledge and awareness in IPSAS acceptance, this study's findings highlighted the pivotal role of asset recognition practices in enhancing stakeholder comprehension, contributing to the overall quality and transparency of financial reports.

5. Conclusion

The study set out to ascertain the effect of adopting accrual accounting on the quality of financial reports in public institutions. The findings indicated that the adoption of accrual accounting practices has complex implications for financial report quality across various dimensions. The problem statement highlighted a significant knowledge gap in the implementation of accrual IPSAS in public corporations, indicating a need for more research in this area. The research gap, as identified, revolved around the contrast between the success of accrual accounting implementation in developed versus developing countries, with Rwanda as a specific example. This study, resonating with these concerns, aimed to bridge this gap by focusing on the effect of accrual accounting adoption in the context of Rwandan public institutions. Aligning with this concern, the study's objectives were accurately designed to assess the effect of adopting accrual accounting on the quality of financial reports in public institutions within Nyamasheke district.

In conclusion, this study effectively responds to the research gap identified in existing literature, particularly in terms of the effect of accrual accounting on the quality of financial reports in the context of Rwandan public institutions. By examining revenue, expenses, liability, and asset recognition practices, the study not only confirms the importance of these practices but also aligns with and complements the findings of prior research. It underscores the complex interplay of factors in accrual IPSAS implementation and provides valuable insights for policymakers, practitioners, and researchers alike.

The examination of revenue recognition's impact revealed diverse views, with a moderate positive sentiment towards accuracy and reliability improvement due to revenue recognition practices. Transparency and disclosure enhancement were also recognized as a positive outcome of revenue recognition. However, varying opinions existed regarding the effectiveness of capturing relevant revenue streams and improving report comparability.

Likewise, expenses recognition practices were strongly correlated with financial report quality. Timely recognition, accurate recording of expenses, and their contribution to cost analysis and expense management were acknowledged. Confidence in reported expense figures and the effectiveness of identifying necessary expense categories received notable positive feedback.

Furthermore, the study affirmed the positive influence of liability recognition on financial report quality. The recognition of liability categories, accurate assessment, and reporting of financial obligations and risks were underscored. Effective alignment with accounting standards and guidelines and timely recognition of liabilities were recognized as enhancing financial report quality.

The adoption of asset recognition practices was perceived to significantly contribute to financial report quality. These practices were found to enhance overall credibility and trustworthiness of financial reports. They also play a role in identifying and addressing potential risks associated with assets, fostering better understanding of reports, and providing a clear representation of an organization's financial position.

As a conclusion, it should be concluded that adoption of accrual accounting has a positive significant effect on the quality of financial reports in public institutions in Rwanda.

6. Recommendations

Based on the comprehensive analysis of the research findings and their alignment with prior studies, several recommendations can be proposed to enhance the adoption and implementation of accrual IPSAS in public institutions, specifically in the context of Nyamasheke district, Rwanda:

Given the evidence that financial staff members lack awareness and expertise in implementing accrual accounting and IPSAS standards, it is crucial for public institutions in Nyamasheke district to invest in comprehensive training programs, it is imperative to invest in comprehensive training and capacity-building programs for staff members involved in financial reporting. This should include enhancing their understanding of accrual accounting principles and IPSAS standards. Continuous training will empower them to effectively implement these practices, ensuring accurate recognition of revenue.

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