ASSESSMENT OF THE EFFECTIVENESS OF TANZANIA GOVERNMENT ACCOUNTING: A CASE OF THE MINISTRY OF FINANCE AND ECONOMIC AFFAIRS
ASSESSMENT OF THE TANZANIA GOVERNMENT ACCOUNTING: A CASE OF THE MINISTRY OF FINANCE AND ECONOMIC AFFAIRS

By

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A Dissertation Submitted in Partial Fulfillment of the Requirements of award of the Degree of Masters of Science in Accounting and Finance (MSC-AF) of the Mzumbe University

2013
CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation entitled **Assessment of the effectiveness of Tanzania government accounting: A case of the Ministry of Finance and Economic Affairs** in partial/fulfilment of the requirements for award of the degree of Master of Business Administration of Mzumbe University.

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Major Supervisor

Signature

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DEDICATION

This dissertation is honestly dedicated to all people who in one way or another support this work especially my parents and my sisters.
ACKNOWLEDGEMENT

In the first place, I forward my sincere thanks to the Almighty God who protects me during my studies and my daily life.

Second my special thanks go to Makawa Newa Laurent who is my supervisor and advisor during the study, she highly and accurately devoted time to help and assist me to accomplish the study successfully.

I am also grateful to the management of the Ministry of Finance and Economic Affaires who helped me to accomplish my dissertation and accepted my questionnaires and offered me there great support and corporation during my entire preparation of this dissertation.

My great appreciation goes to my parents Mr. and Mrs. Ligora for support and encouragement towards the fulfillment of my MSC-A&F and also special thanks goes to my friends Rosemary Luena, Upendo Mpwago, Ally Mustapha Itetezya and Jackson Kibasso for their full support.

There will be long column to mention every one for his/her contribution to me, but for the above appreciated they thought to be representatives to my acknowledgement but their contribution and assistance have deserved a credit for this paper.

I lastly pray to my almighty God to bless all those whose assistance made me reaches where I am.
**LIST OF ABBREVIATIONS AND ACRONYMS**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ACCA</td>
<td>Association of Chartered Certified Accountants</td>
</tr>
<tr>
<td>CAG</td>
<td>Controller and Auditor General</td>
</tr>
<tr>
<td>CPA</td>
<td>Certified Public Accountant</td>
</tr>
<tr>
<td>DED</td>
<td>District Executive Director</td>
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<tr>
<td>GAAP</td>
<td>General Accepted Accounting Principles</td>
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<td>IASB</td>
<td>International Accounting Standards Board</td>
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<td>IFAC</td>
<td>International Federation of Accountants</td>
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<tr>
<td>IFRS</td>
<td>International Financial Reporting Standards</td>
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<tr>
<td>IPSAS</td>
<td>International Public Sector Accounting Standards</td>
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<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>LGAs</td>
<td>Local Government Authorities</td>
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<tr>
<td>MSC-A&amp;F</td>
<td>Masters of Science in Accounting and Finance</td>
</tr>
<tr>
<td>MDAs</td>
<td>Ministries, Departments and Agencies</td>
</tr>
<tr>
<td>MU</td>
<td>Mzumbe University</td>
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<tr>
<td>NAO</td>
<td>National Audit Office</td>
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ABSTRACT

This study aimed at assessing the effectiveness of the Tanzania government accounting which was conducted at the Ministry of Finance and Economic Affairs with the following specific objectives; to find out types of accounting systems used by the Tanzania Government, to assess effectiveness of each accounting system in place and to identify challenges pertaining to Tanzania Government accounting in order to find out critical ways of addressing such challenges.

In execution this study the following research methodology applied; a case study research design used and a case was the Ministry of Finance. The study sample size encompassed of 108 respondents thus attained 90 percent response rate. The study moreover, used purposive and snowball sampling techniques whereas the former used to head of departments and the later to employees at the Ministry of Finance. Data was collected by interview to head of departments, questionnaires to other employees and documentary review guide for securing secondary data. However data obtained were analysed using SPSS.

Results of the multiple regression analysis run entailed that effectiveness of the Tanzania Government accounting system is just effective (average) given its highest positive t stat of 64.46263 in the model. The study identified challenges facing Government accounting whereas little computer skills by employees pointed out by 97 percent of respondents, lack of competent personnel (95 percent), limited scope of internal control (90 percent), low legal enforcement (87 percent) and frequent update of standards identified by 70 percent of respondents.

The study recommends to the LGAs and MDAs to increase utilization of the EPICOR accounting system by ensuring all accounting issues are computerized. However, analysis of IPSAS compliance among LGAs is suggested as areas for further studies.
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CHAPTER ONE

BACKGROUND INFORMATION

1.0 Introduction
This chapter present background to the study, statement of the research problem, objectives of the study, research questions, and significance of the study, limitations of the study, scope and delimitation of the study together with organization of the study.

1.1 Background to the Research Problem

According to Mona (2012), accounting is concerned with the processing of financial transactions of an entity. It generates and communicates necessary financial information to its users. It is, therefore, a process of recording, classifying and summarizing the financial transactions and communicating the results of its operations. There are different branches of accounting. One of its branches is government accounting. Government accounting is that branch of accounting, which is used in government institutions. The government accounting is different from other branches of accounting such as commercial accounting.

Nelly (2011), the accounting system used in government offices to record and report their financial transactions is known as government accounting. Government accounting is concerned with systematic and scientific recording of government revenues and expenditures. It is the systematic process of collecting, recording, classifying, summarizing and interpreting the financial transactions relating to the revenues and expenditures of government offices. It reveals how public funds have been generated and utilized for the welfare of the general public. It is moreover, concerned with keeping records of government revenues and their expenditure in different development and administrative works. It further reflects the receipt and payment position of the public funds (Maftah, 2010).
Likewise, reporting of financial results is among the most important activities conducted by any public entity. Financial reporting provides a basis on which parties inside and outside a government can judge the effectiveness in conducting its core activities and determine its future financial viability. To maintain the efficacy and comparability of financial reporting in the public entities, standards for accounting and financial reporting have been created and modified. These standards are typically called Generally Accepted Accounting Principles (GAAP) were created to provide the most effective and accurate methods of communicating the financial results of a public organization. Without such standards, public entities would likely use many different standards, some of which might accurately reflect economic reality and provide comparability across entities, and some of which may not (Nurdin, 2009).

International Public Sector Accounting Standards (IPSAS) for instance are issued by International Public Sector Accounting Standards Board (IPSASB) established by International Federation of Accountants (IFAC), and based on International Financial Reporting Standards (IFRS) with changes appropriate to public sector issues. IFRS are issued by the International Accounting Standards Board (IASB), based on accrual accounting and used for private sector enterprises. The majority of IPSAS use the full accrual-based accounting which recognizes fully assets, liabilities, net assets/equity, revenues and expenses regardless of when the cash or cash equivalents are received or paid. The IPSAS set out requirements of recognition, measurement, presentation and disclosure dealing with transactions and events in general purpose financial statements of all public sector entities (Juvenaly, 2010).

Nonetheless, there are two specific accounting theories, namely commercial accounting as opposite to governmental accounting. On one hand, the commercial accounting theory has been developed for use in the business (commercial) sector. Over time it has changed from representing financial (money) accounts to performance (profit) accounts. On the other hand, governmental accounting theory has been developed in form of cameral accounting for use in the governmental sector. As we will see later on in this study, the cameral accounting has also been developed in four steps, and its evolution
shows that the original money focus has been supplemented with a performance focus. Further, because business enterprises and governmental administration acquire revenues in different ways (through market-exchange transactions and one way money transactions, respectively), historically there have been differences between the accounts prepared in the business and public sectors (Monsen, 2011).

Indeed, the governmental administration like a city treasury (being budget financed), primarily receives revenues in the form of taxes from the inhabitants without giving a direct service in return. Consequently, each year the governmental administration has an obligation to inform (in form of financial annual report) the inhabitants (public), how every single penny of the revenues has been used (accountability). On the other hand, business enterprises (being market financed), receive revenues via capital market, where companies can raise long-term funds. In order to maintain the existing investors and eventually bring new ones, business enterprises (companies) need to remain competitive at the capital market. At the end of each year, companies are prepared the accounts indicating their financial annual situation. As a conclusion, we maintain that in every instance business enterprises and the governmental administration referred to as the ‘public sector’ must use different types of accounts because they acquire revenues in different ways.

Agnand (2011) proclaimed that the government accounting needs to be innovated in order to support the management changes. Basically, accounting as an information system plays an important role in whatever reform process any government entity would want to undertake. In addition, government should be positive and open with its public by not limiting the amount of information that reveals about its own performance. Therefore, the government should give greater attention towards developing more business-like reporting system within public sector. This in turn can contribute towards more transparent and informative public accounts and greater efficiency in the management of public resources. In this context, government accounting system has to be able to provide appropriate information for decision-making process (Gimeno, 2007).
1.2 Statement of Research Problem

Accounting in accordance with Mazuma (2010) is the backbone of any organization—private or public. This is due to the fact that all collections (revenues) and disbursements (expenditures) of such organizations would perfectly end up or accounted through accounting activity. In this connection, accounting practice must follow certain prescribed and agreed procedures, systems and standards.


Taking the said accounting improvements above, one would expect the current Tanzania Government accounting to be efficient, but according to National Audit Office (2013) 29 Local Government Authorities (LGAs) still using manual accounting, 19 LGAs could not present true and fair state of accounts, 4 Public Authorities could not properly adhere to International Standards and 5 Ministries, Departments and Agencies (MDAs) could not properly account for some funds approved by the Parliament. In this accord, one could ascertain whether Tanzania Government accounting is or is not effective. Therefore, this brought about a need for carrying out an empirical study in order to find out the effectiveness of Tanzania government accounting and ways of improving it.
1.3 Research Objectives
Objectives of the study are divided into two main parts, one being general objective and the other part specific objectives that are SMART.

1.3.1 General Objective
The general objective of the study was to assess the effectiveness of Tanzania government accounting.

1.3.2 Specific Objectives
In order to expound the general objective, the following specific objectives were attained.

(i) To find out types of accounting systems used at the Ministry of Finance.
(ii) To assess the effectiveness of each accounting system at the Ministry
(iii) To identify challenges the Ministry face pertaining to Government accounting
(iv) To find out critical way of addressing such challenges

1.4 Research Questions

1.4.1 General Research Question
The broad research question of the study was, Is Tanzania government accounting effective?

1.4.2 Specific Research Questions
In attaining the broad research question, the following specific questions were answered.

(i) What are significant types of accounting systems used at the ministry?
(ii) How effectiveness is each accounting system at the Ministry?
(iii) What are the challenges pertaining to Government accounting the Ministry face?
(iv) What are the critical ways of addressing such challenges?
1.5 Significance of the Study

The study intended to collect data in order to analyze the real situation happening as the role of government accounting in improving efficiency in Tanzania. In this connection, the study would be significant in the following areas;

Researcher: The study would enhance partial fulfillment of the award of Degree of Masters of Science in Accounting and Finance (MSC-A&F) provided by the Mzumbe University.

Ministry of Finance: The findings of the study are likely to help the Ministry discover inherent challenges pertaining to government accounting in Tanzania. Likewise, the Ministry as Government representative would be certain on significant measures to address such challenges.

Stakeholders: would discover effective accounting systems applied by the Government and be certain of ways to address accounting challenges in Government accounting.

Policy makers: the findings of the study are likely to help policy makers to discover the shortfalls inherent in the government accounting, hence paving a way for the same to be included in various Government legislations governing public accounting.

Body of knowledge: modern public accounting is a recent field. Therefore, this study adds knowledge of the precise application of general accounting in as far as government accounting is concerned.

Encouraging scholars: The findings of the study and the recommendations to be made thereof by the researcher are likely to encourage scholars to carry out further studies on application of the very dynamic accounting practice in government.

1.6 Scope and Limitations of the Study

During data collection, the study encountered number of limitations as follows:
Time constraint: This was encountered due to the fact that the study was carried out for a short period of time because of the requirement to be able to follow the deadline of the University calendar.

Financial constraint: It was also encountered, thus, it affected number of informants expected to be visited during data collection process. This means that inadequate funding hampered the researcher to collect 100 percent of responses from all informants. In this accord, the study attained 90 percent response rate as shown on table 3.1 of the research methodology chapter.

Confidentiality of information: Informants for the study were drawn from public employees whereas some information was not disposed of due to security and ethical reasons.

Uncooperative attitude of respondents: some respondents in this study were reluctant and or sometimes uncooperative to respond due to various reasons including being busy and ignoring.

During data collection exercise, the aforesaid above limitations of the study on part 1.6 were overcome as follows;

- More than 35 per cent of government accounting is carried out at the Ministry of Finance; therefore, the study was carried out in Dar es Salaam city whereas employees from Ministry participated accordingly. Likewise, Ministry of Finance was considered for study due to easy accessibility of information by the researcher and resource constraints like time and finance.

- Ministry of Finance was taken as case study though it was not the only practitioner of government accounting; in actual sense there are currently 19 Ministries (URT, 2013). Thus the result of this work should be understood in the light of these deficiencies.

This study focused on role of government accounting at Ministry of Finance which is one of the government division using accounting, thus, government accounting meant public accounting standards and practice in this context
1.7 Organization of the Study
This study comprised of five chapters, in this regard, chapter one presents background information of the study, statement of the problem, objectives of the study, research questions, and significance of the study, limitation and scope and delimitation of the study. Chapter two presents literature review through which theoretical, empirical and conceptual framework of the study was elaborated. Likewise, chapter three depicts methodology of the study whereas research design, area of the study, sample size, sampling techniques, data collection methods and analysis methods described. Again, chapter four presents findings of the study with its pertinent discussion. However, chapter five presents conclusion, recommendations and areas for further studies.
CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction
This chapter reviews the current literature on role of government accounting to improve efficiency in Tanzania. In this connection, the chapter presents theoretical literature review comprising of definition of key terms, concepts and theories pertaining to the study. Again, empirical and conceptual framework of the study is hereby presented in this chapter.

2.1 Conceptual Definitions
Theoretical literature review comprised of two major parts namely; definition of key terms used in the study and theories or concepts governing or related to the study.

2.1.1 Accounting
Accounting is the systematic and comprehensive recording of financial transactions pertaining to a business. Accounting also refers to the process of summarizing, analyzing and reporting these transactions. The financial statements that summarize a large organization's operations, financial position and cash flows over a particular period are a concise summary of hundreds of thousands of financial transactions it may have entered into over this period. Accounting is one of the key functions for almost any business; it may be handled by a bookkeeper and accountant at small firms or by sizable finance departments with dozens of employees at larger companies. It is as well applied by public entities as well (Lessile, 2010).

2.1.2 Government
Government is a group of people that governs a community or unit. It sets and administers public policy and exercises executive, political and sovereign power through customs, institutions, and laws within a state. A government can be classified into many types--democracy, republic, monarchy, aristocracy, and dictatorship are just a few. Moreover, government normally consists of legislators, administrators, and arbitrators.
Government is the means by which state policy is enforced, as well as the mechanism for determining the policy of the state. A form of government, or form of state governance, refers to the set of political systems and institutions that make up the organisation of a specific government (Keffler, 2011).

Likewise, Yuzda (2009) argued that states are served by a continuous succession of different governments. Each successive government is composed of a body of individuals who control and exercise control over political decision-making. Their function is to make and enforce laws and arbitrate conflicts. In some societies, this group is often a self-perpetuating or hereditary class. In other societies, such as democracies, the political roles remain, but there is frequent turnover of the people actually filling the positions.

2.1.3 Government Accounting

According to Nduta (2012) Government accounting is non-commercial accounting that assets are constrained to legal purposes. Accounts partition into budgets and encumbrances called public finance accounting in Tanzania at large. Government accounting is a broadly-based term that describes the specific accounting functions of public sector entities. Government accounting principles are used in both central and local agencies found in the public sector. Government entities usually follow the accounting principles or guidelines developed by International Public Sector Accounting Standards Board (IPSASB) as established by International Federation of Accountants (IFAC).

2.1.4 Efficiency

As put by Enock (2010) Efficiency is described as the extent to which time, effort or cost is well used for the intended task or purpose. It is often used with the specific purpose of relaying the capability of a specific application of effort to produce a specific outcome effectively with a minimum amount or quantity of waste, expense, or unnecessary effort. "Efficiency" has widely varying meanings in different disciplines. In accounting terms, efficiency is a measurable concept, quantitatively determined by the ratio of output to
input, mainly concerned with achieving objectives. In several of these cases, efficiency can be expressed as a result as percentage of what ideally could be expected, hence with 100% as ideal case.

2.2 Concepts Related to the Study

2.2.1 Accounting Principles

In order to maintain uniformity and consistency in preparing and maintaining books of accounts, certain rules or principles have been evolved. These rules/principles are classified as concepts and conventions. These are foundations of preparing and maintaining accounting records as stipulated by Harrison (2008) below.

2.2.1.1 Business Entity Concept

In accounting we treat a Business and owners as two separately identifiable parties. This concept is called business entity concept. It means the personal transactions of the owners are not mixed up with the business transactions. If we mixed transaction of business and personal transaction of owners we will not get true picture of business.

For Example Mr.X Started business with 100,000/- Investment, he purchased Machinery for 30,000/-, Furniture for 30,000/- and Computer (his personal) for 25,000/- Remains in hand. Machinery and Furniture are the assets of the business and not of the owner. Computer purchased for his personal usage, so it was treated as personal drawings not business expenditure. According to the business entity concept TZS 100,000 will be treated by business as capital i.e. a liability of business towards the owner of the business.

This concept has now been extended to accounting separately for various divisions of a firm in order to ascertain the results for each division separately. It has been of immense value in determining results by each responsibility centre-Responsibility Accounting.

2.2.1.2 Money Measurement Concept
Accounting records only those transactions which are expressed in monetary terms. This concept assumes that all business transactions must be in terms of money that is in the currency of a country. In our country such transactions are in terms of Tanzania shillings (tzs). Thus, as per the money measurement concept, transactions which can be expressed in terms of money are recorded in the books of accounts.

For Example Investment 100,000/-Purchase of Machinery 30,000/- and Furniture 30,000/-etc. are expressed in terms of money, and so they are recorded in the books of accounts. Loyalty, honesty and Employees are not recorded in books of accounts because these cannot be measured in terms of money although they do affect the profits and losses of the business concern.

2.2.1.3 Cost Concept

Cost concept states that all assets are recorded in the books of accounts at their purchase price, which includes cost of acquisition, transportation and installation and not at its market price. It means that fixed assets like building, plant and machinery, furniture, etc. are recorded in the books of accounts at a price paid for them. But some times we have necessarily to be satisfied with an estimate only-the amount of depreciation to be charged each year in respect of asset. It helps in calculating depreciation on fixed assets.

For example we purchased one land for TZS.500,000/-, and registration charges 20,000/-Out considers it as worth 700,000/- The total amount at which the land will be recorded in the books of accounts 520,000/- (including expenses) not market price.

2.2.1.4 Going Concern Concept

This concept assumed that the business will exist for a long time and transactions are recorded from this point of view. It means that every business entity has continuity of life. Thus, it will not be dissolved in the near future. This is an important assumption of accounting, as it provides a basis for showing the value of assets in the balance sheet; It is of great help to the investors, because, it assures them that they will continue to get income on their investments.
For example, a company purchases a plant and machinery of TZS.100, 000/ and its life span is 10 years. According to this concept every year some amount will be shown as expenses and the balance amount as an asset.

2.2.1.5 Dual-Aspect Concept

Dual aspect concept basic principle of accounting, it provides the very basis of recording business transactions in the books of accounts. This concept assumes that every transaction has a dual effect, i.e. it affects two accounts in their respective opposite sides. Therefore, the transaction should be recorded at two places. It means, both the aspects of the transaction must be recorded in the books of accounts. The interpretation of the Dual aspect concept is that every transaction has an equal effect on assets and liabilities in such a way that total assets are always equal to total liabilities of the business. This concept helps accountant in detecting error

For example if a business has purchased machinery for cash. There are two aspects 1) Machinery received and 2) Cash paid. These two aspects are to be recorded. Thus, the duality concept is commonly expressed in terms of fundamental accounting equation

Assets=Liabilities +Capital; or, rather,

Capital=Assets-Liabilities.

In other words, capital, the owner’s share of the assets of the firm is always what is left out of assets after playing off outsiders. This is called the accounting Equation. It is self evident but very useful.

2.2.1.6 Relisation Concept

Accounting is a historical record of transactions; it records what was happened. This concept states that revenue from any business transaction should be included in the accounting records only when it is realised. The term realisation means creation of legal right to receive money. This is of great importance in stopping business firms from inflating their profits by recording sales and incomes that are likely to accrue. Unless
For example Mr X Company received an order for supply Air conditioners worth TZS.1,000,000/- on 1st December, 2013. They supplied worth TZS.500,000/- up to 31st December, 2013 and remaining supplied in Jan.2013. In this case X Company recognized as revenue up to 31st December, 2012 only TZS.500,000/- not TZS.1,000,000/-.

2.2.1.7 Accrual Concept

Accrual concept means that revenues are recognised when they become receivable. Though cash is received or not received and the expenses are recognized when they become payable though cash is paid or not paid. Both transactions will be recorded in the accounting period to which they relate. Therefore, the accrual concept makes a distinction between the accrual receipt of cash and the right to receive cash as regards revenue and actual payment of cash and obligation to pay cash as regards expenses. It helps in knowing actual expenses and actual income during a particular time period. It helps in calculating the net profit of the business.

For Example Mr. X Company sold goods to Mr. Company worth of TZS.1,000,000/- on 15th December, 2012, cash received on 5th Jan, 2013. As per Accrual concept Mr. X Company recognized revenue on 15th December, 2012 not 5th Jan, 2013 because transaction happened on that day.

2.2.1.8 Accounting Period Concept

When accountants prepare financial statements like profit and loss account and balance sheet, they assume that the life of the business can be divided into time periods. This is called the accounting period concept. Normally periods divided like monthly, quarterly, half-yearly and yearly basis.
It helps in future planning of the business. It helps in business liability of tax for specific period. It helps in at the time divided declaration. It helps to creditor’s company financial strength for particular period.

2.2.2 Matching Concept

The principle that requires a company to match expenses with related revenues, expenses are incurred for the purpose of producing revenue. In measuring net income for a period, revenue should be offset by all the expenses incurred in producing that revenue. This concept called Matching concept. The term ‘matching’ means appropriate association of related revenues and expenses. On account of this concept, adjustments are made for all outstanding expenses, accrued revenues, prepaid expenses and unearned revenues, etc, while preparing the final accounts at the end of the accounting period. It is very useful for find the exact revenues, expenses and profit of the company for particular period.

For example if a company paid commission to sales man in January, 2013, for sale made by him in December, 2012. According to this concept commission should be adjust against sales of December 2011 because this expense is incurred for producing revenue in December 2012.

2.2.3 Types of Accounts

Two major accounting theories will apply in this study namely; commercial accounting as opposite to governmental accounting. On one hand, the commercial accounting theory has been developed for use in the business (commercial) sector. Over time it has changed from representing financial (money) accounts to performance (profit) accounts. On the other hand, governmental accounting theory has been developed in form of cameral accounting for use in the governmental sector (Njanga, 2011).

In this accord, the cameral accounting has been developed in four steps, and its evolution shows that the original money focus has been supplemented with a performance focus. Further, because business enterprises and governmental administration acquire revenues in different ways (through market-exchange transactions and one way money
transactions, respectively), historically there have been differences between the accounts prepared in the business and public sectors (Monsen, 2011).

As put by Manaseh (2009), the governmental administration like a centre government (being budget financed), primarily receives revenues in the form of taxes from the inhabitants without giving a direct service in return. Consequently, each year the governmental administration has an obligation to inform (in form of financial annual report) the inhabitants (public), how every single penny of the revenues has been used (accountability).

2.2.3.1 Commercial Accounting

The commercial accounting method includes two types of accounts (i.e., financial accounts and performance accounts), depending on whether the focus within an organization is on money effect of the revenues and expenditures or whether the focus is rather on profit effect of the revenues and expenditures. Thus an accounting model focusing on the cash effect of the revenues and expenditures is referred to as financial (cash) accounts. On the other hand, the accounting model focusing on the accrual effect of the revenues and expenditures is referred to as performance (accrual) accounts (Waygandt, 2010).

2.2.3.2 Cash accounting

Historically, single-entry bookkeeping referred to as merchant's single entry bookkeeping method was the accounting method used in the business sector (Lee, 1986), to report the immediate cash effect of the revenues and expenditures (i.e., immediate cash inflows and immediate cash outflows). Monsen (2008) refers to these types of accounts as cash accounts. Also, with single entry bookkeeping method, only one account (cash account) with two sides i.e., (debit and credit sides) was used.

In this manner, the cash inflows were recorded on the debit side, while the cash outflows were recorded on the credit side. Yet, the need to report the performance effect of the revenues and expenditures in addition to the cash effect increases over time. Consequently, the systematic single-entry bookkeeping was developed allowing the
preparation of the performance result via the balance accounts (payment side) only (Konsf, 2010).

According to Eugen (2011) the systematic single-entry bookkeeping referred to as the merchant’s systematic single entry bookkeeping based upon the principle of single-entry bookkeeping. Moreover, single bookkeeping entries are entered systematically in the accounts, by separating cash transactions with a performance effect (e.g., wages) from the cash transactions without such an effect (e.g., loans). Furthermore, non-cash transactions with a performance result effect (e.g., depreciations of fixed assets) are added so that the performance result can be reported as the difference between the revenue earned and the expenses incurred.

Nevertheless, a complete set of financial statements prepared in Tanzania according to IPSASs - accrual basis of accounting, which is supposed to be submitted by all LGAs and MDAs for audit, include the following: statement of financial position, statement of financial performance, statement of changes in net assets/equity, cash flows statement, statement of comparison of budget Vs actual amount by nature, statement of comparison of budget Vs actual amount by function and notes to the financial statements (Mboya, 2012).

In the second half of last century, radical changes took place in the management tools, information technology, ways of decision-making, performance measurements, accounting procedures, accounting systems etc. These changes were more transparent in the private sector in comparison with the public sector. No one would expect the private sector to manage, make decision, measure the performance, and use accounting procedures and practices as it did in the beginning of last century. In many parts of the public sector, especially central government, they are still using the management tools, accounting systems, accounting procedures, accounting standards, and performance measurements that have been used for more than a century ago. Although a few countries have implemented radical reforms in different levels of the public administration (such as: New Zealand, UK, Australia and Canada), in order to improve management efficiency and effectiveness, most of the countries do not use the new
management tools, and the more informative accounting systems. The reason is that they are convinced that the new tools and the more informative accounting systems are appropriate for business organization, which aims at making profit. And this is not the aim of the public sector, which aims at serving the public interest.

On the other hand, nowadays governments are requested:

to be fully accountable to the community for resources entrusted to them;
- to work better and cost less;
- to improve the fiscal policy;
- to do more with less;
- to realize that living on credit is not sustainable for it;
- not to leave huge burdens on future generations;
- to disclose the real financial position of the whole government. (IFAC 1997)

In short, the governments are requested to be efficient and effective. This means that there should be emphasis on strategic control of aggregate spending and priority setting; and the facilitation of greater efficiency and effectiveness through delegation of management authority with accountability for results. In order to achieve that, the decision-makers in all levels in the public sector need a more improved and useful information. This, in turn, requires from the government to perform radical changes in the public administration system. Examples of these reforms are:
- Management changes;
- Accounting changes; and
- Budgeting changes.

The management changes are essential to redefine the accountability relationship between the executive’s authority members (such as ministers and chief executives). This redefinition is required for determining:
- what should be produced (the output);
- how it can be produced;
- what the responsibilities of the ministers are;
- what the responsibilities of the chief executives are; and
- what the effects (outcomes) are of that product (the product can be goods or services) on the community.

In this context, the government accounting and budgeting system needs to be innovated in order to support the management changes. Basically, accounting as an information system plays an important role in whatever reform process any government entity would want to undertake. Thus, the move from cash to accrual accounting is an important step in developing the government accounting and budgeting system. In short, cash will no longer be sine non-qua of the public sector financial management.

Australian CPA, 1998, stated that “cash, in the past, was control. The one unbreakable rule was: do not spend more cash than Parliament has allocated unto you. The reform process entails a concerted move away from that mindset. The new focus is on contributing to outcomes within specified operating and capital budget”. In addition, government should be positive and open with its public by not limiting the amount of information that reveals about its own performance. Therefore, the government should give greater attention towards developing more business-like reporting system within public sector. This in turn can contribute towards more transparent and informative public accounts and greater efficiency in the management of public resources. In this context, government accounting system has to be able to provide appropriate information for decision-making process. On the one hand, the accounting information has to be useful to politicians to choose the objectives and on the other hand, it has to be useful to managers to design the strategy in order to achieve the objectives (Gimeno 1997).

The aforementioned radical changes in the public sector were a consequence of several reasons. The challenges arising from global economic integration are one of the essential reasons underlying these radical changes. Globalization is exerting great pressure on the governments to make fundamental changes to the administrative systems, accelerate enterprise reform, and open up the financial system to foreign competition (Fulin 2001).
Globalization demands a public sector that is responsive to an increasing competitive environment. It also demands that governments and public bodies harmonize their goals. Harmonization may ensure that economic development is not stifled and instead provides stimulus for the creation of improved standard living.

Therefore, there is an increasing need for proper determination of how public resources are allocated and for monitoring the effective use of these resources. In short, the rapid integration of the world economy through increased trade and investment (an integration which has been fueled by new technologies, spread of information and the growing importance of knowledge-based industries) provides the potential for opening up new age for human development. Moreover, it has become clear in the last two decades that the public sector reform has been reinforced by global economic crisis. In New Zealand, for instance, the major public sector reforms that began in 1984 were integrally linked with the economic crisis and the conditions leading to it, as well as with political change- namely the election of the labor government in 1984. Following the election in mid-1984 the incoming government faced an economy with an extended history of slow economic growth, high fiscal deficits, high debt including substantial liabilities resulting from various guarantees given by previous governments (Scott 1990). Then, the sick economy was the impetus for reform.

And, in yet another reason is, the pressure that is exerted by the international financial institutions, such as International Monetary Fund (IMF) and World Bank (WB), on most countries to make the required economic reform, including the public sector reform. This pressure can be more observed in underdeveloped and transitional economies where international organizations require particular accounting innovations to be effected as a sine qua non of assistance being provided (Godfrey et al.1999). Finally, increasing the international experience with respect to the public sector reform will result in stimulation of other countries, which have not started yet with the public sector reform, to follow this trend.
As a result of the aforementioned reasons, we can conclude that the public sector reform (including management, accounting and budgeting reforms) is a must. It will take place whether the countries want it or not. It is a matter of time where some countries have the ability to quickly response to the external and internal events and other countries take some time to response, but in the end they will follow. Therefore, scrutinizing where we have been certainly helps us to better know where we are headed. This is why it is essential to better understand the many types of public sector reform initiatives, how they are inter-related and the impacts they generate.

Even though most of the developed countries (and some of the developing countries such as: Tanzania) have followed this trend, governments in the Arab world are still using the traditional government accounting system (which is cash-based system) and traditional budgeting system (line item budget – input-based budget system). Those systems are no longer able to provide the information which is required by an efficient and effective government. So in order for the government accounting system to be relevant for an efficient and effective government, it should be an informative accounting system. Namely, it should provide the information, which can demonstrate the accountability of government for the financial affairs and resources entrusted to it, and be useful for decision-making.

Therefore, this paper deals with the public sector accounting and budgeting reform in general and particularly in the Arab world. More precisely, it tackles the main issues involved in this subject. So the main aim of this paper is:

• to critically analyze the main shortcomings of the prevailing system of government accounting and budgeting in the Arab world: Cash accounting system;
• to outline the need for changes in the government accounting and budgeting system;
• to discuss the link between management reform and accounting and budgeting reform;
• to discuss the implications of the implementation of the accounting and budgeting reform in the Arab world.
From all the previously mentioned, True and fair view about financial position of government cannot be provided. As a result of using the cash basis of accounting, no information can be provided about the actuality of the financial position of the governmental entity at the end of the fiscal year. Moreover, the changes in the financial position are not reported. Hence true and fair view of government financial positions cannot be disclosed with the governmental cash-based accounting system.

2.2.4 Over-spending appropriation

The balances of appropriations (the estimated expenditures) available for expenditure may not be accurately stated when determined only on the basis of cash payments. Part of the balances so determined are needed to pay for the goods and services received or ordered but not paid for. Thus, there is a strong potential for over-spending appropriated amounts when the cash basis is used (United Nations 1984).

2.2.5 No performance measurements are available

As illustrated in the above-stated example, important information is lacked on period revenues, expenses, long-term liabilities, amounts receivable, amounts payable, value of stocks, total cost of service produced. As a result, reliable information about the performance measurements of the government and their impact on the economy is not provided. For example, because there are no assets or liabilities, there is no measure for the net worth. Since the net worth is the difference between total assets and total liabilities, the changes in the total assets and the total liabilities will affect the net worth.

So if the government increased the liabilities either by borrowing to fund the deficit or obligation to make payments in the future, such as pension; or increased the assets which would provide economic benefits to the reporting entity, these actions would affect the net worth. Similarly, because there is no information available on the total cost of services and goods, the government cannot compare the total cost of the services and goods produced in a given year with the total cost of services and goods produced in the previous years. Obviously, under the cash-based accounting system, the accounts tell us about the amounts of receipts and expenditures compared with the budgeted figures. So
the only measure of performance which can be yielded is the comparison of budget with actual.

2.2.6 The cash-based accounting is inadequate for control purposes
Cash accounting is not a complete accounting system and its internal control is very weak. Inherent to this system is not possible to control the usage of the inventories during the year or to what extent the fixed assets have been used in a right way or how much is redeemed from the total government’s debt in the fiscal year. On the other hand, this system assists in fulfilling the budgetary control function. The budgetary control is concerned with ensuring that actual expenditures are in line with budgeted amounts and that the objectives and levels of activity envisaged in the budget are achieved. Therefore it is required in the governmental entities, in order to achieve the control purposes, to prepare the budget (A budget is financial plan describing the estimated expenditures and the means of financing them) as a control means on the activity of the governmental entity besides the financial regulations – restrictions. Where the budget and the financial regulations are forming the cornerstone of the internal control system within the governmental entity, hence, cash accounting system alone without the budget and financial regulation – restriction is inadequate for control purposes.

2.2.7 Cash-based accounting system is not cost effective
According to the nature of cash-based accounting, items such as fixed assets, creditors, commitments, debtors, payroll cannot be integrated into one system, where this system includes only cash receipts and cash disbursements. On the other hand in order to get information on items such as creditors, debtors, and commitments, etc. there should be other separate accounts used. These accounts are generally called regular accounts or extra accounting files. These accounts are used to report on financial assets and liabilities that are not included in the cash accounting system. This is because cash accounting system cannot comprise all the elements of assets and liabilities, thereby increasing double processing and reconciliation problems associated with separated systems. Theoretically, an integrated system, able to produce information on all elements, would be more efficient than separated systems. Clearly, this would result in
the accounting system being cost effective. So in total, we see that cash-based accounting system is not cost effective as a result of using separate systems and the related reconciliation problems. Therefore we call upon integration in place of disparity and duplication.

2.2.8 It is not useful for comparison purposes
As it is clear from the nature of cash-based accounting system that it is interested in flows and recognizes the events and transactions only when cash has been received or paid. Therefore, it always happens that one year can be charged by costs made in other years. Accordingly, the use of cash basis results in interpenetrating of activity of the different financial years. For example, if the government entity purchased spare parts in amount of 10,000 on account in 2002 and used them in the same year but the payments will be made in 2003. The accounts in 2002 will not show the accrued costs of the spare parts and the accounts in 2003 will show only the payments and these payments are included in the total expenditures of that year although this year has not benefited from the spare parts. Consequently, the adoption of cash-based accounting system by governmental entities often makes the comparison between the results of different financial years less important and very difficult.

2.2.9 It gives rise to a deliberate manipulation
Finally, one of the greatest limitations of cash accounting relates to the potential for deliberate manipulation of the accounts to produce preferred results (Jones & Pendlebury 1984). For example, the real spending of a department or services might be the same under whatever system of accounting is adopted but in a given year, using cash accounting, the cash payments could be postponed by as little as twenty-four hours so that the accounts record a lower figure. Imagine a given department or service which can see that it is going to over-spend its budget. Rather than reduce its spending it maintains it, but postpones cash payments (Jones & Pendlebury 1984). This is not to say that other accounting bases, in particular accrual accounting, are not impervious to manipulation, but they are not so open to the same abuses to which cash accounting can be subjected.
In addition to the above stated shortcomings, the Public Sector Committee (PSC) of the International Federation of Accountants (IFAC) has identified in its study 1 (1991) seven objectives of governmental financial reporting. Of the seven objectives only the first three objectives are met by a cash-based government accounting system. Those objectives are as follows:

1- “Indicating whether resources were obtained and used in accordance with the legally adopted budget.
2- Indicating whether resources were obtained and utilized in accordance with legal and contractual requirements, including financial limits established by appropriate legislative authorities.
3- Providing information about how the government or unit financed its activities and met its cash requirements.
4- Providing information about the sources, allocation and uses of financial resources.
5- Providing information that is useful in evaluating the government’s or unit’s ability to finance its activities and to meet its liabilities and commitments.
6- Providing information about the financial condition of the government or unit and changes in it.
7- Providing aggregate information useful in evaluating the government’s or unit’s performance in terms of costs, efficiency and accomplishments.

Thus, all the previously mentioned shortcomings can lead to another question, why are most governments still adopting the cash basis by their government accounting and budgeting systems?

As far as this question is concerned there are four reasons as follows:
1- **Political reasons**: By the use of cash basis of accounting, the politicians can easily cook the books, namely, they can easily show positive results or reduce the negative results and convince the public that they are doing something different than what they are actually doing. For example, a government may want to convince people: (Hillier - IFAC 97)
- that their budgetary deficit is less than what actually is;
- that they really haven’t exceeded spending authority granted by the legislature;
- that the growth in their total expenditures is less than what really is;
- that the liabilities to be met by the future generations are less than they really are;
- that this year’s performance compares favorably with their own or a previous government’s past performance; and
- that by comparison with other governments their performance is really quite good.

Another example, in 1993, two Dutch accountants J. Poot and C. Boer made an attempt to prepare the State balance sheet according to accrual accounting system. They found out that the central government did very defective financial reporting over its assets and liabilities. According to the data of the Dutch Ministry of Finance the net worth of the State (assets – liabilities) is f 70 billion negative. But according to the balance sheet, which is prepared by the two accountants (based on accrual accounting system), the net worth is f 180 billion negative.

So the use of cash basis by the Dutch central government accounting system has helped the Minister of Finance to reduce the negative results from f180 billion to f 70 billion (de volkskrant 1994). So it can be inferred that even though the cash-based government accounting does not provide the required information by the politicians which can assist them in evaluating the performance, discharging the accountability and decision making, it is serving their interest by giving them the opportunity for a deliberate manipulation. This can explain why there are no political incentives, particularly in the governments that have an interest in limiting the amount of information that reveals about their performance, to use a more informative accounting system. Self-evident the use of cash basis serves the interest of the government more than the public.

2- Traditional reasons: the cash accounting has been used by governments for long time till it became one of the main traditions of the central government. The government accountants are accustomed to prepare the budget on cash basis and to disclose the monetary position of the government, hence, they are not required to prepare the balance sheet and income statement. In contrast to the informative accounting system, cash
accounting can help them to avoid the adjustments and evaluation problems, which are necessary to prepare the balance sheet.

3- **Resistance to change**: usually, the civil servants are not active enough and they have not the incentives that make them to bear additional work that is involved in shifting to the new accounting system. Then the fear of being burdened with the responsibility of carrying out new procedures that involve additional work, both in quantity and quality, may be the real reason for putting up such resistance

4- **Scarcity**: the scarcity of the qualified personnel with advanced knowledge in government accounting forms one of the main reasons of maintaining the cash accounting.

### 2.2.10 Cash accounting and traditional budgeting system

It was pointed out in the introduction that the Arab world is using the traditional (line item) budget. The traditional budget is designed to ensure legislative control over the expenditure of public money. However, it does not indicate the relationship between the expenditure and results, and this prohibits the formulation and execution of economically meaningful budgetary policy. Moreover, it prevents proper political choice among objectives and rational allocation of resources as well as limiting the public understanding of government activity (Wilenski 1982).

This budget is a short term process that makes rational planning more difficult. It stresses inputs rather than outputs and controls only the inputs, this in turn, results in inhibiting the ability of the managers to flexibly manage resources to achieve program objectives. In short, this budget system does not satisfy the information needs of the efficient and effective government. On the other hand, the government can overcome the shortcomings of traditional budget by shifting to the program-performance budget.

The program-performance budget indicates the relationship between the inputs and the outputs and whether the resources have been effectively used and the target objectives
have been achieved. In short, it focuses on the purposes of expenditures and the outcome of the expenditures and provides data, which can be used to evaluate this outcome. Clearly, the program-performance budget has more advantages than the traditional budget. Then, the question is: why has the traditional budget lasted up till now? Some has argued that it serves a valuable purpose in government. For example:

- it limits the expenditure to the amounts and to the items voted in the appropriations;
- it makes budgeting easier and more manageable; and
- it is adaptable to all-economic circumstances and conditions (Wilenski 1982).

In addition, we see that accounting system, which is used to carry out the budget, plays an essential role in lasting one method of budgeting in comparison with the others.

However, each accounting basis has a special nature and characteristic which makes it appropriate for a specific use, hence, to be consistent with one of the budgeting methods (in practice there are three methods of budgeting: line-item budgeting, program budgeting, and performance budgeting). Similarly, the use of one budgeting method can also play a fundamental role in lasting one accounting basis in comparison with the others. Namely, in the public sector there is a strong relationship between the budget system and the accounting system, where they are complementing each other.

2.3 Empirical Studies

2.3.1 Abroad Studies

According to Akenbor (2012) who investigated the accounting system that should be adopted in the Nigerian public sector for achieving the financial, public and growth objectives of the government using sample size of eighteen(18) state legislators and thirty-nine(39) Directors of Finance and Accounts of the chosen ministries and extra-ministerial departments. Whereas the survey method of research design was adopted in which a well structured questionnaire designed in five-point Likert-Scale was administered on the study sample. The data generated for this study were analysed using mean scores while the stated hypotheses were statistically tested with Z-test. The
findings generated from this study indicated that cash basis of accounting does not significantly promote effective financial reporting of public sector entities in Nigeria, since the z-test result showed that the computer z-value (1.0) was less than the critical z-value (1.96). Similarly, it was gathered in this study that accrual basis of accounting significantly promoted effective financial reporting of public sector entities in Nigeria. In view of the above findings we recommended the adoption of accrual basis of accounting in public sector entities in Nigeria.

Likewise, the study conducted by Zik (2012) in the Philippines on challenges facing government accounting and ways to address the same used a sample size of 70 accounting officers in government entities discovered that among other critical measures to improved government accounting included; local governments must be trained to use performance measures for decision making, strategic planning, performance improvement, accountability, and communication, and rewarded for increased efficiencies that result from their use.

Moreover, various scholars carried out empirical studies on measurement of efficiency in government accounting. Study by Ammons and Rivenbark (2008) in Russia revealed that there are complexities in measuring efficiency in government accounting as about 23 local governments resorted into reporting differently from what was actual in books of accounts. Likewise, efficiency was revealed to be further outcomes governments produce. Outcomes are the social life improvement, the cleanliness of streets, the economic vitality of the community.

Again, study by Oghoghomeh (2011) conducted in Ethiopia using 150 sample size and data analysed through multiple regression analysis reported that cash accounting system was not significantly effective in providing accounting information for efficient performance of public sector organizations because there was no indication of long-term fiscal strength an relationship between revenues, expenses and changes in net worth and the trade-off burdens of current and future taxpayers.
The study revealed further that cash accounting was difficult to evaluate the efficiency of revenue collection staff and discover the losses during the collection process because the total revenues earned in a given fiscal year were not known. Also, Obazee (2011) claimed that cash basis of accounting was not comprehensive enough to give true and fair view of government activities. Ozugbo (2009) on the other hand discovered that accountability and transparency was difficult to achieve in cash accounting system because there was lack of information on period revenues and expenses, long-term assets and liabilities, receivables and payables, value of stock and total cost of goods and services provided.

Saleh (2007) affirmed again that with cash accounting it is difficult to generate the right information about the total cost of services and goods produced during the year and such costs are important for performance evaluation, control, public contract policy, and efficiency and effectiveness measurement of governmental entities. Zakiah (2007) claimed costs accounting lacks useful accounting information regarding stock value and such would result in management finding it difficult to take the right decision. Hongs (2010) opined that there is strong potential for over-spending appropriated amounts when the cash basis is used. Zik (2012), states that the use of cash basis results in overlapping of activities of different financial years thereby hindering effective performance measurement. Langendijk (2010) revealed that under cash accounting no liabilities are recognized and consequently the deficit in one fiscal period may increase more than other fiscal periods.

Similarly, the study by Ozugbo (2009) in Indonesia on effectiveness of accrual basis of accounting revealed that accrual basis of accounting significantly promotes effective financial reporting of public sector entities in Indonesia, as the Z-test result 2.83 was greater than the critical value of 1.96. Other studies such as SAFA (2006) and Appollos (2010) are in concordance with our result. Hajik (2011) asserted that accountability and transparency in the use of taxpayers’ money is assured in accrual basis of accounting since the system provides more comprehensive information. Ross (2010) is of the opinion that accrual accounting makes distinction between current receipts and capital receipts because revenues are recognized at the time they are earned, and the
receipts occur when revenues are collected and this presents a better financial information SAFA (2006), reported that with accrual accounting system, accountability is assured, information on assets and liabilities are readily available, comparability of financial information becomes effective, casts are adequately matched with revenues, and compliance reporting becomes possible and effective.

Veneeva (2010) is of the view that information generated from accrual accounting can be used in estimating how much is to be required for acquisition of assets in each year as budget and this serves as an informed decision. However, the works of Adeboyo (2010), Obazee (2011) failed to agree with this finding. They claimed that accrual accounting is not budget compliant, increased operating costs, more difficult to understand and operate, delays the review and assessment of cash position and involves a subjective adjustments of financial statement, which is prone to various forms of manipulation.

2.3.2 Tanzania Studies

Few studies had been carried in Tanzania, though the available ones like Otouh (2009) who studied effectiveness of accounting systems Tanzania local government using a sample size of 30 LGAs, the study revealed P-value of 0.0064 and beta value of 0.53 inferring that about 53 percent of surveyed LGAs had no effective accounting systems.

Likewise, the study by Msuya (2008) on utilization of Epicor accounting package at the Ministry of Education revealed that such accounting package was utilized by 24 percent only and the remaining 76 percent was underutilized. In this connection, the financial accounts of the Ministry for such particular period were not properly complied.

2.4 Conceptual Framework

Conceptual framework depicts the link between the objectives of the study and the process flow for the matter under study. In this regard, figure 2.1 below elaborates the same.
According to Eagleton (2009) the dependent variable of the study is linked to effectiveness of Government accounting, thus depending on various independent variables that among others include; the accounting systems available in Government, the systems may be manual or automatic/computerized operating in general agreed accounting principles and standards. For instance, Tanzania applies the International Public Sector Accounting Standards (IPSAS).

Likewise, the accounting systems and standard available would not bring any meaning if and only if the human resources operating the same do not possess adequate knowledge and skills. The highest accounting qualifications agreed in Tanzania include CPAs and any other recognized international qualifications like ACCA.

However, all three attributes regarded as independent variable towards bringing about effectiveness of Government accounting would not properly function if there could not exist controls. These controls would be both internal and external. Internal controls include check and balances for accounting transactions and external control would
include audits, in Tanzania case, the current prevailing article 43 of the Constitution
gives mandate to the Controller and Auditor General (CAG) as the supreme auditor for
public funds.
CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction
This chapter presents the research methodology which was employed by the researcher. It provides the research design, sample selection and size, and data collection and administration procedures, data measurement and analysis techniques.

3.1 Research Design
Research design is a set of advance decisions that make up the master plan specifying the methods and procedures for collecting and analyzing the needed information. This study used case study research design which is descriptive in nature. The case study design was employed due to the fact that it is less expensive compared to other designs like surveys and experiments. It provides an intensive and integrated investigation of a definitive unit such as work place or department in search for comprehensive information. The study however is empirical in nature, based on mainly primary data collected by the researcher through interview and structured questionnaires.

3.2 The Study Area
The study was conducted at the Ministry of Finance and Economic Affairs Dar es Salaam along Shabani Robert Road that manages the overall revenue, expenditure and financing of the Government of the United Republic of Tanzania and provides the Government with advice on the broad financial and economic affairs hence enhance the Government’s to achieve her economic and social objectives (United Republic of Tanzania, 2013). Likewise, the Ministry of Finance and Economic Affairs is selected as area for the study due to the fact that it is the supreme Ministry dealing with Government accounting issues.

The Ministry is headed by the Minister and his two Deputy Ministers. There is one Permanent Secretary in the Ministry of Finance, the Permanent Secretary Treasury and Paymaster General. The Deputy Permanent Secretary (Policy and Resource
Mobilisation) is responsible for External Finance, Government Budget, Policy Analysis, Treasury Registrar, Tanzania Revenue Authority, Tax Appeals Board and Tax Appeals Tribunal. The Deputy Permanent Secretary (Treasury Services) is responsible for Stock Verification, Computer Services, Administration and Personnel, Central Tender Board, Finance and Accounts, Technical Audit, Legal Services, Internal Audit and Information, Education and Communication Unit (URT, 2013).

In this connection, sample size for the study was drawn from the office of Depute Permanent Secretary (Policy and Resource Mobilisation) and the office of Depute Permanent Secretary (Treasury Services). However, employees of these two offices based in Dar Es Salaam participated in consideration of time and financial constraints.

3.3 Population
The population of the study comprised of all employees of the Ministry of Finance and Economic Affairs that are approximated to 12,032 employees (URT, 2013).

3.4 Sampling design
Sampling design encompasses sample size which is number of respondents to participate in the study, sample unit which is specific group of respondents to be involved in the study as well as sampling techniques used to obtain the sample.

3.4.1 Sample size
The study planned a sample size of 120 respondents but in due course of data collection 108 informants responded accordingly whereas 45 are staff from the office of Depute Permanent Secretary (Policy and Resource Mobilisation) and 63 from the office of Depute Permanent Secretary (Treasury Services) as stipulated on table 3.1 below. Hence, the study had a 90 percent response rate.
Table 3.1: Sample Size

<table>
<thead>
<tr>
<th>Sample Unit</th>
<th>Sample Size</th>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office of the Depute Permanent Secretary</td>
<td>50</td>
<td>45</td>
<td>42%</td>
</tr>
<tr>
<td>(Policy and Resource Mobilisation)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office of the Depute Permanent Secretary</td>
<td>70</td>
<td>63</td>
<td>58%</td>
</tr>
<tr>
<td>(Treasury Services)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>120</strong></td>
<td><strong>108</strong></td>
<td><strong>100%</strong></td>
</tr>
<tr>
<td><strong>Average Response Rate</strong></td>
<td></td>
<td></td>
<td><strong>90%</strong></td>
</tr>
</tbody>
</table>

**Source:** Research Data, 2013

3.4.2 Sampling Unit

Sample unit is the smallest division of a detection population. Sample unit is recommended for simplicity, comparability, and ease of application when identifying sample size to be used in the study. In this regard, respondents from the office of Depute Permanent Secretary (Policy and Resource Mobilisation) included the following units; Economic Management, Administration and Human Resources Management, Local Government, Legal Services, Quality Assurance, Public Procurement, Public-Private Partnership and Policy Analysis.

On the other hand, respondents from the office of Depute Permanent Secretary (Treasury Services) included the following units; Paymaster General, Treasury Services, Public Finance Management, Accountant General, Internal Audit General, Budget and Payroll Audit, External Finance, Payroll and Financial Intelligence.

3.4.3 Sampling Techniques

The purposive and snow ball techniques were applied to select the units of inquiry. The response thought to be most effective for obtaining sampling units required from targeted sample. In this connection, purposive technique was used to heads of
Departments of the units identified on sample unit above; this was applied due to the fact that it was easy to identify them given titles of their positions.

Subsequently, snow ball technique was applied to other officers under the departments of units identified on the sample unit above part 3.4.2. This technique was applied given the fact that some respondents resisted responding but were able to advice other potential respondents to see in order to get appropriate information. Therefore, with this technique a chain of respondents was built by officers in mentions departments themselves- once one is seen referred the other.

3.6 Data Collection Methods

The study used two sources of data such as primary and secondary data. In this regard, primary sources of data are those fresh data extracted from field by the researcher. Again, secondary sources of data are those existing data available in other sources like books, research papers, reports, journal and any other publications. Therefore, in collecting data for this study, the following methods were employed.

3.6.1 Interview

The face to face interview was conducted to Heads of Departments for the units identified on part 3.4.2 above. This was applied given the fact that these kinds of people do not have enough time to concentrate on questionnaire and fill in; therefore, interview is thought an ideal technique for these cadres. Information obtained was recorded and analyzed. Interview technique created and promoted understanding between the interviewer and interviewees. It involved presentation of oral-verbal stimulus and reply in oral verbal responses. This technique leads to smooth flow of data from respondents to the interviewer. However, the major advantage of this method is that interviewees are comfortable more free to give out own views and opinions pertaining to the study.

3.6.2 Documentary Analysis

Documentary analysis is a suitable method for collecting data from secondary sources that consist of statistical statements and reports, whose data may be used by researchers
for their studies for example, articles, books, journals, Census reports, annual reports, policies and other useful published reports on current statistical statements, etc. The secondary source consists of not only published records but also unpublished records. This was useful for the researcher in understanding various issues related to the study.

3.6.3 Instruments for Data Collection

3.6.3.1 Interview

The study utilized both structured and un-structured interview questions. Structured questions aimed at bounding the respondent to give out answers or information intended by the researcher where as un-structured interview questions was two ways traffic giving both interviewer and interviewee a chance to giving more opinions beyond the question boundaries. In this regard, 17 interview questions were posed to the Heads of Departments of the identified Units as shown on appendix . However, advantage of this instrument had been flexibility of interviewees to give out their views without restrictions.

3.6.3.2 Questionnaires

Questionnaires consisting of 17 questions of which 10 questions were closed –ended and 7 questions were open-ended. Researcher chose this method due to the fact that it is of low cost in administering, free from bias of the interview and respondent has adequate time to give well thought out answers. Structured and unstructured questionnaires were administered to Officers from Units identified on part 3.4.2 in order to get accurate information.

3.6.3.3 Documentary Review Guide

This study was guided by the following documentations; Government Legislations, Policies, Procedures, Circulars and Standards governing Government practice in general. Likewise, various reports and published strategies and researches were used. Documentary review guide is aimed at providing an overview of role of government
accounting in Tanzania. Also, information obtained from such documentary review enhanced the researcher to draw an inference on trend analysis for the effectiveness of Tanzania government accounting and ways to address challenges pertaining to the same. Moreover, the advantage for this instrument is that there are vast of data in various documents and publications aiding success of this study.

3.7 Data Analysis Plan
Rwegoshora (2006) defines data analysis as ordering of data into constituent parts in order to obtain answers to research questions. Data collected and analysed in a way that enables to answer the research questions to meet the objective of the study. Data analysis was analysed both qualitatively and quantitatively.

The study used a description of findings to show the relationship between objectives and the result of the study by qualitative analysis involved examining data basing on the attributes shown by the respondents and making discussion with them. In Quantitative analysis the researcher used percentages, tables and frequency. In this connection, data were analysed using Statistical Package for Social Science (SPSS) to run correlations and multiple regression analysis for the effectiveness of Tanzania government accounting.

3.8 Validity and Reliability of Instruments
Reliability is literally the extent to which we can rely on the source of the data and, therefore, the data itself. Reliable data is dependable, trustworthy, unfailing, sure, authentic, genuine, reputable. Consistency is the main measure of reliability. In this regard, data were collected from reliable sources thus those at management levels who are informed with general operations of the Government accounting in the Ministry and on the other hand are decision makers in their units such as the office of Depute Permanent Secretary (Policy and Resource Mobilisation) included the following units; Economic Management, Administration and Human Resources Management, Local Government, Legal Services, Quality Assurance, Public Procurement, Public-Private Partnership and Policy Analysis. And the office of Depute Permanent Secretary (Treasury Services) included the following units; Paymaster General, Treasury Services,
Public Finance Management, Accountant General, Internal Audit General, Budget and Payroll Audit, External Finance, Payroll and Financial Intelligence.

Likewise, a case study research design and purposive sampling techniques assured data were from sources with all the information about the issue under study. However, standard deviation used to measure variables in effectiveness of Government accounting whereas the higher the percentage of deviation on the variable inferred the lower standard deviation indicating data point are clustered far around the mean hence level of significance centered on such variable.

3.9 Ethical Considerations

This study is planned and enhances partial fulfillment of the award of Degree of Masters of Science in Accounting and Finance (MSC-A&F) provided by the Mzumbe University. Likewise, information for the study was centered on informed consent of respondents and the area of the study. Again, privacy and confidentiality for information obtained was given first priority thus no any part of data collected diverted from the intended purpose. However, this study and information collected are for academic purpose only, in this connection, there is no any affiliation or conflict of interest.
CHAPTER FOUR

PRESENTATION AND DISCUSSION OF FINDINGS

4.1 Introduction
In this chapter the researcher present and analyse research findings. The underlying findings include the demographic characteristics of respondents, types of Tanzania Government accounting systems, effectiveness of the accounting systems, challenges pertaining to Tanzania Government Accounting and ways of addressing such challenges. Moreover, description of quantitative findings had been expressed through tables and figures by use of Ms. Excel computer aided spreadsheet package and the SPSS. Discussion of the findings focused on responses gathered through interview to key personnel from Head of Departments. Likewise, other information from respondents was gathered through questionnaires posed to employees of the Ministry of Finance and Economic Affairs as shown on table 3.1.

4.2 Demographics Characteristics of Respondents
According to UN (2009) a thorough and professional research must encompass some variables of world cross cutting issues. Therefore, in this study demographic characteristic of respondents is composed of gender and age of respondents, working experience and level of education of the respective respondents. However, such demographic characteristic of respondents create inference on data validity and reliability given the fact that significant information for the study would have high degree of reliance if at all given by matured respondents, a sound exposure on Government accounting as well as level of education.

4.2.1 Gender and Age
Table 4.1 showed that 67 percent of the respondents were males while females comprised of 33 percent. Their age range varied considerably. There were 17 percent males at the age group of 18-27 while females were 5 percent at the same age group.
There were 27 percent males at the age group between 28-37 and females with same aged composed of 11 percent.

**Table 4.1: Gender and Age**

<table>
<thead>
<tr>
<th>Gender</th>
<th>Respondents</th>
<th>Percentage</th>
<th>Age Range</th>
<th>Respondents</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>72</td>
<td>67</td>
<td>18-27</td>
<td>18</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>28-37</td>
<td>29</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>38-47</td>
<td>12</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>48+</td>
<td>13</td>
<td>12</td>
</tr>
<tr>
<td>Female</td>
<td>36</td>
<td>33</td>
<td>18-27</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>28-37</td>
<td>12</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>38-47</td>
<td>14</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>48+</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>108</strong></td>
<td><strong>100</strong></td>
<td></td>
<td><strong>108</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**Source**: Research Data, 2013

Likewise, the age group 38-47 years old, there were 11 percent males whilst females were 13 percent and at the age group 48 years old and above, male were 12 percent and female 4 percent as evidenced on table 4.1 as well. Gender as a cross cutting issue was taken into consideration in order to ascertain gender balance in the study, hence reduce research biasness on gender. In this connection, more respondents in the study were males than females.

**4.2.2 Experience with Government Accounting**

Analysis was made on experience in operations for Government accounting as shown on table 4.2 and the following were results obtained. Out of 108 respondents in the study 10 percent had less than a year experience in operating with Government accounting while 62 percent had such experience between 2 and 5 years and 28 percent had the experience
of more than 5 years. Therefore, this demographic evidenced that the study got adequate information from reliable sources and well informed respondents as more than 50 percent of all respondents were found to possess a sound experience in operating with Government accounting for more than 2 years, hence knowledgeable in terms of products and services from the company.

Table 4.2: Experience in Government Accounting

<table>
<thead>
<tr>
<th>Number of Years</th>
<th>Respondents</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Count</td>
<td>Percentage</td>
</tr>
<tr>
<td>Less than 1 year:</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Between 2 and 5 years:</td>
<td>69</td>
<td>62</td>
</tr>
<tr>
<td>More than 5 years:</td>
<td>29</td>
<td>28</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>108</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Research Data, 2013

4.2.3 Level of Education

Table 4.3 show respondents’ level of education as 10 percent had diploma or certificate level of education while 65 percent was found to possess undergraduate degrees as well as 25 percent were found to posses post graduate levels of education.

Table 4.3: Level of Education

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diploma/Certificate</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Under graduate</td>
<td>71</td>
<td>65</td>
</tr>
<tr>
<td>Post graduate</td>
<td>27</td>
<td>25</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>108</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Therefore, the study had more than 50 percent of respondents with recommendable level of educated thus information reliability from the same would be guaranteed.
4.3 Types of Tanzania Government Accounting Systems

An accounting system consists of the personnel, procedures, technology, and records used by an organization to develop accounting information and to communicate this information to decision makers. The design and capabilities of these systems vary greatly from one organization to another. In small businesses, accounting systems may consist of little more than a cash register, a checkbook, and an annual trip to an income tax preparer. In Government entities, accounting systems include computers, highly trained personnel, and accounting reports that affect the daily operations of every department. But in every case, the basic purpose of the accounting system remains the same: to meet the organization’s needs for information as efficiently as possible.

Many factors affect the structure of the accounting system within a particular organization. Among the most important are the organization needs for accounting information and the resources available for operation of the system. Describing accounting as an information system focuses attention on the information accounting provides, the users of the information, and the support for financial decisions that is provided by the information.

In this connection, question 13 of the questionnaire that intended to find out the types of accounting systems used by the Tanzania Government and specifically Ministry of Finance was responded accordingly. Results on figure 4.1 depicts that there are three major accounting system practiced in Tanzania Government. The first one being manual accounting system as identified by 84 percent of respondents, the second being semi-computerized accounting system pointed out by 56 percent of respondents and the third being computerized accounting system identified by 97 percent of respondents.
In views of respondents, the study revealed that manual accounting system is the system used to record accounting transactions by writing in accounting books and ledgers using hand pens. In this regard, results on table 4.4 depicts that still 5.3 percent of LGAs use manual accounting systems. In fact this was due to the fact that the said LGAs had for long time no access to electricity and others are newly established.

**Table 4.4: Rate of LGAs with Manual Accounting Systems**

<table>
<thead>
<tr>
<th>System</th>
<th>Percentage</th>
<th>Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manual Accounting System</td>
<td>97%</td>
<td>91</td>
</tr>
<tr>
<td>Semi-Computerized Accounting System</td>
<td>56%</td>
<td>60</td>
</tr>
<tr>
<td>Computerized Accounting System</td>
<td>84%</td>
<td>105</td>
</tr>
</tbody>
</table>

**Source:** Research Data, 2013

**Figure 4.1: Government Accounting Systems**

In views of respondents, the study revealed that manual accounting system is the system used to record accounting transactions by writing in accounting books and ledgers using hand pens. In this regard, results on table 4.4 depicts that still 5.3 percent of LGAs use manual accounting systems. In fact this was due to the fact that the said LGAs had for long time no access to electricity and others are newly established.
Likewise, the study found that semi-computerized accounting systems was a mixed manual and computerized systems particularly using spread sheets like Microsoft excel and access. Moreover, results on figure 4.1 showed that 97 percent of respondents identified that another type of Tanzania Government accounting systems is computerized. Through this, the study went further analyzing LGAs and MDAs using this type of system, results on table 4.5 evidenced that 88 percent of the same apply computerized accounting system in recording and reporting of their financial information.

**Table 4.5: LGAs and MDAs with Computerized Accounting System**

<table>
<thead>
<tr>
<th>Narrations</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total LGAs and MDAs in Tanzania</td>
<td>217</td>
</tr>
<tr>
<td>LGAs and MDAs using Computerized Accounting Systems</td>
<td>191</td>
</tr>
<tr>
<td>Percentage of LGAs with Manual Accounting System</td>
<td>88%</td>
</tr>
</tbody>
</table>

**Source:** Research Data, 2013

However, the study found that the computerized accounting system used by LGAs and MDAs in Tanzania is EPICOR version 7.2 which is IPSAS and IFRS compliant as well.

**4.4 Effectiveness of the Accounting Systems**

As pointed out by IPSASB Chairman –Mr. Andreas Bergmann from Switzerland, his board recommends use of fully computerized accounting systems for public entities, this is due to the fact that manual and semi-computerized systems are time consuming if large number of transaction is available, also, does not automatically post to sub ledgers,
arithmetic errors are more common and experience a tedious bookkeeping. Having noted such deficiencies in manual and semi-computerized government accounting systems, the study analyzed effectiveness of Tanzania Government computerized accounting system (EPICOR) only.

Roles performed by a computerized accounting systems team collectively results into its effectiveness. Therefore, ascertaining effectiveness of Tanzania Government computerized accounting system (EPICOR) the study used nine (9) variables shown on question 14 of the questionnaires such as reliability of the system, relevance, timeliness, performance, error scale, accuracy, managerial reports, budget and controls as well how the system is user friendly. These variables measured using ranking of a 5 points Likert scale with independent variables from 1 as weakest, 2 as weak, 3 as effective, 4 as very effective and 5 as most effective. In this context, effectiveness computerized accounting system (EPICOR) was used as dependent variable.

After ranking raw data were imputed and multiple regression analysis run in SPSS 7.0 using the following mathematical formula;

\[ T_{CAS} = a + X_1 Wkst + X_2 Wk + X_3 E + X_4 VE + X_5 ME + C \]

Where,

\[ T_{CAS} = \text{Effectiveness of Computerized Accounting System (Dependent variable)} \]

\[ a = \text{Intercept} \]

\[ X_1 - X_5 = \text{Independent variables} \]

\[ Wkst = \text{Weakest} \]

\[ Wk = \text{Weak} \]

\[ E = \text{Effective} \]

\[ VE = \text{Very Effective} \]

\[ ME = \text{Most Effective} \]
Table 4.6: Regression Results on EPICOR Effectiveness

SUMMARY OUTPUT

Regression Statistics

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Multiple R</td>
<td>0.937582</td>
</tr>
<tr>
<td>R Square</td>
<td>0.879059</td>
</tr>
<tr>
<td>Adjusted R Square</td>
<td>0.758118</td>
</tr>
<tr>
<td>Standard Error</td>
<td>0.826785</td>
</tr>
<tr>
<td>Observations</td>
<td>9</td>
</tr>
</tbody>
</table>

ANOVA

<table>
<thead>
<tr>
<th></th>
<th>Df</th>
<th>SS</th>
<th>MS</th>
<th>F</th>
<th>Significance F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>4</td>
<td>19.87424</td>
<td>4.96856</td>
<td>839.851</td>
<td>0.040342</td>
</tr>
<tr>
<td>Residual</td>
<td>4</td>
<td>2.734293</td>
<td>0.68357</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>8</td>
<td>22.60853</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Coefficient Standard t Stat P-value Lower 95% Upper 95%

C = Standard Error
The result of the multiple regression equation produced high values of $R^2 = 0.879$ which means the independent variables in the other words the range from weakest to most effective outcome variables account in the model for the 87.9 percent variation of the dependent variable i.e. effectiveness of Tanzania Government accounting system.

Inferentially, the above statistical computation result means that the system effectiveness effect as measured in variables of weakest, weak, effective, very effective and most effective accounted for the 87.9% variation in the dependent variable. The larger values of $f = 839.851$ further depicted significance of the independent variables in the model.

Looking on t stat and P-value results; effective had highly positive t stat 64.46263 with significant levels at P-value 0.021739. Therefore, this entailed that the Tanzania Government accounting system is just effective (average) given its highest positive t stat of 64.46263 in the model.

The findings showed further that effectiveness of the Tanzania Government computerized accounting system (EPICOR) was not ranked as most effective due to number of challenges enumerated on part 4.5 of this chapter. However, ranking effectiveness of the system as average (just effective) would be supported by the fact that bigger percentage of LGAs and MDAs have already migrated and adopted the
systems for more than three (3) years now. Likewise, the Government move to employing qualified accountants will greatly improve such effectiveness to very or most effective going forward.

4.5 Challenges Pertaining to Tanzania Government Accounting

The study analysed challenges pertaining to Tanzania Government accounting whereas a vast number of challenges were identified but due to data coding the study came up with major five challenges as depicted on table 4.7 below. Results on the table are ranked in accordance with preference of respondents. In this regard, 97 percent of respondents identified little computer skills by employees. In views of respondents, the study revealed that a big number of employees in the Government accounting section are neither Information Technology (IT) experts nor computer engineers; therefore, there is great possibility of wrong posting for accounting transactions that would result into wrong report, hence endanger the image of the Government.

Table 4.7: Challenges on Government Accounting

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Total Respondents</th>
<th>Response Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non Answer</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Total Respondents</td>
<td>108</td>
<td></td>
</tr>
<tr>
<td>Total Answers</td>
<td>102</td>
<td>94%</td>
</tr>
<tr>
<td>Little Computer Skills by Employees</td>
<td>98</td>
<td>97%</td>
</tr>
<tr>
<td>Lack of Competent Personnel</td>
<td>96</td>
<td>95%</td>
</tr>
<tr>
<td>Limited Scope of Internal Control</td>
<td>91</td>
<td>90%</td>
</tr>
<tr>
<td>Low Legal Enforcement</td>
<td>88</td>
<td>87%</td>
</tr>
<tr>
<td>Frequent Updates in Standards</td>
<td>71</td>
<td>70%</td>
</tr>
<tr>
<td>Mean Base</td>
<td>108</td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>71</td>
<td></td>
</tr>
<tr>
<td>Standard Deviations</td>
<td>10.710</td>
<td></td>
</tr>
<tr>
<td>Standard Error</td>
<td>0.1201</td>
<td></td>
</tr>
</tbody>
</table>

Source: Research Data, 2013
Likewise, results on table 4.7 depicted that 95 percent of respondents identified lack of competent personnel as another challenge facing Government accounting. In views of respondents, the study found that most of young graduates get their CPAs without being employed anywhere, therefore, while employed in higher positions they lack technical skills in accounting jobs, hence contribute towards decreasing efficiency and productivity of LGA or MDA the one works for.

Moreover, limited scope of internal control was pointed out by 90 percent of respondents as another challenge facing Government accounting. The study learned further that the District Executive Director (DED) for LGAs and the Permanent Secretary for MDAs are the accounting officers and have great mandate towards Government funds under their jurisdiction, through this, it is to question any fund authorized by the same whereas as human being one would be tempted to do anything contrary to plans, hence rooms for fund embezzlements.

Low legal enforcement was as well identified by 87 percent of respondents as another challenge facing government accounting. The study here found that, despite of the country being rich in regulations like the Public Finance Act (2004) as amended in June, 2013, the Procurement Act (2006) and the Public Audit Act (2006) still some government officers in accounting departments had been going astray to the regulations. This has caused miss appropriation of public funds and little accountability among the accounting officers.

However, frequent update of accounting standards had been identified by 70 percent of respondents as another challenge facing Government accounting. This was due to the fact that any update of standard would need training and some amount of time for leaning process. For instance IPSAS 4 on accounting principles that was allowing use of both cash accounting and accrual basis had been recently updated and insists on accrual basis accounting for public entities.

4.6 Critical Ways of Addressing Challenges
In any organization including the Government challenges are inevitable, if well addressed would result into improvement in efficiency and productivity. Therefore, the
study through question 17 of the questionnaires that intended to identify critical ways of addressing challenges pertaining to government accounting ascertained such ways as shown on table 4.8 below.

Results on table 4.8 depicts that the first critical way suggested by 91 percent of respondents is improving training and development to employees. In respondents’ views, the study found that, in order to improve efficiency and productivity per person, training and development is inevitable so that to update employees with the current job performance requirements. Likewise, training and development improves competency among employees, hence enhance them improve their performance and accountability to the public.

Again, institution of internal control units in LGAs and MDAs has been pointed out by 84 percent of respondents as another critical way to address challenges pertaining to government accounting. The study learned further that in most LGAs and MDAs there has been introduced an internal audit unit which serve as internal control unit as well. Enhancement of these internal audit units would improve internal control if all they are independent, in some cases the study revealed that the chief internal auditor is among the signatories something reducing his/her independence towards effectively performing internal control role.

Table 4.8: Ways of Addressing Identified Challenges

<table>
<thead>
<tr>
<th>Ways</th>
<th>Total Respondents</th>
<th>Response Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non Answer</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Total Respondents</td>
<td>108</td>
<td></td>
</tr>
<tr>
<td>Total Answers</td>
<td>103</td>
<td>95%</td>
</tr>
<tr>
<td>Improving Training and Development</td>
<td>93</td>
<td>91%</td>
</tr>
<tr>
<td>Institution of Internal Control Units</td>
<td>86</td>
<td>84%</td>
</tr>
<tr>
<td>Use of KPIs</td>
<td>82</td>
<td>80%</td>
</tr>
<tr>
<td>Institution of Standard Review Sessions</td>
<td>78</td>
<td>76%</td>
</tr>
<tr>
<td>Improving Transparency</td>
<td>70</td>
<td>68%</td>
</tr>
<tr>
<td>Mean Base</td>
<td>108</td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>70</td>
<td></td>
</tr>
<tr>
<td>------</td>
<td>----</td>
<td></td>
</tr>
<tr>
<td>Standard Deviations</td>
<td>8.614</td>
<td></td>
</tr>
<tr>
<td>Standard Error</td>
<td>0.092</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Research Data, 2013

Nevertheless, use of Key Performance Indicators (KPIs) for employees under accounting departments was identified by 80 percent of respondent as another critical way to address challenges in government accounting. The study here found that institution of KPIs would improve accountability, collection of government revenues, and enhancement of efficiency and high level of productivity. However, it was learned that public servants have signed a service level contract, but in addition to this KPIs would also be incorporated.

Institution of accounting standards review sessions at work place has been suggested by 76 percent of respondents. The study through part 4.5 identified that frequent update in standards is among the challenges facing government accounting as to be conversant with it need financial resources and time for training accounting personnel. On the other hand, having periodical reviews sessions at work place would make employee understand the current standards and whenever there is any update, no more effort would be needed for training as employees would be certain of what the previous version was and which areas had been updated.

However, improving transparency among government undertakings has been identified by 68 percent of respondents as one way of addressing challenges of government accounting. In views of respondents the study revealed that transparent not only create trust among the public but also is contribute to creating good working environment for accounting staff. His is due to the fact that every thing one does would one day be revealed, hence must work diligently while maintaining the good image of the Government. The study found further that there is a provision in the Public Finance Act (2004) requiring the LGAs to publish their audited financial statement, this is among the transparency approaches making accounting employees more accountable.
4.7 Discussion of Research Findings

Government accounting is different from accounting for other business entities in the sense that it does not aim to accounts for profit making rather account for collection and allocation of public financial resources. Since independence Tanzania accounting system was manual whereas all financial books were written by hand, upon economic reforms undertaken, the accounting systems had been changing as well to comply with the current level of technology. On the other hand, the findings revealed that the pace for migration from manual to computerized accounting system has not been satisfactory to the stakeholders. This is due to the fact that despite of using EPICOR as one of Government accounting system still other LGAs apply manual system and other semi-computerized system. However, in order to create good image for various Government stakeholders like donors (contributors) to the General Budget Support (GBS), the Government has to ensure that the remaining 12 percent of MDAs and LGAs that are not fully computerized their accounting system to do so.

Likewise, the analysed effectiveness of Tanzania Government computerized accounting system was not ranked as most effective instead average (just effective) would imply that at this era the Government must have fully migrated to computerized accounting system throughout all her MDAs, LGAs, authorities, agencies and parastatal. Challenges behind such low effectiveness would amount to lack of competent and skilled personnel, low initiatives by the Government itself and low enforcement towards days in migrating to fully computerized system. However, the Government would stand and start move to employing qualified accountants in order to improve such effectiveness to very or most effective going forward.

Again, more identified challenges facing Government accounting discovered the following; little computer skills by employees, lack of competent personnel, limited scope of internal control, low legal enforcement and frequent updates in standards. The study identified many various challenges but due to data coding the main five challenges were enunciated. Despite of the aforesaid five major challenges, effectiveness of the accounting system also face other challenges such as usage of outdated computers which are not compatible with requirements for EPICOR versions. Moreover, the study found
further that another challenges was on fully utilization of computerized systems in MDAs and LGAs, as one would find the MDA or LGA with computerized system but when analyzing usage rate finds only few percentage of the functions had been used. That’s why analysis of the effectiveness was just average.

Moreover, analysis of strategic ways to improve effectiveness of the accounting system discovered that improving training and development to employees would in turn improve efficiency and productivity of each employee, improves competency among employees, hence enhance them improve their performance and accountability to the public. Institution of internal control units in LGAs and MDAs has been identified as another strategy whereas the same would improve internal control if at all such controls are independent, in some cases the study revealed that the chief internal auditor would be among the signatories something reducing his/her independence towards effectively performing internal control role.

Instituting Key Performance Indicators (KPIs) for employees under accounting departments was identified as another strategy to address challenges in government accounting. Doing so would improve accountability, collection of government revenues, and enhancement of efficiency and high level of productivity. On the other hand, Institution of accounting standards review sessions at work place would frequent update knowledge and skill of employees while performing their daily duties. However, improving transparence among government undertakings has been identified as another strategy to addressing challenges of government accounting. Practically, transparent not only create trust among the public but also contribute to creating good working environment for accounting staff due to the fact that everything one does would one day be revealed, hence must work diligently while maintaining good image of the Government. The study found further that there is a provision in the Public Finance Act (2004) requiring the LGAs to publish their audited financial statement, this is among the transparency approaches making accounting employees more accountable. Doing so, compliance to computerized accounting system would be of paramount in order to give out accurate and timely reports to the public and other stakeholders.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction
The chapter marks the end of this research report by summarizing and concluding the same. Summary and conclusion of the study depicts how far the study attained its objectives. The chapter also depicts recommendations on areas need further improvement by various stakeholders involved into Government accounting like employees, supervisors and the auditors and policy makers. Upon shortfalls identified in the study, the chapter suggests areas for future studies.

5.2 Summary and Conclusion
Accounting system used in government offices to record and report their financial transactions is known as government accounting. Government accounting is concerned with systematic and scientific recording of government revenues and expenditures. It is the systematic process of collecting, recording, classifying, summarizing and interpreting the financial transactions relating to the revenues and expenditures of government offices. It reveals how public funds have been generated and utilized for the welfare of the general public. It is moreover, concerned with keeping records of government revenues and their expenditure in different development and administrative works. It further reflects the receipt and payment position of the public funds.

In making the reforms success one would witness government accounting transforming from manual to computerized systems using EPICOR version 7.2 and International Public Sector Accounting Standards (IPSAS).

In support of the aforesaid above, the study aimed at assessing the role of Government accounting in improving efficiency in Tanzania. A case of the Ministry of Finance and Economic Affairs with the following specific objectives; to find out types of accounting systems used by the Tanzania Government, to explore effectiveness of each accounting system in place, to identify challenges pertaining to Tanzania Government accounting, and to find out critical ways of addressing such challenges. The study would however be significant in number of ways like to the Ministry of Finance findings are likely to help discover inherent challenges pertaining to government accounting in Tanzania.

In execution this study various research methodologies were used including; a case study research design given scope and easy of data access as most of data were accessible at the Ministry of Finance. Likewise, the study was carried out in Dar es Salaam at the Ministry of Finance and Economic Affairs along Shabani Robert Road. The study planned a sample size of 120 respondents but due to factors beyond control of the researcher, 108 informants responded accordingly thus marking a response rate of 90 percent. The study moreover, used purposive and snowball sampling techniques whereas the former used head of departments and the later to employees at the Ministry of Finance. Again, both primary and secondary sources of data were used with the following data collection instruments; interview to head of departments, questionnaires to other employees and documentary review guide for securing secondary data. However data obtained were analysed using SPSS.

In response to the first research question aimed at finding out types of accounting systems used by the Tanzania Government, the study revealed that there main three types of accounting systems in practice which are manual accounting system as identified by 84 percent of respondents, semi-computerized accounting system as
pointed out by 56 percent of respondents and fully computerized accounting system as mentioned by 97 percent of respondents.

The second research question intended to assess the effectiveness of accounting systems whereas the study ascertained effectiveness of Tanzania Government computerized accounting system (EPICOR) running a multiple regression analysis using SPSS 7.0 where the results produced high values of $R^2 = 0.879$ which means the independent variables in the other words the range from weakest to most effective outcome variables account in the model for the 87.9 percent variation of the dependent variable i.e. effectiveness of Tanzania Government accounting system. Likewise, looking on t stat and P-value results; effective had highly positive t stat 64.46263 with significant levels at P-value 0.021739. Therefore, this entailed that the Tanzania Government accounting system is just effective (average) given its highest positive t stat of 64.46263 in the model.

Moreover, the study identified challenges facing the Tanzania Government accounting whereas results showed that little computer skills by employees pointed out by 97 percent of respondents, lack of competent personnel identified by 95 percent of respondents, limited scope of internal control pointed out by 90 percent of respondents, low legal enforcement pointed out by 87 percent and frequent update of standards like IPSAS identified by 70 percent of respondents.

Lastly, the study responded effectively to the fourth research question aimed at finding out critical ways of addressing the identified challenges. The same enumerated as improving training and development to employees mentioned by 91 percent of respondents, institution of internal control units at LGAs and MDAs pointed out by 84 percent of respondents, use of KPIs identified by 80 percent while institutions of standard review sessions at working place pointed out by 76 percent of respondents and improving transparency by 68 percent.

### 5.3 Recommendations

Basing on research findings the following are recommended.
5.3.1 The Government (Ministry of Finance)

The study revealed that among challenges facing the Government accounting is limited scope of internal control. The study sees this as a danger particularly in this era of science and technology where everything is computerized. Therefore, the study stands to advise the Government to institute as many internal controls as possible in order to protect the public funds and creation of good image to the public.

5.3.2 Employees

The study found further that employees are lacking competence and technical skills in areas of their work. The study is hereby recommending that apart from efforts made by the Government to improve training and development, it’s a responsibility of each employee to update and upgrade him or herself in accounting standards and general accounting knowledge.

5.3.3 LGAs and MDAs

A multiple regression analysis run depicted that effectiveness of the computerized Government accounting system (EPICOR) is average, this might would be caused by under utilization of the same, therefore, the study is hereby advising the LGAs and MDAs to increase utilization of the system by ensuring all accounting issues are computerized.

5.4 Areas for Future Studies

Basing of research findings, assessment of utilization of computerized Government accounting system, analysis of IPSAS compliance among LGAs and power of Government accounting in improving efficiency are suggested as areas for further studies.
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APPENDIX

QUESTIONNAIRES/INTERVIEW QUESTIONS

Dear Sir/Madam,

I am a student for Degree of Masters of Science in Accounting and Finance (MSC-A&F) at the Mzumbe University doing dissertation on the “Assessment of the Role of Government Accounting in improving efficiency in Tanzania, a Case of the Ministry of Finance and Economic Affairs. Please accord me with required information on this questionnaire to facilitate accomplishment of the said dissertation.

Section A: Demographic Characteristics

1. Directorate working with: Policy and Resources Mobilizations ( ) Treasury Services ( )

2. Management Level: Director ( ) Head of Department ( ) Officer ( )

3. Age: 18 - 27 ( ) 28 - 37 ( ) 38 - 47 ( ) Above 48 ( )

4. Gender: Female ( ) Male ( )

5. Marital status: Married ( ) Divorced ( ) Unmarried ( ) Widowed ( )

7. Level of Education: Diploma ( ) First Degree ( ) Masters ( ) Doctorate ( )

8. Working experience (In years): Less than 1 ( ) 1 - 3 ( ) 4 - 9 ( ) 10 and above ( )
Section B: Please give your opinions on the following questions

9. Are you among those performing accounting works? YES ( ) NO ( )

10. Do have any specialized accounting software? YES ( ) NO ( )

11. If YES on 10 above, what is it? ……………………………

12. Does the Ministry (Government) accounting follow any definite accounting system? Yes ( ) No ( )

13. If YES on 12 above, what is it? …………………………………

14. Please rank the effectiveness of computerized accounting system on 13 using 1 as weakest to 5 as most effective.

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15. In your own opinions do you think there any challenges pertaining to Government accounting? YES ( ) NO ( )
16. If YES on 15 above what are those challenges?

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17 In your own opinions what would you suggest as measure to address challenges mentioned on 16 above?

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Thanking you for your cooperation