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THE FINANCIAL REPORTING REQUIREMENTS ON NON-PROFIT ACCOUNTING AND PROPOSALS TO INCREASE THEIR IMPACTS

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Abstract: **The aim of this study is to explore the accounting and proposal to increase their impacts on behalf on not-for-profit (NFPs). In this research the total of sample used for five year data panel from 2010 to 2015. The total of 25 NFPs was chosen that were inside the capital city, had encountered extortion previously, had been examined by a worldwide firm, or had been financed by one of the ten institutional contributors. The research investigate that the financial accountabilities does not have direct impact on the quality of NFPs financial reports as measured by the KAR-QMT after controlling for the class of the audit firm that prepared them. The result is also implies that the financial accountabilities and NFPs are measured by the KAR-QMT.**

Keywords: **NFPs, Kar-QMT, Financial Accountability, Panel Data and Audit Firms.**

1. INTRODUCTION

Timeliness, that is, having information available to decision makers before it loses its capacity to influence decisions, is recognized to be of vital importance to the usefulness of financial statement (henceforth FS) information (Ismail and Chandler 2003). Financial reporting timeliness is of concern because the usefulness of FS information is typically believed to be inversely related to the so-called reporting lag (i.e., the period that elapses between the closing date of the accounting period and the moment the information is actually disclosed) (see e.g., Atiase et al. 1989). The Financial Accounting Standards Board, for example, argues that ‘‘a lack of timeliness can rob information of relevance it might otherwise have had’’ (FASB 1980, paragraph 56). Regulators also acknowledge the importance of reporting timeliness by imposing reporting deadlines that have to be met.

The reporting and accountability of (Not for profit) NFP organizations has been an area of interest in the international and Australian context (Lyons, 2000; Flack, 2007; Choice, 2008). In 2008, the Australian Senate instructed the Standing Committee on Economics to conduct an inquiry into the disclosure regimes for charities and not-for-profit (NFP) organisations. This inquiry attracted a significant response – 183 submissions from a wide range of NFPs and other interested stakeholders – the study of which enables a timely exploration of the sector’s opinions about the current state of financial reporting of NFP entities. The purpose of this research is to examine the financial Reporting Requirements on Non-Profit Accounting and Proposals to Increase Their Impacts. Importantly, there is only a small body of research on preparers and user needs in relation to financial reporting in the NFP sector (Lee, 2004; Flack, 2007; Parker, 2007).

1.1. The NFP sector

There is little investigation, however, of these issues in the NFP sector (Flack, 2007; Kilcullen et al., 2007). Stakeholders are individuals, groups or organisations that have an interest in an organisation and who can influence it or be influenced by it (Freeman, 1984; Savage et al., 1991; Hill and Jones, 1992; Donaldson and Preston, 1995; Donaldson, 1999; Friedman and Miles, 2002). Determining how an NFP entity can be accountable to a different range of stakeholders is vexed (Woodward and Marshall, 2004) and the accountability relationships uncertain (Lyons, 2000). The diversity of stakeholders affected by the standardisation of accounting practices makes accounting rules a matter of public interest (Chiapello and Medjad, 2009). In its guidance for annual and financial reporting by NFP entities, the Institute of Chartered Accountants in Australia recommends that NFP entities identify and disclose its major stakeholders and give attention to the informational needs of the number, diversity and

1.2. Accountability perspectives and mechanisms

Traditional approaches to accountability examine the issue from the perspective of who is accountable, to whom are they accountable and for what they are accountable. Broadbent and Laughlin (2003) when discussing the relationship between 'who' is accountable, advance the arguments by distinguishing between the authority granted to a person or an organisation, versus that applying when managers are made accountable for the responsibilities delegated to them. They argue that one of the key differences in making this distinction relates to control. Demand from various stakeholders for enhanced transparency related to nonprofit organization's financial data has increased in recent decades (Verbrugen, Christiansen & Millis., 2011). Moreover, for-profit accounting can no longer be subjected to political will or to the voluntary actions of corporations, which must be embedded in corporate convention, discretion and law (Gray, 2011). Organizations that (1) have no profits from their operations, (2) have commercial or mixed income sources, and (3) have a specific social ideal or socio-political concern (Andreas & Herman, 2011). An important point is that there are legal forms other than for-profit associations such as foundations in the for-profit sector. Furthermore, public services (such as the National Health Service, a state-owned enterprise) are part of the non-profit sector because they do not pursue profit as their main goal. However, we do not take public services into account further in this preliminary study. The data were based on the definition of the non-profit sector according to Solomon et al. (1999). They described the non-profit sector as all companies:

- Formal organizations
- Having an institutionalized character
- Constitutionally independent of the state
- Self-governing
- Non-profit-distributing
- Involving some degree of volunteerism

For Turkey, this definition includes the (private) non-profit sector, for-profit organizations, international non-profit organizations, public benefit foundations and types of organizations. Nonprofit organizations are by far the largest group, however, none of the companies have received any data. Nonprofit accounting is a unique system for recording business transactions of for-profit companies. Below is a list of features that enable nonprofit accounting from other companies. Furthermore, most studies focus only on one aspect or a measure (such as misrepresentation) or in one field (often the health sector), but not on the general indicator of compliance with financial statements (Verbruggen et al., 2011). The basic and most important purpose of this dissertation is to identify the quality of financial statements in the current NFPO financial statement framework. I feel that the appropriate NFP accountability framework can best be achieved using key user requirements articulated by various financial reporting principles. Since there is very limited research on this topic, this study will contribute to the literature structure by adding the effect of the current NFPO financial reporting framework on the quality of financial statements. Furthermore, no researcher has used a theoretical framework on financial reporting quality. In addition, research on financial reporting structures and reporting quality has been carried out in other countries, but not in Turkey.

2. LITERATURE REVIEW

Financial reporting issues with NPOs have driven lawmakers worldwide to analyze administration and responsibility issues in the non-benefit area (Vermeer et al. 2009). It is contended that it is critical to improve NPOs' responsibility on account of their solid dependence on government awards, gifts, and volunteers. Nonetheless, as contended by Patton (1992), the idea of responsibility stays subtle and comes up short on an exact definition. In light of different definitions gave in the writing (see, e.g., Jackson 1982; Rutherford 1983), we could state that responsibility identifies with straightforwardness concerning the exercises and accomplishments of the organization.

FS empower users to survey the financial situation of the NPO and how its assets were procured or potentially spent. Be that as it may, as contended by Maddocks (2011), FS present just a halfway picture about the organization. It gives little data about, for instance, achievement, execution, and effect in a non-benefit setting (Hyndman 1990; Kaplan 2001; Torres and Pina 2003). Bookkeeping stories through which NPOs convey their exhibition and accomplishments to their partners, along with their tentative arrangements, with regards to their targets, methodologies, and exercises are probably going to be more helpful in releasing responsibility (Gibson 1978; Gray 1983; Miah 1991). As shown by Hyndman (1990), the main kinds of data looked for by supporters of noble cause are non-financial (e.g., objectives, yield, and productivity)

This article, while seeing the importance of non-financial (execution) information in reporting by NPOs, bases on the reporting of financial information. In what follows, we will rapidly discuss financial reporting necessities for Belgian NPOs (and progressing changes in that). Thus, inside the obligation perspective, yearly reports and financial clarifications are seen as major to give a record to accomplice get-togethers and for the board to deliver its duty (Tower, 1993; Connolly and Hyndman, 2004; Kilcullen et al., 2007; Mack and Ryan, 2007)

2.1 Transaction neutral reporting

Anthony (1995) contends that, verifiably, bookkeeping standard-setting bodies have not dedicated satisfactory regard for the NFP area, and it would appear to be this is as yet the situation. The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) are attempted a venture to build up a typical reasonable bookkeeping structure. The new system will prompt monetary revealing that gives the data expected to speculation, credit and comparative choices and is probably going to impact the improvement of global bookkeeping guidelines for a long time (McGregor and Street, 2007; Whittington, 2008). Financial information has become a popular ingredient in the performance of charities. Donors, funders, and watchdog agencies make extensive use of audited financial statements and publicly available IRS Forms 990 as part of their assessments. Many users pay particular attention to the proportion of total expenditures used for administration and fundraising. They also look to annual surpluses and deficits as measures of the quality of financial management, or in some cases, financial need.

2.2 Problem statement

According to ACFE (2012) and KPMG (2003), financial statement fraud was reported to be the biggest loss contributor in NFPOs. Such fraud was found to be committed through misreporting. However, NFPOs' resources may be misused for a long time without being detected if management reports a rosy picture of their activities, given that no standards or frameworks exist to compel them to disclose pertinent information that would alert donors and other stakeholders of impropriety. Wells (as cited in Nguyen, 2010) stated the following harmful results of financial statement fraud

- "It undermines the reliability, equity, transparency, and integrity of the financial reporting process"
- "It jeopardizes the integrity, and objectivity of the auditing process, especially auditors and auditing firms"
- It diminishes the confidence of "fund providers," as well as market participants in the reliability of financial information
- It adversely affects a nation's economic growth and property
- It results in huge litigation costs
- It destroys careers of individuals involved in financial statement frauds
- It causes bankruptcy and winding up
- It causes devastation in the normal operations of and performance of activities
- It raises serious doubts on the efficiency and reliability of financial statement audits 14
- It erodes public confidence and trust in the auditing profession. (p. 1)

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Such dangers may be minimized if a standard reporting framework is developed to support internal control measures and eliminate the opportunities exploited by fraudulent reporters. UNDP (2005) report on Uganda was cited by Basenegura (2009), showed that statistical indicators of people living below the poverty line increased from 33.5% in 2000 to 38.8% in 2003, with 38% of the population not surviving beyond the age of 40.4 years. Basenegura also referred to another UNDP (2008) report that showed that 40% of people did not have access to safe water; 23% of children were underweight, and the contribution of agriculture to the economy had reduced from 51% in 1991 to 34% in 2006, even though 70% of the population relied on agriculture for survival (UNDP, 2008). The continued use of inappropriate financial reporting frameworks for NFPOs reduces their level of accountability (Falk et al., 1992). The nonappearance of guidelines makes open doors for inventive bookkeeping, heedless revealing, and extortion (Dorminey, Flemming, and Kranacher, 2012).

Such reporting requires a regulatory environment that addresses unique needs and provides uniform guidance for clear and understandable reports (Van Staden & Heslop, 2009). Little attention has been paid to the need to save NFPOs from onerous reporting on grounds of saving them the costly burden of financial reporting (Cordery & Baskerville, 2007). A number of studies have been carried out regarding the uniqueness of NFPOs. Some of the research findings have caused separate reporting frameworks to be formulated to cater for NFPO uniqueness in countries such as Canada, the United States, the United Kingdom, New Zealand, and Australia. However, none of those studies has analyzed the relationship between frameworks and financial report quality. Further, no researcher has applied a theoretical framework in financial reporting quality. Additionally, research on financial reporting frameworks and report quality has been carried out in other countries but not in Uganda, yet standards should accommodate the social, political, and economic environment they serve (Selznick, 1996). Because there are no alternative applicable standards, NFPOs use IFRS, IFRS for SMEs, GAAPs, or donor-imposed standards as financial reporting frameworks. These may contribute to low NFPO accountability levels due to low comparability, rampant fraud, misuse of donor funds, and decline or suspension of donor support due to inconsistent or creative financial reporting by the preparers.

The term GAAP has connoted a haven for many financial statement preparers and auditors, who have used it to refer to any principles that they have deemed fit for a particular organization. However, there is no written set of GAAPs or known scope of their general acceptability. At one time, many donors to NGOs in Uganda withdrew their funds because of unfettered corruption (Inspectorate of Government of Uganda, 2010). Daily Monitor, one of the daily tabloids, ran the following heading in 2014: “NGOs are losing donors over poor accountability.” It quoted a report that had been released by Trade Mark East Africa indicating that “many NGOs harbor fraudsters and embezzlers within themselves” (Otage & Okuda, 2014). The Paris Declaration for Aid Effectiveness (2005) stated that partner countries should be obliged to publish timely, transparent, and reliable reports on budget execution, as well as take leadership of the public financial management process. There is no budget emphasis in the current frameworks to reflect this requirement.

The purpose of the study was to establish the extent to which existing financial reporting frameworks affect the quality of financial reports of NFPOs. A quantitative approach was used because the dependent variable was quantifiable. The independent variable was the reporting frameworks used, including the international frameworks (IFRS and IFRS for SMEs), the self-styled GAAPs (inclusive of all frameworks other than the international and donor frameworks), and the donor-imposed frameworks (i.e., World Bank, European Union [EU], U.S. Agency for International Development [USAID], etc.). The dependent variable was the quality of the financial reports.

3. METHODOLOGY

In this study, the independent variable was financial reporting frameworks, which were considered in three categories. These were the internationally accepted frameworks (IFRS, IPSAS, and the IFRS for SMEs), the donor-designed frameworks (World Bank, SIDA, DANIDA, EU, USAID, DFID, etc.), and other frameworks that have collectively been called GAAPs. The dependent variable was the quality of the financial reports, as measured by the KAR-QMT. The covariate was the class of the external auditors, either SMP or international. In order to analyze the relationship between financial reporting frameworks and the quality of the financial reports for NFPOs.

I adopted a quantitative research approach. This approach was most appropriate because it is the best approach for “testing objective theories by examining relationships between variables that can be measured on instruments and analyzed using statistical procedures” (Creswell, 2009, p. 4).

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3.1 Population

NGO Policy of Turkey's Ministry of Internal Affairs (2010) defines an NGO as "any legally constituted private voluntary grouping of individuals or associations involved in community work which augment government work but clearly Not-for-Profit (NFP) or commercial purposes" (p. 12). NGOs may be regional (RENGO), international (INGO), or community-based organizations (CBO).

3.2 Sampling and Sampling Procedures

The Turkey NGO Board had a register of roughly 2,500 enlisted NFPOs. Given this populace, the assessed test size utilizing the National Statistical Service Calculator was assessed to be 120 (power [1-β] = 0.80; α = 0.05; impact size = 0.03; (Burkholder, 2019). Hence, an population size of 120 FPOs was focused for the investigation (Barr, Fafchamps, and Owens, 2005). I utilized a purposive nonprobability examining technique in view of the perplexing idea of building up the level of opportunity to which a unit test would be drawn from the populace (Nachmias and Nachmias, 2008). Second, there were explicit units, sources, or kinds of reports that were indispensable for the investigation. These included units where extortion had happened, where financing had been removed, where a specific system had been utilized, where specific funders had been included, or where the specific global review firm had been locked in. Randomized determination might have influenced the measurable intensity of the examination. Purposive inspecting is proper when specific examining units with explicit qualities are needed to be important for the example to have the option to test those highlights that may be missed if an irregular example were done (Rudestam and Newton, 2007).

The rundown of audit firms on the ICPAU site included six worldwide firms, so every one of the six were remembered for the example. I expected to get three reports from every one of these organizations, one for each system, for 18 reports. From the excess firms, I chose 19 SMPs whose names were more articulated on the lookout and were congenial for me. I anticipated three reports from each firm, one relating to every structure, consequently 57 reports. From the rundown of financing establishments (Bougheas, Isopi, and Owens, 2012), I chose the greatest 10 funders, who were positioned by their degrees of subsidizing. I anticipated three reports from each, for 30 reports. I expected to get 10 reports from the Auditor General: two utilizing IPSAS, two utilizing GAAPs, two utilizing IFRS, two utilizing IFRS for SMEs, and two utilizing contributor planned systems. Utilizing a rundown of enrolled NFPOs from the NGO Board, I chose 25 NFPOs that were inside the capital city, had encountered extortion previously, had been examined by a worldwide firm, or had been financed by one of the ten institutional contributors.

I anticipated two reports from each NFPO, for example 50 reports from this source. Counting all classifications, 61 establishments were chosen, and solicitation letters were sent for their assent. Subsequent to sending the letters, I followed up by phone to clarify the requirement for the examination and techniques for interest. "For those who consented, I requested consent letters and agreed on appointment dates. During those appointments, I echoed the benefits of the study, promised to share findings with participants, and requested audited financial reports for the years 2010-2015. Identified reports were placed into two categories: those audited by international firms and those audited by SMPs. Thereafter, the selected reports were categorized according to the financial reporting framework used, namely full IFRS, IFRS for SMEs, and GAAPs. A list of the selected financial reports was drawn, from which a sample was randomly selected. I aimed at obtaining at least 10 reports from each of the three reporting frameworks. None of the six selected international firms responded, citing confidentiality restrictions. The characteristics of the data can be seen in Table 3

3.3 Instrumentation and Operationalization of Constructs

I compiled Kisaku's Accountability Reporting—Quality Measurement Tool (KAR-QMT) based on two existing measurement tools. These were the IASB quality indicators and, to address unique NFPO user needs, the Australian NFPO quality assessment tool (Institute of Charted Accountants of Australia, 2013) was also used. Of the original 33 IASB items, 30 items were subdivided, based on IASB quality indicators, and retained as relevant to the NFPO sector (Beest, Braam, & Boelens, 2009) . As summarized below, these 30 items comprised Section D of the KAR-QMT (see Appendix C): From the Australian NFPO quality assessment tool, 162 items were retained. Finally, an additional 10 items were designed to accommodate the principles of communication theory, resource dependency theory, and institutional theory. (See Section E of KAR-QMT, Appendix D.) The 202 items (30 + 162 + 10) combined to form the KAR-QMT. Appendix A shows how the seven financial reporting theories were used in constructing KAR-QMT. Section E had 172 items that were also subdivided into subsections .

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Krippendorff's alpha for KAR-QMT of (α = 0.85) was above the required 0.70 (Beest et al., 2009). This implies that the instrument was sufficiently reliable for research purposes. The 202 items of the KAR-QMT were coded from 0 to 4 based on a 5-point Likert-type scale. Items with no disclosure or that were not applicable were coded 0 ;

Those with restricted revelation were coded 1; things with exposure of genuinely adequate valuable data, albeit possibly muddled to a lay client, were coded 2; things with thorough divulgence of data that were clear and reasonable were coded 3; and those with broad exposure were coded 4. The likely scope of scores for nature of monetary reports was in this way 0 to 808 or 0% to 100%. The objective was to gauge the nature of monetary reports by surveying both monetary and nonfinancial data (Horne, 1998). Storm (2003) expressed that monetary reports have quality perspectives that they should display to be valuable and pertinent to their clients, specifically pertinence, dependability, understandability, loyal portrayal, and practicality. Nature of monetary reports alludes to how much such monetary reports contain the clients' necessary data that is pertinent to their requirements. Van Staden and Heslop (2009) contended that quality monetary announcing must be accomplished through managed guidelines that contemplate the interesting highlights of a given industry.

4. RESULTS

4.1.1 Audit firms

The sample included all six international audit firms operating within turkey. Out of 191 local SMPs included in the 2015 ICPAU list of approved firms, 19 SMPs were purposely selected, representing 10% of the registered SMPs. I have requested three copies of audited financial reports from different NFPOs or used different reporting frameworks from each firm. Of the expected 75 reports, none were received from international firms, and 11 were obtained from SMPs, representing a 44% response.

4.1.2 Institutional donors

From a list of 27 funding agencies in Uganda (Boghis, Isopy, and Owens, 2012), letters were sent to the top 10 (37%). Two reports were requested from each, and three donors responded positively, providing 10 of the expected 20 reports.

4.1.3 Office of the Auditor General

Ten reports on various frameworks were requested from the Auditor General's Office, and six reports were provided, representing a 60% response rate.

4.1.4 Not-for-profit organizations

Of the approximately 2,500 NFPOs registered with the NGO Board, 25 were randomly selected, and two reports were requested from each. Eleven NFPOs responded with 29 reports, representing a 44% response rate.

4.2 Descriptive and Demographic Characteristics of the Sample

Although 120 reports were expected for this study, 155 reports were requested from respondents. However, as shown in Table 3 , only 74 financial reports have actually been received.

Table

	Requested		Received		
Category	**No. of institution**	**Reports requested**	**No.of institution**	**Reports received**	**%**
International audit firm	6	18	0	0	0.0%
SMP	19	57	11	22	29.7%
Institutional donor	10	20	3	10	13.5%
Auditor General	1	10	1	6	8.2%
NFPO	25	50	11	36	48.6%
Total	61	155	26	74	100%

Although none of the international firms responded due to strict confidentiality limits, their reports were obtained from NFPOs and donors. Furthermore, although 26 (or 42.6%) of 61 applicants responded, 48% of targets were reported. In

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other words, some respondents provided more reports than requested, indicating their support for this study. Of the total population, 11 out of 191 (5.76%) registered firms participated, three out of 27 (11.11%) contributed by the institution, the Auditor General participated, and out of 2,500 (0.44%) Statistics provided by 11 registered NFPOs.

4.3 Evaluation of the Statistical Assumptions of the ANCOVA

Field (2013) suggests that when its statistical assumptions are violated, Akoko, being a linear model, is subject to bias. ANCOVA's statistical assumptions include addiction and linearity. The standard, as a dependent variable, was measurable on a proportional scale (percentage) and was therefore linear. The class of external audit firm, the variety was clear.

The Independent Variable Financial Reporting Framework was divided into three categories: internationally accepted frameworks, GAAPs, and donor-designed frameworks. The second statistical assumption for ANCOVA was routine data distribution. Common distribution tables indicated that data was generally distributed. There was freedom of observation because no financial report was prepared using more than one framework. There were no notable ads. The average score on KAR-QMT was 15.6%, ranging from 7.7% to 25.9%, with a difference of 50.6% and 66.0% respectively. I also experimented with harmonization of variables using Leon's test, the results of which are presented in Table 4.1.

For the use of ANCOVA, the last statistical assumption was the uniformity of the regression slopes, for which I found no interaction between the independent variable (financial reporting framework) and the correlation (audit firm class). This is because audit firms adopt frameworks whose clients claim to be relevant to their circumstances. All of the above ideas about data assumptions were within acceptable limits, so I confirmed that Inquiva was an appropriate statistical method for the study.

4.4 Statistical Analyses

An appropriate statistic was analyzed to answer each of the research questions. The results are presented below. An appropriate statistic was analyzed to answer each of the research questions. The results are presented below.

Research Question 1

RQ1: How does the current financial reporting framework affect the quality of NFPO financial reports after controlling the class of external auditors?

H01: Existing financial reporting frameworks have no significant impact on the quality of NFPO financial reports issued to them after controlling the class of external auditors.

To answer this question, I used the aggregate score of KAR-QMT for each report, as well as the financial reporting framework used for each report. The average quality scores for each framework were then calculated, as shown in Table 4.

- 8 14.83 for 24 reports using an internationally accepted financial reporting framework. These included full IFRS, IFRS for SMEs, and IPSAS.
- 4 16.43 for 35 reports using GAAPs. The subcategories included the ones that were unspecified, the ones I commonly referred to, while the others were based on accounting policies.
- 14.80 For 14 reports that used donor-designed frameworks. Subcategories were USAID, EADB, World Bank, Norway, SIDA and ERIS. The average use of KAR-QMT for all three financial reporting

As seen in Table 1, the results show that the p value is greater than 0.05 (0.2 = 0.251), meaning that the differences between the group causes were not statistically significant. Therefore, the current financial reporting framework has not had a significant impact on the quality of financial reports.

Table 3. Levine's Test of Equality of Error Variance for Quality of Financial Report by Financial Reporting

F	df1	df2	Sig.
1.335	5	68	260

Note Design: Intercept +Framework +Audit Firm +Framework *Audit Firm

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According to Field (2016), we accept the invalid hypothesis because the-value is greater than the set level of significance. Given that my level is 0.05, the results of Table 4are F (5, 68), $\rho = 0.260$, indicate that $\rho > 0.05$. My conclusion is that the current financial reporting frameworks have no significant effect on the quality of financial reports, and that is why I accept this invalid hypothesis.

Table 4. Financial Reporting Framework and Quality Scores

Framework	Audit firm	N	Mean	Std.deviation
Donor-designed	International	8	13.63	2.387
	SMPs	7	16.14	3.338
	Total	15	14.8	3.052
GAAPs	International	18	17.39	4.972
	SMPs	17	15.41	4.797
	Total	35	16.43	4.919
IFRS	International	2	14	2.828
	SMPs	22	14.91	4.7
	Total	24	14.83	4.356
Total	**International**	**28**	**16.07**	4.517
	SMPs	**46**	**15.28**	
	Grand Total	**74**	**15.58**	

Table 4 shows that GAAPs was the financial reporting framework most commonly used in financial reporting of reports 35 (47.3), followed by IFRS with 24 (32.4%) in reports, and the donor reduced. The report was prepared with less than 15 (20.3%) reports. It also shows that both SMPs and international firms used all three frameworks almost identically, with the exception of IFRS, which is more applicable to international firms through SMPs 1. With a ratio of: 11. This can be attributed to the limited knowledge of SMPs on the constraints to conclude that financial reports comply with IFRS.

Research Question 2

RQ2. Does the internationally recognized reporting framework affect the quality of financial reports for NFPOs measured by KAR-QMT after controlling the class of external auditors?

H02. Internationally accepted accounting frameworks do not significantly affect the quality of financial reports as measured by the ARQMT after controlling for the audit firm's class.

A test of equality in the various aspects of Leon's error. An examination of Lyon's Table 8 showed that f (3, 70), ϸ = 0.165, which is not statistically significant because it is greater than 0.05.) And reject the alternative hypothesis. The internationally accepted financial reporting framework has no significant effect on the quality of NATPO financial reports as measured using KAT-QMT.

Testing the null hypothesis that the error variance of dependent variable is equal across group

F	DFT	DF2	SIG
1.748	3	70	0.165

NOTE. DESIGN + INTERCEPT+AUDIT FIRMS+IFRS

Testing the null hypothesis that the error variance of dependent variable is equal across group

To answer this question, I obtained quality scores for all reports that used GAAPs. I then grouped them into two categories, those that did not specify what kind of GAAPs they used and those that defined GAAPs as the organization's accounting policies. Both were analyzed using them. The subcategories were class independent variables while the average score was dependent variables.

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Table 10. Descriptive Statistical for GAAP Frameworks

GAAPs	Mean	std.deviation	N
Non GAAPS	15.16	3.898	37
Accounting policies	16.21	5.421	24
General	15.62	4.426	11
Total	15.58	4.494	74
Note			
Dependent Variable Quantity			

The table above shows that GAAP has been used in 35 reports. Of these, 24 implemented their respective organization's accounting policies and 11 did not specify what they meant by GAAPs. The average score for GAAPs general reports was 15.87% while the average score for GAAPs accounting policies was 16.25%. It should be noted that the average score for GAAPs based on accounting policies is higher than non-defined GAAPs, although this statistic was not significant.

Levine's Test; Testing of Null Hypothesis of Error Variance of the Dependent Variable is Equal Across Group

F	df1	df2	Sig.
2.335	4	68	.106

Note Design: Intercept +Framework +Audit Firm +Framework *Audit Firm

Leon's test in Table 11 showed that F (2, 71), p = 0.108, which is not statistically significant because it is greater than 0.05. The result is that we accept the invalid hypothesis (H03). The GAAP financial reporting framework does not significantly affect the quality of NFPO financial reports.

Tests of Between-Subjects Effects in the GAAPs Framework

Source	Column1	Type III	Column3	Mean	Column5	Column6	Partial eta	Noncent
		Sum of spares	df	square	F	Sig	squared	Parameter
Corrected model		19.709	3	6.57	0.316	0.814	0.013	0.949
Intercept		1461.765	1	1461.765	70.359	0	0.501	70.359
Audit firm		3.758	1	3.758	0.181	0.671	0.003	0.181
GAAPS		8.879	2	4.439	0.214	0.808	0.006	0.427
Error		1454.305	70	20.776				
Total Corrected		19439	74					
Total		1474.014	73					
Note		Dependent Variable Quantity						
R squared		0.13 (adjusted R.squared = 0.029) Computed Using alpha = 0.05						

After introducing covarite (audit firm class) in the model, it is clear that the effect of GAAPs is not significant (ρ = 0.808). The model specifies only 19.71 variations as defined by the audit firm as 3.76 units, 8.88 units as defined by GAAP, leaving an unknown variation of 1,454 units. The influence of the audit firm is also not significant (0 = 0.672). I accept the null speculation (HO3) that the GAAP financial reporting framework had no significant effect on the quality of financial reports after controlling the class effect of the audit firm (F, 2, 70) = 0.214 the; ρ = 0.808)

5. DISCUSSION AND CONCLUSION

The goal of this study was to determine the quality of financial reports impacted by existing financial reporting frameworks. The analysis was quantitative, since I wanted to describe the effect on NFPO financial reporting qualities of different financial reporting systems, which included the categorical independent variable. The findings helped me to explain how donor funds can be exposed in cases of fraud and violence, why NFPO financial reporting is inconsistent, and how financial accounting for NFPOs is achieved using the current system. The findings of this research would complement the various voices calling for the establishment of specific NFPO reporting standards (Ryan, Mack, Tooley, & Irvine, 2014). It will probably be more useful for auditors and accounting officers to consolidate the contents of financial reports and provide a basis for their NFPO audit opinion (Kisaku, 2017).

5.1 Conclusion

The reporting and accountability of (Not for profit) NFP organizations has been an area of interest in the international and Turkey context (Lyons, 2000; Flack, 2007; Choice, 2008). Financial reporting timeliness is of concern because the usefulness of FS information is typically believed to be inversely related to the so-called reporting lag (i.e., the period that elapses between the closing date of the accounting period and the moment the information is actually disclosed) .

Results of this study advise the accounting profession to rescue NFPOs' obligations and avoid existing uncertainty in accounting and auditing. A more appropriate and detailed structure for financial reporting would increase accountability and trust among donors, which would cause increased funding.

5.2 Study for the future

Results from this research showed that the existing financial reporting system does not address the specific characteristics and user criteria of NFPO. A suggestion has been made about what would be best for NAF, NAS and NAR. The particular contents, requirements and system studies, however, go beyond this research's reach. The KAR-QMT believed that all elements of the financial report had equal weight for the assessment of the content of the financial statements. However the IASB alone classifies qualitative reporting characteristics into two groups – basic and enhanced. The fundamental features should be weighed rather than enhanced features. This void needs to be addressed by potential researchers.

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