

**TITLE: FINANCIAL ACCOUNTING AS A POWERFUL TOOL TO ENHANCE NGOs'
PERFORMANCE**

CASE STUDY: ZOË-LIFE SOUTH AFRICA

by

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FOR THE AWARD OF A MASTERS DEGREE IN COMMERCE/ ACCOUNTING**

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2018

DECLARATION

I, Jean Damascene Mvunabandi (216063968), hereby declare that:

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I, Charmaine Lathleiff CA (SA), hereby certify that this research project entitled, “Financial Accounting as a powerful tool to enhance NGOs’ performance: a case study of Zoë-Life South Africa”, has been submitted by Jean Damascene Mvunabandi for examination with my approval as the supervisor, to the School of Accounting, Economics and Finance in fulfilment of the academic requirements for the award of a Master’s Degree in Accounting in the College of Law and Management Studies at UKZN.

Supervisor’s signature:

Name: Charmaine Lathleiff CA (SA)

Date: 13/12/2018

DEDICATION

This dissertation is dedicated to:

The Almighty Lord;

Mammy,

Esperance Mukamutesi;

My beloved wife,

Solange;

My lovely Sons,

Nelson and Nicholas;

My brother

Emmanuel Nzabarinda;

My brothers-in-law

Theogene Haguma Tito

And

Adam Muhamed / MUNYENTWARI;

Relatives and wonderful friends.

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ABSTRACT

Many non-governmental organisations (NGOs) in South Africa and elsewhere do not follow the International Financial Reporting Standards (IFRS) for Small and Medium-sized Entities (SMEs). There is thus no standardised process in their financial and accounting practices and preparations for financial statements cannot be compared across different NGOs. This has funding implications as organisations that do not comply with donors' financial reporting requirements find it difficult to access financial support. However, it is not clear how the IFRS for SMEs can be used to enhance their performance. While many studies have been conducted on the use of the IFRSs among for-profit organisations, there is a paucity of such research in relation to the NGO sector.

This study investigated the use of financial accounting in enhancing NGOs' performance. Drawing on the literature in this field, a case study of a large NGO, Zoë-Life based in Durban, in KwaZulu-Natal, South Africa was conducted. The financial accounting system used by this organisation was examined in order to identify its strengths and weaknesses and offer recommendations for improvement.

A qualitative approach was adopted and semi-structured interviews were conducted with 24 purposively selected respondents to capture their feelings, thoughts, and attitudes on the financial accounting system at Zoë-Life South Africa. Employees involved in accounting and finance, and projects/programmes and management were targeted. The data gathered by means of interviews were supplemented by a review of internal organisational documents. Thematic content and transcript analysis were employed to analyse the data.

This study found that despite adopting accounting and financial policy and procedures, Zoë-Life finds it difficult to maximise its financial performance due to two major limitations, namely, failure to fully comply with IFRS for SMEs in South Africa, and a lack of financial support from the government.

It is therefore recommended that Zoë-Life-South Africa employ qualified accountants and fully adopt the IFRS for SMEs. This would improve performance, authenticity, and accountability and ensure that the organisation complies with both donors and government's requirements in order to secure sustained financing and promote the country's development agenda. The study also recommends that Zoë-Life-South Africa procures the services of recognised audit firms in order to boost donor confidence. Finally, recommendations are made for further research

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ABBREVIATIONS

ACCA:	Association of Chartered Certified Accountants
AICPA:	American Institute of Certified Public Accountants
AS :	Auditing Standards
CA (SA):	Chartered Accountant South Africa
CA:	Chartered Accountant
CAR:	Critical Accounting Research
CBOs:	Community-Based Organisations
CDCP:	Centre for Disease Control and Prevention
CEO:	Chief Executive Officer
CGP:	Code of Good Practice
DOH:	Department of Health
DSD:	Department of Social Development
ED:	The Exposure Draft
EU:	European Union
GAAP:	Generally Accepted Accounting Principles
HSSREC:	Humanities & Social Sciences Research Ethics Committee
IAR:	Interpretive Accounting Research
IAS:	International Accounting Standards
IASB:	International Accounting Standards Board
IFRS:	International Financial Reporting Standards
IMCI:	Integrated Management of Child Illnesses
INGOs:	International non-Governmental Organisations
IPSAS:	International Public Sector Accounting Standards
IYCN:	Infant and Young Child Nutrition
KZN DOH:	KwaZulu-Natal Department of Health
MAR:	Mainstream Accounting Research
MCBTS:	Malaria Capacity Building Tools and Services
NFP:	Not-for-profit sector
NGOs:	Non-Governmental Organisations
NPC:	Non-for -Profit Company
NPOs:	Not-for-profit organisations

NRF :	National Research Foundation
PEPFAR:	President's Emergency Plan for Aids Relief
PPE :	Plant, Property and Equipment
R:	Rand (South African currency)
SA:	South Africa
SADTU:	South African Democratic Teachers Union
SAICA:	South African Institute of Chartered Accountants
SAIPA:	South African Institute of Professional Accounts
SMEs:	Small and Medium-Sized Entities
UK:	United Kingdom
UKZN:	University of KwaZulu-Natal
UN :	United Nations
UNHCR:	United Nations High Commission for Refugees
UNICEF:	United Nations International Children Emergency Fund
USA:	United States of America
www:	World Wide Web

CHAPTER ONE: INTRODUCTION TO THE STUDY

1.1. Introduction

This chapter introduces the study. It provides the background to the research, including an overview of the funding challenges confronting non-governmental organisations (NGOs) due to their failure to comply with donors and other stakeholders' financial reporting requirements. Definitions of accounting, particularly, financial accounting, are presented and the study's aims and objectives, as well as the research problem are outlined. The time frame, scope, limitations and the significance of the study and the rationale for the research are also discussed. The chapter concludes with an outline of the structure of the dissertation and a short summary.

1.2. Background to the Study

The terms accounting and financial accounting have been defined in numerous ways. Weygandt, Kimmel, Kieso, and Elias (2010) note that accounting is associated with (1) identifying, (2) measuring, (3) recording, (4) and communicating economic transactions by producing financial statements or reports that comprise records presented in a particular format (Mostyn & Tan, 2010). A financial statement was originally defined as the end product of accounting. It provides a systematic account of economic data in a logically consistent way (Kantudu, 2009). Financial statements are "summaries of information contained in the accounting record".

Deegan (2013) defines financial reporting as a tool to communicate information that relates directly or indirectly to the data provided by accounting. It relates to performance and the financial position at a particular point in time and includes predictions of an organisation's future prospects. The information presented is generally organised in keeping with regulated or standardised formats of financial bookkeeping and measurement (Kantudu, 2009; Mostyn & Tan, 2010).

Wood and Sangster (2008:17) offer a comprehensive definition of financial accounting as an organisational function that aims to measure, process and communicate financial information, which is crucial for business success as well as for effective decision making whether the organisation is an NGO, not for profit organisation (NPO) or profit-making concern. Financial reporting is an important component of any organisation as it is the principle means by which they report to stakeholders.

Like other organisations, NGOs need to be accountable to their stakeholders and show that their financial performance is sound. Adopting financial reporting standards and ensuring that checks and balances are in place would enhance such performance as well as their sustainability (Wilson, Reck, Kattelus, & Robbins, 2010).

Sloan (2009) and Van Staden and Heslop (2009) observe that many local and global NGOs and NPOs receive government funding. Furthermore, international institutions and private donors are increasingly embracing a global approach. Non-governmental organisations and NPOs are thus confronted by complex local and international grant regimes with different financial planning and reporting requirements.

It is no secret that many South African NGOs confront serious financial and capacity challenges. Hendricks and Wyngaard (2013:25) note that many have closed or have had to scale back their activities. In 2013, the Department of Social Development (DSD) deregistered 36,488 of the approximately 100,000 NGOs in the country due to their failure to submit annual and financial reports (Wyngaard, 2013:42-45).

Rulashe (2017:18) observes that this situation has resulted in a lack of meaningful support from the government, donors, and others for the work of NGOs. Government funding is not forthcoming when an NGO does not submit an acceptable financial report to the DSD. It is against this background that this study empirically investigated NGOs' financial reporting practices.

Retief Venter and de Villiers (2013:1246-1278) and Palmer (2014) note that NPOs' performance, accountability, and transparency are inextricably linked to financial disclosure. By complying with International Accounting Standards, these organisations could enhance their financial transparency and thus their legitimacy. It is thus clear that the NGO sector needs to improve its financial reporting practices. However, the question of how best to achieve this is subject to debate ((Parker, 2007:39-54).

The NPO Act (1997: 10-11) requires that all NPOs or NGOs registered in South Africa should utilise the resources entrusted to them by donors, sponsors and the State for the intended purpose, in compliance with the South African NGO Directorate and funders' rules and regulations as well as accounting and financial reporting principles and practices in line with the IFRS. Six principles are highlighted in the Code of Good Practice for South African

NPOs. An NPO or NGO can implement international accounting standards, principles and practices of good financial management to achieve long-term financial sustainability by (a) complying with the IFRS for SMEs and the Auditing Standards adopted in South Africa, as regards procedures, banking, reporting and record keeping; (b) setting up appropriate financial systems and employing qualified persons, either on a full-time, part-time or volunteer basis to administer and manage these systems, (c) developing a financial policies and procedures manual, (d) conducting annual financial audits, (e) preparing realistic annual organisational income and expenditure budgets, and (f) monitoring actual income and expenditure performance against budgets; and adhering to budgets where possible (Department of Social Development, 2009:5-44).

Zoë-Life, the subject of this case study, was founded in 2004 by local doctor, Stephanie Thomas and is licensed by the DSD. A NPC, it is based in KwaZulu-Natal and its two key areas of work are capacity building and social and economic development (www.zoe-life.co.za).

This study aimed to assess the organisation's financial activities that seek to promote sound financial performance. While many indicators can be used to assess the financial performance of NGOs such as Zoë-Life, it focused on financial performance and the expansion of operations.

1.3. Statement of the Problem

A research problem has been defined as the intellectual stimulus that prompts a search for answers (Leedy & Ormrod, 2005:53). In this study, the research problem is that among the other problems confronting the NGO sector many of these organisations do not comply with the quality requirements set by the International Accounting Standards Board (IASB). Given the rapid growth of this sector and its heavy reliance on third-party support, interest in how NGOs measure, assess and manage performance has intensified. Non-governmental organisations operate in different jurisdictions; their financial reports thus differ in terms of type, style, and manner (Carman, 2011; Nobes & Stadler, 2015). This has led to confusion among the users of this accounting information with regard to its reliability, dependability, and comparability (Cai & Wong, 2010). The fact that no framework or standards have been set to assess the reliability of the financial information provided by NGOs, makes it difficult to compare and evaluate their financial performance (Yang, Brennan, & Wilkinson, 2014).

In South Africa and elsewhere, NGOs face the threat of funders withdrawing or disqualification from further funding if they do not comply with donors' financial reporting requirements (Chahim & Prakash, 2014:487-513). Their financial reports are inconsistent due to a lack of IFRS for NGOs (Sinclair & Bolt, 2013) and many of these organisations' financial reporting practices are not in line with the South African NPOs' Codes of Good Practices. This study sought to close the research gap on the extent and quality of financial reporting systems and financial performance among NGOs, with reference to Zoë-Life. It aimed to answer to the following overarching research question: Is the use of IFRS for SMEs a powerful tool that can enhance the performance of Zoë-Life?

1.4. Objectives of the Study

This study was guided by general and specific objectives.

1.4.1. General Objectives

The study aimed to investigate financial accounting as a potential instrument to enhance NGOs' performance using the case study of Zoë-Life South Africa. It also set out to explore how IFRS for SMEs could improve the preparation of financial statements among NGOs, particularly Zoë-Life.

1.4.2. Specific Objectives

The specific research objectives were to:

1. Analyse the accounting standards adopted at Zoë-Life.
2. Investigate the factors that inhibit the adoption of IFRS for SMEs at Zoë-Life.
3. Ascertain Zoë-Life management's perceptions of the impact of using IFRS for SMEs to enhance organisational performance.
4. Determine whether or not Zoë-Life's financial reporting practices comply with IFRS for SMEs, and donors and the DSD's reporting requirements.

1.5. Research Questions

The research questions guide the design and the carrying out of a study (Chapman & Kern, 2012). Regardless of the research method employed, the central questions should be succinct and informative (Faff, 2015) as they determine the research method to be employed. A qualitative research approach was considered appropriate to address this study's research

questions. The following research questions were developed based on the current literature and were designed to cover the four research objectives:

1. What accounting standards does Zoë-Life use in preparing its financial statements?
2. What factors inhibit the adoption of IFRS for SMEs at Zoë-Life?
3. What are Zoë-Life's managers' perceptions of the relationship between IFRS for SMEs and performance?
4. To what extent does Zoë-Life comply with the DSD and donors' financial reporting practices and IFRS for SMEs?

1.6. Significance of the Study

The major motivation for undertaking this research was that IFRS for SMEs is not applied in many South African NGOs. The study thus sought to investigate how IFRS for SMEs can be adopted in order to ensure that NGOs' financial statements are accurate, relevant and transparent to interested parties. The IFRS are important given that NGOs operate in the era of globalisation. The study's value lies in the fact that it will:

- Assist NGOs, especially Zoë-Life, to enhance their financial performance.
- Inform capacity building by donors and other stakeholders.
- Add to the existing literature on financial accounting as a powerful tool to enhance NGOs' performance.
- Fill a research gap as the extant literature mainly focuses on IFRS with respect to the for-profit sector rather than NGOs (Crawford, Morgan, Cordery, & Breen, 2014).

1.7. Time Frame

The study covered the period 2013-2016 with interviews conducted in 2017.

1.8. Rationale for the Study

Sutrisna (2009:68) states that the "rationale elucidates, defends, and verifies that the current literature and findings are adequate and precise. The rationale identifies the reasoning and rationalisation for conducting research on a particular subject". The researcher conducted a search of dissertations and theses conducted in South Africa as well as the National Research Foundation (NRF) database. To the best of his knowledge, no study has been conducted to prove or disprove that financial accounting is a powerful tool to enhance NGOs' performance in South Africa. Furthermore, no articles were found on this subject. This research gap motivated the

researcher to carry out this study. Such a study is in the interests of the NGO sector as identifying measures that will improve financial performance would ensure the sector's continued success, and promote its credibility and sustainability.

Various stakeholders have criticised South African NGOs for failure to comply with reporting requirements as well as misuse of funds. This has resulted in donors shying away from these organisations (Nzimakwe, 2008; Wyngaard, 2013). It has also been argued that education NGOs are pursuing neoliberal agendas using foreign funding (<http://mg.co.za>). For example, the General Secretary of the South African Democratic Teachers' Union (SADTU), Maluleke, accused NGOs of working with other political parties and driving an agenda to undermine the public's confidence in the government's education initiatives. Many NGOs are fully funded by foreign and private sources; this enables them to freely criticise the government (Baur & Palazzo, 2011).

Trussel and Parsons (2007:35) observe that many powerful foreign NGOs act and behave like civilian branches of their home governments that provide them with significant funding. This has led to allegations, especially in Africa, that they are spies or agents of their home governments and do not prioritise beneficiaries' needs (Trussel and Parsons 2007).

For their part, Banks, Hulme, and Edwards (2015) note that the fact that many NGOs are officially funded to provide social and economic services on a much larger scale than before compromises their performance, especially in other areas of development such as institutional development and advocacy. This weakens their legitimacy as independent actors in society and dilutes their commitment to grassroots and internal constituencies as they focus on the short-term quantitative outputs demanded by donors (Kilcullen, Hancock, & Izan, 2007). This study thus investigated whether NGOs and Zoë-Life in particular, remain accountable to their stakeholders through sound financial accounting practices. It further examined the extent to which they stick to their mandate.

It is hoped that its findings will inform a revision of current practices and the adoption of financial reporting standards that address the unique nature of NGOs' financial accounting and performance.

1.9. Limitations and Strengths of the Study

The value of the study lies in its purposive sample, which guaranteed that the data were elicited from respondents with a clear understanding and knowledge of financial accounting practices at

Zoë-Life. This adds to the credibility of the findings. As with all studies, this study has its limitations. Given the fact that it was a case study, the results are not generalizable to other organisations. Further research will be required to build a more solid picture of financial reporting practices in NGOs.

It is also important to note that the study was conducted within a very tight time frame. A wide range of literature was considered, but the focus was on studies published in English. Non-English sources could have shed more light on the topic. Finally, the study was conducted just before the end of the third quarter when employees were busy with quarterly reports. This could have influenced the interviewees' perceptions and responses. However, given the frankness and openness of the respondents in responding to the interview questions, the researcher has no reason to believe that the data was significantly distorted.

Notwithstanding these limitations, this study makes a unique contribution by providing a rich description of a broad range of aspects pertaining to how financial accounting operates in NGOs. More specifically, it provides evidence that financial accounting is a viable and appropriate tool to examine growth and financial performance in Zoë-Life. Finally, the study contributes to better understanding of NGOs' reporting systems.

1.10. Structure of the Dissertation

This dissertation is made up of the following six chapters:

Chapter 1: Introduction and Background to the Study

This chapter presents an overview and background to the research problem. The key terms are defined and the significance of the study, the research questions, the time frame, research objectives, expected outputs, and the study's strengths and limitations are discussed.

Chapter 2: Literature Review

Chapter 2 reviews the literature relevant to this study. While this is not an exhaustive review, it draws on crucial work that provides clarification and deepens the reader's understanding of the research topic. The review focuses on NGOs' financial accounting in relation to their financial performance. It also covers NGOs' preparation of financial statements and their performance. The chapter presents the conceptual framework that underpinned this study and discusses the classification of NGOs and the connection between financial accounting and financial performance. The discussion is centered on IFRS for SMEs.

Chapter 3: Research Design and Methodology

Chapter 3 presents the research methodology employed for this study, the sampling techniques and the criteria used to select the sample size. It outlines the data collection process and instruments utilised to gather data. The issues of reliability, validity, and trustworthiness are discussed as well as the ethical considerations taken into account by the researcher.

Chapter 4: Research Findings

Chapter 4 presents the main research findings. The data are presented in line with the main and recurrent themes, namely, the accounting standards adopted and the quality of Zoë-Life's financial reports; the challenges confronting Zoë-Life in adopting IFRS for SMEs; the relationship between IFRS for SMEs and performance and growth at Zoë-Life, and the respondents' perceptions of compliance with stakeholders' financial reporting practices, policies, and rules and regulations. The findings are discussed with reference to the conceptual framework and the literature reviewed.

Chapter 5: Analysis and Discussion

Chapter 5 analyses and discusses the findings by comparing them with previous studies on the topic and the study's objectives and research questions.

Chapter 6: Conclusions and Recommendations

The final chapter presents a summary of the key research findings and insights from the narrative comments as a whole. It examines whether the research questions were answered and the research objectives were achieved. Conclusions are drawn based on the research findings and recommendations are made to improve financial accounting practices among NGOs. The implications of the findings are discussed and suggestions are made for further research.

1.11. Conclusion

The chapter presented a short background on the funding challenges confronting NGOs as a result of this sector's failure to comply with donors' financial reporting systems. It was noted that there is growing debate on NGOs' operations and financial performance. The chapter presented the problem statement, the significance of the study, its overall objective and specific objectives and the research questions that guided the study. The time frame and rationale for the study were presented as well as its strengths and limitations.

The following chapter presents a literature review and the theoretical framework adopted for this study.

CHAPTER TWO: LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

2.1. Introduction

This chapter reviews the relevant literature on SMEs and NGOs' financial reporting practices in line with the recommendations of Brijlal, Enow, and Isaacs (2014) and Issam and Abdellatif (2017). These authors recommend the need for IFRSs for SMEs which would be significant and suitable for all types of Small and Medium Sized Entities, non-business or not-for-profit entities and non-publicly accountable organisations (including charitable organisations), which are generally serve the needs of internal and external users of financial reports or financial statements to the common denominator.

A literature review provides the reader with a comprehensive and clear background to understand current knowledge about the research subject. It highlights the significance of the study by critically analysing different views from different authors.

The literature reviewed in this chapter focuses on NGOs' financial accounting and the classification and performance of these organisations. The link between financial accounting and financial performance, IFRS for SMEs and the applicability of IFRS for SMEs to the NGO/ NPO sector has been of major concern among donors for many years (Aboagye-Otchere & Agbeibor, 2012). This has partly arisen due to the increase in the number of NGOs around the world and to financial accounting failures among some of these organisations, which have been widely publicised, resulting in reduced donor confidence (Rauh, 2010). This study investigated the financial reporting practices adopted by NGOs, especially in Zoë-Life South Africa, in relation to their financial performance.

2.2. Defining the Questions that the Literature Review set out to Answer

Horton, Serafeim, and Serafeim (2013) point out that financial reports can only be relied on if they substantially reflect economic value. Christensen, Lee, Walker and Zeng (2015) state that, financial reports prepared under IFRS enhance communication among all stakeholders in an entity, reduce irregularities in financial information and assist with the allocation of financial resources.

According to Brochet, Jagolinzer, and Riedl (2013:140), financial reports prepared in compliance with international standards enhance financial performance and the comparability of financial reports across markets and countries. Clarkson, Hanna, Richardson, and Thompson (2011) state that financial reports should be relevant, complete, verifiable, comparable and free from bias and

material error. These views are supported by Dayanandan, Donker, Ivanof, and Karahan (2016) who observe that the quality of financial reports is linked to international accounting standards.

Following the adoption of IFRS by large corporations around the world, the IASB recognised the need to include non-business entities such as NGOs, NPOs and NPCs, and SMEs and drafted the IFRS for SMEs that are suitable for such entities (Abbas A Mirza, Holt, & Orrell, 2010; Abbas Ali Mirza, Holt, & Knorr, 2011).

The relevant literature reviewed helped the researcher to clearly identify the research gap and to formulate the research objectives and questions. This study sought to answer the following question: Is the use of IFRS for SMEs a powerful tool that can enhance Zoë-Life's performance? It investigated compliance with IFRS for SMEs among NGOs/NPOs (Lanckswaerd, 2013; LJ Stainbank, 2010; Van Staden & Heslop, 2009; Walker, 2004) in order to enhance their performance and improve the quality of their financial reports (Snively, 2008). As noted in Chapter 1, the literature review provides background material to assist in answering the following four research questions:

1. What accounting standards does Zoë-Life use in preparing its financial statements?
2. What factors inhibit the adoption of IFRS for SMEs at Zoë-Life?
3. What are Zoë-Life's managers' perceptions of the relationship between IFRS for SMEs and performance?
4. To what extent does Zoë-Life comply with the DSD and donors' financial reporting practices and IFRS for SMEs?

2.3. The Conceptual Framework

This conceptual framework was developed based on the research done by Valencia, Queiruga and González-Benito (2015) on the relationship between financial transparency and efficiency in allocations of funds in NGOs. Their study findings showed that financial credibility and financial sustainability is enhanced by high levels of financial transparency by producing higher quality of financial reports.

Having established the premises of this study. The researcher shall now review different concepts and bodies of relevant literature that form a basis and the study's bed rock. The literature reviewed under these subsections consisted of the four major issues and concepts that have been identified, namely, NGOs' performance, the classification of NGOs, the link between financial

accounting and financial performance, and IFRS for SMEs and NGOs/NPOs. Valencia, Queiruga, and González-Benito (2015) believe the reason financial reporting practices and financial performance in NGO sector are a growing concern and are receiving much attention across the users of their financial reports is poor performance and poor quality of financial reports. These building blocks of financial accounting could enhance NGOs' performance, financial strengths, financial sustainability and growth (Burger, Dang and Owens2017). This section reviews these issues.

2.3.1 NGOs' Performance

Concerns have recently been raised about the performance measures employed by NGOs (Anheier, 2014; B. S. Patel, Booker, Ramos, & Bart, 2015). Micheli and Kennerley's (2005) review provided insight into the performance frameworks and models developed and implemented by these organisations. They recommend that NGOs measure their performance using financial statements.

Micheli and Kennerley (2005) observe that financial statements demonstrate responsible use of financial and other resources entrusted to these organisations and are a basis for sound management and measurement of their financial performance. The preparation of such statements should thus comply with legal requirements and international financial reporting practices (Reheul, Van Caneghem, & Verbruggen, 2014).

Van Greuning, Scott, and Terblanche (2011) and Patel, Booker, Ramos, and Bart (2015) note that an income statement is a financial report that shows net profit or loss in a specified accounting period; it thus depicts an organisation's financial performance. Financial statements are therefore important tools for monitoring NGOs' activities and performance (Stein & Bathurst, 2008).

Hoque and Parker (2014) study focused on financial performance measurement and management among NPOs. Their qualitative research established that, in order to track the performance of their entities, NPOs' Boards of Directors require high quality financial statements that are prepared in line with international accounting standards and budgets that enable comparison between planned activities and actual performance.

According to Kateeba (2010:42), financial reports, which are outputs of an accounting system, portray financial performance and enable organisations to review their activities over the past year and plan for the future. Keating (2003:3-15) and Jegers and Lapsley (2001:17) concur and argue that financial reports enable stakeholders of NGOs to monitor their performance and

overall financial situation. Understanding historical trends is essential in order to make sound predictions of future income and expenditure.

Kareithi and Lund (2012:44) note that, NGOs focus on the needs of their targeted beneficiaries and communities. Their performance should thus be assessed in terms of their strength and efficiency in achieving the identified social goals. Kranacher, Riley, and Wells (2010:29) argue that measurement of these entities requires improved understanding of the appropriate indicators based on the quality of their financial reports which are crucial in measuring and evaluating their financial performance. Gill, Flynn, and Reissing (2005) identified the two main indicators of NGO performance as, (1) internal indicators related to organisational health; and (2) external indicators that are mainly concerned with how NGOs relate to the overall environment.

Irvine and Ryan (2013) observe that the primary responsibility of NGO management is to ensure the organisation's financial health. This requires an understanding of fundamental financial concepts, financial reports and key tools for analysing financial data. Irvine and Ryan (2013) add that proper presentation of financial accounting data can facilitate the fulfillment of external reporting requirements. Furthermore, NGOs need to understand and accommodate all their stakeholders' expectations. In this respect, Irvine and Ryan (2013) argue that NGOs managers need to be able to reconcile their organisations' operations with such expectations.

Ittner, Larcker, and Randall (2003) concur and argue that financial reports and budgets are tools that keep NGO managers on target, and enable them to measure their performance against established benchmarks and satisfy their stakeholders' reporting requirements. Bergsteiner and Avery (2012) note that organisational theory and strategic management are the basis upon which performance can be measured. The organisational theory offers three fundamental theoretical approaches to measuring organisational performance and effectiveness, namely, the goals-based approach, the systems approach, and multiple consistency. Myser (2016) identified four key indicators of NGOs' performance: effectiveness, efficiency, efficacy, and economy. These performance indicators and measures would need to be in place regardless the scope, type, size and nature of NGO (Rathi & Given, 2017).

In their study, Burger, Dang, and Owens (2017) argue that, through effectiveness, economy and efficient, NGOs' projects must transform inputs (liquidity) into results, outputs and impacts. Burger et al. (2017) concluded that a combination of efficiency, effectiveness and economy in the management of NGOs resources allow to effectively produce the better performance as their funders and a range of their stakeholders are increasingly asking not only meeting their

requirements but also to show results and performance. In this view, therefore, internal and external users may use of NGOs financial statements for economic decision (Burger & Owens, 2010; Valencia et al., 2015).

Unerman, O'Dwyer, Gray, Bebbington, and Collison (2006:319-348) are of the view that the standards adopted by NGOs to measure net income should be the same as those for business entities or corporations. However, Anthony (1989:33) notes that the significance of the reported net income which is the bottom line on the operating statement differs among these types of organisations.

Kateeba (2010) observes that, in a business enterprise, the general principle is that the bigger the net income, the more healthy the financial operation. However, for an NGO, financial performance is acceptable if its net income (or excess) is somewhat larger than nothing (Kateeba (2010). A large surplus would indicate that the organisation did not provide the services it should have provided with the available resources.

This study aimed to determine the link between financial reporting systems and the financial performance measures adopted at Zoë-Life to curb its weak financial progress. Performance alludes to an entity's ability to function effectively, efficiently and profitably, which enables it to survive, grow and react to the opportunities and threats within its environment (Ritchie & Kolodinsky, 2003).

Studies by Irvine and Ryan (2013) and Epstein and McFarlan (2011) found that NGOs' performance can be measured in financial terms. Financial performance measurement uses financial statements to evaluate quantitative ratios (Lewis, 2009). However, few empirical studies have been conducted on the use of financial statements to measure and enhance these organisations' financial performance (Greenlee & Bukovinsky, 1998; Smirat, 2016).

2.3.2 Classification of NGOs

Many scholars use the terms 'NGOs' and 'NPOs' interchangeably (Anheier, 2014), while some studies have divided the NGO sector into categories (Hulme, 2013; Morgan, 2013; Pinkney, 2009; Vakil, 1997). Kuti (2013:48) states that NGOs and NPOs are defined according to two organisational criteria. Firstly, an NGO could be characterised on the basis of the nature of its activities, for example, welfare, development, education, networking research and advocacy. Secondly, the level, scope and geographical coverage at which an NGO operates can be used to characterise such organisations as local, national or international.

Hopkins (2010:21) argues that the size, scope and geographical coverage of NGOs in both developing and developed countries are substantial. Salamon, Geller, and Newhouse (2012) identified 12 categories of NPOs, with each further divided into subcategories to distinguish between different types.

Saat, Mohamed, Zakaria, and Omar (2013) state that, NGOs are considered to be large if they engage in national or international activities. Marinho and Cagnin (2014:50-61) noted that the largest NGOs tend to be generalists, covering a wide area of operations at national and/or international level or being involved in a wide range of development activities, projects, and programmes across a number of sectors. It is against this background and within this context that the researcher selected Zoë-Life, South Africa, as it is engaged in capacity building, development activities, public health and social and economic transformation across the country. This study investigated financial accounting as a powerful tool to enhance NGOs' performance with reference to Zoë-Life.

2.3.3 The Link between Financial Accounting and Financial Performance

Teck-Heang and Ali (2008:54) note that there is a clear and strong link between high quality financial statements and financial performance. Ebrahim (2002:84-114) also states that the quality of financial reports improves financial performance and accountability.

Ebrahim (2002) adds that budgetary reporting systems have been established to account for NGO expenditure and provide information on performance to implementers, managers, politicians and directors. The budget can assist in evaluating managers' performance using standard, accepted indicators and in comparing actual expenses and income with budgeted amounts, and actual performance with budgeted indicators. According to Batley (2006:193-196), to promote sound financial performance, every step of an NGO's financial process should be thoroughly documented.

In the first instance, financial performance is assessed against financial trends through financial reports for a certain period. Secondly, budgeted and actual expenditure is compared. Thus, financial accounting is closely linked to financial performance among NGOs (Hopwood, Unerman, & Fries, 2010:69).

Epstein and McFarlan (2011) are of the view that it is important to assess NGOs' financial performance against financial statements and budgets. Su, Nuryyev, and Aimable (2014) and

Bryce (2017) also note that NPOs' financial statements have a substantial impact in improving their financial performance.

Lack of knowledge of financial accounting often leads to NGOs to serious problems of financial performance. Prior research in financial accounting literature highlighted and recommended that NGOs should adopt and implement sound, effective and efficient financial accounting practices so that financial performance can be achieved (Cargo, 2010).

As noted in this sub-section, financial accounting is closely linked to financial performance. The next section reviews the literature on the different financial reporting practices used by NGOs. Currently, professional accountants employ two sets of international accounting standards, IFRS/IAS, IPSAS, and IFRS for SMEs, for-profit organisations, the public sector, and for all types of SMEs and non-business or not-for-profit organisations including charities, respectively (Camfferman, 2014:301-307). The next section immediately examines accounting and financial reporting standards for NPOs and NGOs, or as they are often referred to in the literature, IFRS for SMEs.

2.3.4 International Financial Reporting Standards for SMEs

Kaya and Koch (2015) define IFRS for SMEs as a set of accounting standards developed by the IASB. Cole, Breesch, and Branson (2009) and Ram and Newberry (2013) state that the main aim of these standards is to enable SMEs and non-business entities (NGOs, NPOs, and NPCs), and non-publicly accountable entities to prepare high quality financial statements. Nobes (2010) notes that IFRS for SMEs offer many advantages for regulatory bodies, practitioners, and researchers.

This section reviews the relevant literature on the IFRS for SMEs that was developed to address the financial reporting practices of such entities around the globe (Lesley Stainbank & Tafuh, 2011). Ram and Newberry (2013) argue that the adoption of IFRS for SMEs has been crucial in ensuring reliability and relevance and enhancing comparability in the presentation and preparation of financial reports across markets and countries.

Kaya and Koch (2015) found that the adoption of IFRS for SMEs enhances financial accounting. Di Pietra, Evans, Chevy, Cisi, Eierle, Jarvis, and Committee (2008) conclude that it ensures the adoption of sound financial accounting principles and practices. Bohušová and Blašková (2013) state that the adoption of IFRS for SMEs is of paramount importance in measuring financial

performance and stimulates the use of proper accounting and auditing practices and principles, and keeping proper books of accounts.

Kilic and Uyar (2017) observe that adoption of IFRS for SMEs improves compliance with regulations and enhances financial performance. Such compliance ensures that these entities operate legally, economically, effectively and efficiently (Cordery & Deguchi, 2018). Schildbach (2013) and Pacter and Wells (2013) are of the view that IFRS for SMEs enable entrepreneurs to understand different theories, concepts, and principles. Reporting financial measures in line with IFRS not only assists with performance appraisal but enhances financial performance and transparency, and facilitates cross-border investment and access to global markets.

Anacoreta and Silva (2005) argue that adopting IFRS for SMEs enables these entities to expand. This could promote global partnerships and attract global funders, donors and investors. Eierle and Haller (2009) empirical study concluded that the adoption of IFRS for SMEs is strongly linked to higher quality accounting and financial reports, enhancing legitimacy and transparency.

The IASB issued a document entitled 'The Exposure Draft of IFRS for SMEs in 2007. South Africa was the first country to adopt and implement its recommendations (Schutte & Buys, 2011). However, criticisms have been voiced of this system. Perera and Chand (2015) provide a critique of IFRS for SMEs and note that, even were simplifications to be made, it would still be costly and complex.

In South Africa, IFRS for SMEs was primarily adopted with regard to SMEs' financial reporting practices. In the Exposure Draft (ED), the IASB took specific issues relating to SMEs into account, such as conditions and the type of transactions (Ram & Newberry, 2013).

The adoption of IFRS for SMEs among non-profit entities should take criticism levelled against this system into account (Ram, and Newberry, 2013). Schutte and Buys (2011) are of the view that IFRS for SMEs is biased towards the opinions of external auditors. Rudzani and Manda (2016) concur and conclude that the needs of internal users of SMEs' financial reports were not properly considered in the ED.

Van Wyk and Rossouw (2009) found that many owners of SMEs have limited or no accounting knowledge and skills and rely on external accountants to prepare their financial reports. Managers' views are thus omitted. In contrast, Schutte and Buys (2011) concluded that the adoption of IFRS for SMEs would assist both internal and external users of financial statements

as they offer a single set of high quality, comparable, understandable and enforceable international accounting practices and standards.

While South Africa has adopted IFRS for SMEs, some researchers are of the view that minor changes are required (Van Wyk & Rossouw, 2009). Eierle and Haller (2009) note that, the two main questions that remain are: should IFRS for SMEs be used by not-for-profit entities and should compliance be measured by the application of these standards?

Schutte and Buys (2011) analysis of SMEs' financial statements after the adoption of IFRS for SMEs concluded that, while minor amendments should be made to address some challenges, adherence to the system means that finance providers (banks, investors), external auditors and internal users of financial reports would have confidence in financial statements prepared in accordance with these standards.

2.4. NGOs/NPOs' International Financial Reporting Standards

This sub-section highlights the accounting standards proposed for NGOs. A number of authors, including Morgan (2013:26) and Cordery and Simpkins (2016:209-218), have cited the need for accounting standards and principles, rather than templates to guide NPOs' financial reporting practices. Rossouw (2007:21-37) suggested that regardless of their scope and size, NGOs' financial reports are not consistent with Generally Accepted Accounting Principles (GAAP) and that IFRS for SMEs is the most relevant tool for financial reporting issues specific to the NGO/NPO sector.

Rezaee, Smith, and Szendi (2010) are also of the view that IFRS for SMEs are relevant to NGOs' financial reporting, while Lancksweerdt (2013) highlights the need for such organisations to adopt international financial accounting standards. Lehman (2009) argued that using IFRS for SMEs would enable NGOs to comply with high-quality financial reporting standards.

According to Burton and Jermakowicz (2015:28), the IASB offers specific guidelines for NGOs with regard to accounting standards. (Ram & Newberry, 2013) state that these guidelines are appropriate for not-for-profit organisations. Kaya and Koch (2015:93-120) and Morgan (2013) add that IFRS for SMEs offer a robust and practical framework for preparing the financial statements on which NPOs can build.

With the conceptual framework in mind, namely, NGOs' performance, classification of NGOs, the link between financial accounting and financial performance, and IFRS for SMEs and

NGOs/NPOs, the empirical data gathered for this study were interpreted taking into account the various perspectives that could influence financial performance in the case study (Zoë-Life).

2.5. Basis for the Preparation and Elements of NGOs' Financial Statements

The previous sub-section noted that IFRS for SMEs is not only appropriate for NPOs' financial reporting systems but also addresses specific issues in NPO reporting. This sub-section considers the basis for preparation and elements of financial statements required for NPOs or NGOs. Santucci (2008) and Koch (2015: 99) state that NGOs' financial statements should follow IFRS for SMEs. In order to comply with South Africa's NPOs' Codes of Good Practices, the financial statements should include a (1) statement of financial position or balance sheet; (2) statement of income and retained funds in place of an income statement; (3), cash flow statement (4) notes to the financial statements, and (5) additional disclosures of income generation.

However, Clayton (2014) and Mack, Morgan, Breen, and Cordery (2017:165:172) observe that, many NGOs do not categorise themselves as reporting entities and therefore issue special purpose financial reports, which may not be based on acceptable accounting standards. As such, they face constraints in raising funds for their operations as it difficult to convince stakeholders of their viability in the absence of proper reports and they could ultimately be deregistered by the government. In 2013, the DSD noted that the lack of uniform accounting and reporting standards for NGOs in South Africa contributes to a lack of transparency in financial reporting. It challenged them to demonstrate their performance and relevance through sound reporting.

Cheng, Green, Conradie, Konishi, and Romi (2014:90-119) are of the view that financial transparency is linked to financial disclosure; it thus bestows legitimacy on an organisation. Perera and Chand (2015) add that, NGOs should bear in mind that the use of external auditors could enhance their level of compliance with financial reporting practices as external assurance relies on compliance with IFRS for SMEs.

According to SAICA (2012), the IFRS Foundation 2015:142), and scholars (Mackenzie, Lombard, Coetsee, Njikizana, & Chamboko, 2010); Thabit and Alnasrawi (2016) South African organisations are required to fully comply with IFRS for SMEs or the IFRS based on the public interest score. Table 2 in Appendix 3 shows how NGOs should comply with IFRS for SMEs in their financial reporting practices and accounting principles.

Santucci's (2008) and Kaya and Koch (2015) hold that IFRS for SMEs enables NGOs to produce a single statement of income and retained earnings in place of a profit and loss account and

statement of retained earnings (See Appendix 5). Kaya and Koch (2015) add that a cash flow statement provides information on the ways in which the NGO/ NPO uses the cash generated by its activities and about changes in the cash and cash equivalents it holds. Aboagye-Otchere and Agbeibor (2012) study in Ghana concluded that financial statements produced under IFRS for SMEs enable auditors, and evaluators to assess the financial performance of such entities in comparison with other organisations of the same nature.

2.6. Notes to Financial Statements

Irvine and Ryan (2013:124-144) state that regardless of their size, like any other entity, NPOs must add notes to their financial reports which presenting supplementary information on items included in the financial statements. Coupled with financial statements, footnotes are an integral financial accounting output. Monsen (2008) and Dimitropoulos, Asteriou, Kousenidis, and Leventis (2013) argued that a detailed review of notes to financial statements is essential in order to understand the financial statements. IFRS requires disclosure of accounting treatments and policies as the first notes to financial statements, and additional disclosures for NGOs.

2.7. The Elements of NGOs' financial statements

McCarthy, Shelmon, and Mattie (2012) and Finkler, Smith, Calabrese, and Purtell (2016) provide a list of the elements of financial statements required of NGOs and NPOs that follow international accounting standards. These include the statement of financial position or balance sheet (See Appendix 4), statement of activities or performance statement, statement of changes in net assets, cash flow statement (See Appendix 6), notes to the financial statements, and additional disclosures for income-generating activities.

2.8. The Accounting Cycle

Warren and Jones (2018) and Zietlow, Hankin, Seidner, and O'Brien (2018) state that NGOs' accounting records should be maintained and presented in accordance with the principles and practices of accounting standards.

The data processing cycle of an accounting system can be conceptualised as the total structure of accounting records and the procedures associated with nine activities, namely: (1) analyse business transactions or supporting documents, (2) journalise the transactions, (3) post to ledger accounts, (4) prepare a trial balance, (5) journalise and post adjusting entries (prepayments and accruals), (6) prepare an adjusted trial balance, (7) prepare financial statements, (8) journalise and post closing entries, and (9) prepare a post-closing trial balance (See Figure 1, Appendix 7).

The recent literature shows that IFRS for SMEs has been widely adopted in many countries, including South Africa, to enhance NGOs' financial reporting and thus their financial performance (Ram & Newberry, 2013).

2.9. Users of NGOs' Financial Statements

The users of NGOs' financial statements include, *inter alia*, donors and funders, volunteers and employees, Government and regulators, policymakers, potential and actual beneficiaries, partner organisations and special interest groups, and financial institutions and the media (Engstrom and Hay (1999:38). Ashford (2007) notes that an NGO will seek to share its reports with a wide range of stakeholders with whom it interacts. While donors may be major users of NGOs' financial reports, the stakeholders' list is much broader and each group has different expectations (See Appendix 8).

2.10. Literature Review

There is a paucity of research on financial accounting in the NGO sector. Governments, researchers and policy makers have paid little attention to the broad question of how financial accounting can assist not only in complying with set standards but in enhancing NGOs' performance (Neville, Bell, & Whitwell, 2011).

Non-governmental organisations have become an integral part of nearly all developing nations. Scholars such as Fernando (1997:150-177) and Hopkins (2010) note that this sector is growing exponentially and is involved in a broad range of social and economic development initiatives. This precipitated a rapid increase in the research literature on the NGO sector. Hopkins (2010:21-34) and Bird and Morgan-Jones (1981:76-79) indicate that most NGOs' projects, programmes and activities fail to comply with international financial reporting standards. Their financial reports are thus not satisfactory.

Ritchie and Kolodinsky (2003) study on financial performance measurement among NGOs noted that financial reports provide essential financial information to stakeholder groups and management. Finkler, Smith, Calabrese and Purtell (2016) add that comparisons of financial performance among non-profit organisations are based on their financial reports.

However, both scholars and practitioners have neglected the subject of public financial reporting practices in the NGO sector (Barth, Landsman, and Lang 2008). Patel and Prasad (2013) argue

that there is a need to look beyond ensuring that NGOs adopt proper accounting standards to peruse the quality of their financial reports.

Rezaee, Smith and Szendi (2010) case study of the British Red Cross established that the organisation shows a high level of compliance with IFRS in preparing its financial reports. The authors concluded that the qualitative characteristics of financial reports are the result of the accounting standards adopted. This enhances comparability across mixed markets.

Pagaria (2006) noted that, contemporary accounting researchers pay much attention to understanding the social, political and organisational contexts of management control practices. Benjamin (2010) stated that the performance of NGOs projects is judged against the funds spent in line with their specific objectives. To the best of the researcher's knowledge, no extensive research has been conducted on NGOs' accounting practices (Frendzel & Szychta, 2014). Furthermore, few studies have considered developing countries.

While there are a few exceptions, including the work of Miller and Power (2013) and Goddard and Juma Assad (2006), these authors adopted an empirical approach and focused on globalisation of NGOs through accounting standards rather than on the issue of financial accounting. Other studies examined NGO governance in relation to financial reports. There is thus no conclusive evidence that financial accounting has the potential to influence NGOs' performance.

Earlier studies used grounded theory in accounting research to examine why NPOs should adopt accounting standards and identified external and internal challenges. Studies have posited that NGOs/NPOs need sound control systems in order to improve decision-making and service provision (Flynn and Hodgkinson (2013:22); promote organisational learning (Linzer & Linzer, 2008); ensure accountability in general (Liket & Maas, 2015); ensure accountability to funders (Setia, Abhayawansa, Joshi, & Huynh, 2015); comply with regulators' requirements (Alvarez, Pilbeam, & Wilding, 2010); enhance these organisations' legitimacy (Paton, Foot, & Payne, 2000); enable comparisons (Rezaee, Smith and Szendi, 2010), and to be responsive to professional bodies (Saj, 2013).

While there is a growing body of research on the factors influencing NGO performance, most studies were published between 1996 and 2011 (Kareithi & Lund, 2012). Financial accounting among these organisations has thus not received the attention it deserves. Freeman and Moutchnik (2013:5-9) describe this as a critical gap in the literature because the goal of

managing NGOs to create value for salient stakeholders cannot be achieved without translating these ideas into reliable, systematic and accountable measurement. Considerable attention has been devoted to business practices among NGOs. For example, Myers (2013), Blouin, Lee, and Erickson (2018) and Assad and Goddard (2010) advocated for the adoption of business practices in this sector in order to improve efficiency and noted that financial accounting is a standardised practice for measuring organisational activities and performance.

Previous studies also provided evidence on the challenges encountered in managing NGOs in different countries (Reheul, Van Caneghem & Verbruggen, 2014). While most NGOs are donor-funded, they lack efficient financial accounting systems. Furthermore, many lack qualified professionals such as accountants and as such face serious challenges in generating timely and accurate financial reports.

Researchers have also investigated the link between financial accounting and NGOs' success. Paton, Foot and Payne (2000) found that, while the Board of Directors is supposed to provide guidance and oversight of the operations of NGOs, many boards are not aware of their role in resource mobilisation. The study also revealed that many organisations lack sound systems for financial management, programme monitoring and evaluation, and overall programme performance in order to consistently earn stakeholders' trust.

Johns Hopkins University conducted a comparative research project on the NGO sector, focusing on its accounting practices. Despard, Nafziger-Mayegun, Adjabeng, and Ansong (2017) and Salamon, Geller, and Newhouse, (2012) observed that in underdeveloped countries, research has mainly taken the form of historical accounts of the development of the NGO sector. Furthermore, studies have focused on transition economies and little attention had been paid to sub-Saharan Africa.

The following section reviews the relevant empirical literature.

2.11. Empirical Literature

This section discusses international, local and regional studies on accounting practices among NGOs.

2.11.1. International Evidence

Loi, Hang- Yue, and Foley (2006) investigated accounting practices in three Tanzanian NGOs using grounded theory. Overall, the study established that poor financial reports negatively affect

performance among NGOs. The authors suggest that it should be compulsory for NGOs to implement IFRS in order to comply with stakeholders' requirements. Furthermore, NGOs should have efficient accounting systems, highly qualified accounting staff and watertight, documented accounting systems.

Similar research was undertaken by Westerdahl (2001). Based on focus group discussions and interviews, the author recommends that NGOs should publish their financial reports for scrutiny by both government and the public.

Aboagye-Otchere and Agbeibor (2012) investigated the suitability of IFRS for SMEs among three NGOs in Ghana. The study recommended that NGOs should adopt IFRS for SMEs in the provision of all financial statements in order to provide open, easily understandable financial reports for a wide spectrum of users.

Eccles and Saltzman (2011) and Susanto (2016) adopted an empirical approach to examine the importance of the financial accounting in NGOs using a literature-based methodological approach. These studies showed that clear accounting systems can assist in distributing and tracking resources so that they reach their intended destination; donors appreciate this kind of action. They also found that NGOs that abide by the financial reporting standards stipulated by donors are able to mobilise further funds. The authors also recommend that NGOs adopt well-structured and efficient financial accounting practices.

Yetman and Yetman (2012) and Waniak-Michalak and Michalak (2016) tested the effect of the interaction between NGOs' accounting and performance in Ethiopia using interviews and a questionnaire to gather data. They suggested that NGOs should use IFRS as a benchmark to evaluate their performance and should establish a well-functioning financial accounting system to measure it.

Mwangi (2013) conducted a descriptive survey on the applicability of accounting and auditing standards among NGOs in Kenya. The study found that NGOs need to be competent and fulfill government and donors' requirements. They should also prepare financial statements and reports in line with acceptable standards in order to boost donor support.

Balogun, Jacobs, Jarzabkowski, and Vaara (2014) analysed the annual reports of Global Outreach International over a period of six years. They concluded that NGOs should establish a well-functioning financial accounting system to measure performance and provide the basis for sound governance and accountable policies.

While all these findings reaffirm the importance of a clear financial accounting system among NGOs, insufficient detail is provided to investigate the links between their financial accounting and performance in terms of achieving targets and financial performance. Haller (1982) empirical study on NGOs' financial performance analysed their financial statements. It established that financial performance measurement is primarily based on financial analysis through financial reports and footnotes. The author suggested that NGOs should be required to prepare financial reports that detail all components of assets and liabilities, and revenue and expenses in line with applicable accounting standards and principles.

Studies conducted in the USA and European Union (EU) reveal the complex nature of NGOs and the social, political and economic issues confronting them (AbouAssi, 2013; Thayer & Fine, 2001). These studies used grounded theory strategy and established that accounting is important in legitimating NGOs.

2.11.2. Local and Regional Evidence

Mueller- Hirth (2012) investigated the factors that influence the performance of South African NGOs and other organisations using various database platforms to obtain information. They suggested that financial reports should contain improved measures of performance. It has been also suggested that the inclusion of information on financial performance for longer periods such as five or ten years, would shed more light on the performance of NGOs.

de Villiers, Rinaldi, and Unerman (2014) and Du Toit, Van Zyl, and Schütte (2017) investigated inconsistencies in the financial reports of South African NGOs. Both studies used electronic databases to obtain information. They found that, if accounting standards are not adopted by NGOs, the State is unable to ensure high-quality financial reporting and performance.

Schiebel (2008), Rossouw (2007) and Samujh and Devi (2015) provide a critical discussion on the implementation of IFRS for SMEs. Samujh and Devi (2015) contend that IFRS for SMEs is too complicated in the context of SMEs and has implementation costs. While it provides comparable financial information, it is only applicable to larger SMEs.

Much of the research on financial management and financial accountability in the NGO sector (see for example Manville and Greatbanks (2016) has focused on developed countries in Europe and the Americas, with little attention paid to sub-Saharan Africa. Nonetheless, the empirical evidence seems to confirm that financial accounting could help to assess the performance of many entities.

To the best of the researcher's knowledge, no study has assessed the practicality of IFRS for SMEs as a tool to enhance NGO performance and the quality of their financial reports in South Africa. This study sought to fill this research gap. It builds on prior research, especially studies that examined financial accounting practices in NPOs in order to address specific reporting and performance issues.

The study investigated how Zoë-Life's financial statements are compiled and the extent to which they comply with IFRS for SMEs currently applicable to non-business entities.

2.12. Research gap

As Ritchie and Kolodinsky (2003) note, there is insufficient empirical evidence on whether financial accounting is a powerful tool to enhance the performance of the NGO sector. Previous studies focused on financial reporting practices in for-profit entities. There is a paucity of research on financial accounting (IFRS for SMEs) as a powerful tool to enhance NGOs' performance and improve the quality of their financial reports in Africa, especially South Africa. IFRS for SMEs is crucial for Zoë-Life to be able to meet the high quality standards set by the IASB, DSD, and other users of the organisation's financial statements (Sinclair, Northcott, & Hooper, 2014). This system was designed to simplify the financial reporting practices of such entities (Cordery & Sim, 2018).

2.13. Major Issues arising from the Literature Review

This chapter discussed a range of literature in order to gain insight into current financial reporting frameworks among SMEs and the NGO sector. It appears that IFRS for SMEs was also intended as a basis for the financial reporting standards frameworks of NGOs as NGOs and SMEs share many similarities.

The literature review highlighted the strengths of financial reporting frameworks, including the fact that they enable international comparisons. It also examined the issues that have been raised in relation to the adoption of IFRS for SMEs (Schutte & Buys, 2011; Wing, Hager, Rooney, & Pollack, 2004). As NGOs cannot fully copy and paste profit oriented financial reporting and management practices (Walsh, Mulambia, Brugha, & Hanefeld, 2012).

2.16 Summary of the Literature Review

Questions have been raised as to NGOs' level of transparency and accountability. While financial reporting among NGOs is relatively well-covered in the literature, there is a lack of systematic research on international financial reporting system processes and management (Vieira & Borba's, 2015).

Given the growing pressure on many NGOs around the world (Miller & Power, 2013), users of their financial statements need to make crucial decisions concerning future resources and to evaluate their financial performance and stewardship of their management (Harding, 2014). However, there is a lack of research on the direct impact and link between financial accounting practices and the financial performance of NGOs.

2.17 Conclusion

This chapter reviewed the literature that is relevant to this study, focusing on IFRS for SMEs and NGOs' financial reporting practices. It began by highlighting the theories that underpin the study. The IFRS for SMEs were discussed, as well as the issues confronted by SMEs and NGOs in preparing financial reports. The research gap that the study sought to fill is the link between financial accounting through IFRS for SMEs and the performance of the NGO sector (Morgan, 2010).

The study contributes to existing knowledge by focusing on three dimensions: (1) how financial accounting through IFRS for SMEs could be applied at Zoë-Life to improve financial performance, organisational processes and functions, and project performance, (2) how financial accounting impacts on stakeholder management at Zoë-Life, and (3) how financial reporting practice caters to a variety of stakeholders' interests and ultimately affects how managers perceive what needs to be done at Zoë-Life.

The following chapter presents the research methodology employed for this study.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research methodology employed to conduct this study. It begins with a discussion of philosophical assumptions in the Social Sciences and their link to accounting research perspectives. The chapter outlines how the research was conducted, selection of participants and the research process.

3.2 Philosophical Assumptions and Accounting Research

This section discusses the philosophical assumptions that underpin the Social Sciences, outlines the methodological approaches available to accounting researchers and presents the rationale for the adopted methodology. According to Guba and Lincoln (1994:105-117), a researcher should be clear about the philosophical assumptions and related paradigms informing his/her field of study. Kuhn (2012) and Guba and Lincoln (1994) define a paradigm as a worldview which guides researchers on what to study, how to study it and how to interpret their research findings.

Scholars such as Burrell and Morgan (2017), Laughlin (2007) and Lowe (2004) note that the philosophical assumptions and the basis for selecting a research paradigm and methodology in the Social Sciences have been extensively documented. This section highlights the key elements of Burrell and Morgan (2017) framework. Despite some critiques (Chua, 1986), it remains a useful starting point for a discussion on the philosophical assumptions guiding Social Science research and organisational analysis (Perrin, 1981; A. M. Pettigrew, 1990). Burrell and Morgan (2017) influential study *Paradigms and organizational analysis: Elements of the Sociology of Corporate Life*, identified four paradigms in Social Sciences theory, namely, functionalist, radical structuralist, interpretive and radical humanist.

Guba and Lincoln (1994) provided a taxonomy of accounting research by linking these four paradigms to three categories of accounting research, Mainstream Accounting Research (MAR), Interpretive Accounting Research (IAR), and Critical Accounting Research (CAR). Thus, a qualitative research method can be interpretive, mainstream (positivist) or critical (<http://www.qual.auckland.ac.nz>). These three philosophical assumptions are schematically outlined in Figure 2, Appendix 9.

3.2.1 Mainstream Accounting Research

According to (Chua, 1986), MAR rests on the same assumptions as Burrell and Morgan's (2017) functionalist paradigm. He notes that it has its roots in the economic framework, which assumes that decision-makers are rational, objective and profit maximisers.

According to Smith (2017:29-32), the assumptions underpinning MAR allow for structured analysis of accounting problems. Its basic methodological approach is deductive reasoning. Smith (2017) add that typical MAR research methods include classical survey approaches using questionnaires to generate quantitative data, experimental and cross-sectional studies and statistical analysis.

3.2.2 Critical Accounting Research

Critical Accounting Research combines Burrell and Morgan (2017) two critical perspectives. It posits that social structures shape society (radical structuralism) and that individual actors create society (radical humanism) (Chua, 1986). Hopper and Powell (1985:429-465) observe that CAR is based on the assumption that society is made up of conflicting components and power systems that lead to inequality in all aspects of social life. The emphasis is thus on the division of interests, conflicts, and inequality that offers potential for radical change (Hopper & Powell, 1985). In support of these views, Baker and Bettner (1997:293-310) state that, that like IAR, CAR is contextual and interpretive and seeks understanding.

In addition to the pursuit of understanding, CAR aims to make appropriate changes to the phenomenon under investigation. The implication of this evaluative characteristic of CAR is that a researcher adopts a particular view in structuring his or her research questions. He/she is thus interested in the meaning people ascribe to their experiences and the lessons they learn in order to propose appropriate reform and achieve a better social life.

3.2.3 Interpretive Accounting Research (IAR)

According to Guba and Lincoln (1994), IAR is concerned with understanding the social nature of accounting practices. It aims to make sense of human actions and the meanings they attach to such within the context of their everyday lives. This perspective is in line with Burrell and Morgan's (2017) subjective and sociology of regulation perspectives. Guba and Lincoln (1994:50) add that in the methodological sense, the researcher adopts a neutral view of the phenomenon under investigation, and the research method is designed to interpret how the research subjects develop meanings rather than the researcher's interpretation. Typical

examples of research methods used in IAR are ethnography, Grounded Theory (GT), and qualitative case studies.

3.3 The philosophical assumptions underpinning this study

Laughlin (2007) notes that, philosophical assumptions underpin any social research undertaking. Given that multiple options are available and that none can claim absolute perfection in terms of uncovering the truth, it is inevitable that a researcher will have to choose their research approaches. The IAR perspective was selected for this research study as the researcher concurs with Laughlin (1995) that understanding is only part of the discovery process. In line with Guba and Lincoln (1994) and Smith (2017), the researcher is also of the view that the IAR perspective provides a richer picture of a phenomenon and thus enables the research objectives to be achieved.

This study aimed to add to the body of knowledge on financial accounting as a powerful tool to enhance NGOs' performance. Adopting IAR enabled the researcher to accurately analyse, interpret and report on the interviewees' views and experiences from their own perspective (Myers, 2013).

3.4 Research Design

Sekaran and Bougie (2016) define a research design as the guidelines and instructions that are followed to address the research problem; it thus helps the researcher to plan and structure a research project so that the validity of the research findings is maximised through minimising or, where possible, eliminating potential error. The overriding principle in selecting research techniques is that they be appropriate for the task at hand.

Once the research problem has been identified, the research objectives and questions are formulated (McNabb, 2015). Sekaran and Bougie (2016) note that the research design provides a structure for the study to ensure that the evidence gathered enables the researcher to answer the research questions as unambiguously as possible. This research study sought to establish why NGOs/ NPOs' financial reports do not meet the quality standards set by hosting governments and funders. It was not clear whether the poor quality of financial reports produced by such organisations is the result of their non-adoption of IFRS for SMEs.

Designing a research plan calls for sound decisions on the data sources that will be used to reach conclusions on the phenomenon under study (Yin, 2009). The following section

examines the research methodologies available to researchers and justifies the choice of a qualitative method for this study.

3.5 Qualitative, Quantitative and Mixed Research Methods

Thomas (2003:225) and Creswell (2009a) note that qualitative, quantitative and mixed research methods can be used to gather and interpret data. The qualitative research method focuses on description and discovery rather than hypotheses testing and verification. Information or data on the phenomenon under study are gathered from those who have experienced it and the objective is to obtain a range of views (Rudestam & Newton, 2001).

3.5.1 Qualitative research methodology

Qualitative research is generally described as any kind of study that does not rely on statistical methods or quantification to arrive at findings (Strauss & Corbin, 1990). Pettigrew and Roberts (2011:208:223) state that this method is criticised for its reliance on the researcher's subjective interpretation which could introduce bias, especially among novice researchers.

Merriam and Tisdell (2015) note that qualitative research may be impressionistic in nature. Moreover, the quality and reliability of the evidence gathered and the researcher's interpretation may be difficult to measure and evaluate, posing generalisation challenges (Myers, 2013). Myers (2013:17) adds that qualitative research is time-consuming and that data collection and analysis can be expensive (Yin, 2011).

3.5.2 Quantitative research methodology

Quantitative research involves collecting and interpreting data using frequencies and amounts. It seeks to statistically and systematically measure the relationship between variables in order to support or reject pre-defined hypotheses (Borrego, Douglas, & Amelink, 2009; Silverman, 2013). Quantitative studies have the advantage of producing standardised numerical data that establish greater reliability and provide stronger forms of measurement and causality. The results can also be generalised to the wider population.

However, Collins (1992:15) notes that the disadvantage of quantitative research is that, in its effort to neutralise researcher's role and reduce his/her influence, researchers become 'disembodied abstractions' and are depersonalised. Holloway and Galvin (2016) observe that, while this research approach is effective in terms of quantification, it is weak in dealing with

the social complexities of a phenomenon. It is also inflexible because the same questions must be asked in the same format and manner. As a result, it is not able to accommodate changes that may occur during the investigation or research process, especially during data collection.

3.5.3 Mixed Method Methodology

A mixed method (i.e. a combination of qualitative and methods) offers the opportunity for triangulation since it incorporates multiple research strategies. This approach has been supported by numerous scholars, including Tashakkori and Creswell (2007); Creswell, Plano Clark, Gutmann, and Hanson (2003); Reichardt and Rallis (1994); Tashakkori and Creswell (2007); Brewer and Hunter (1989); and Newman and Benz (1998).

The mixed method approach combines qualitative and quantitative approaches to collect and analyse data simultaneously or sequentially (chronologically), in order to better comprehend the research problem. The precise nature of the combination will depend on the nature of the study as neither method is privileged (Teddlie & Tashakkori, 2009; Thomas, 2003).

3.6 Justification for the Choice of a Qualitative Research Method

This study involved empirical (interpreting first-hand qualitative data) rather than conceptual (hypothesis- testing) research and the description of events and phenomena (Trochim, 2006). The researcher sought to gain insights and deep understanding of the applicability of IFRS for SMEs as a tool to enhance the performance of Zoë-Life. A qualitative research method was thus appropriate as it enabled the researcher to dig deep and investigate whether a theoretical concept such as financial accounting (IFRS for SMEs) determines the quality of financial reports, thus influencing the performance and growth of Zoë-Life. In adopting this approach, the researcher was able to explore the respondents' subjective viewpoints and draw conclusions based on an analysis of the empirical data gathered during interviews.

Creswell and Creswell (2017:23) observe that no single research method is suitable for similar types of research. Choosing a suitable method hinges on the purpose and nature of the research and the data required. The research methods are also determined by the nature of the research questions.

This study sought to analyse and explain how and why the adoption of IFRS for SMEs by Zoë-Life would serve as a powerful tool to enhance its performance and the challenges it

confronts. The researcher aimed to gain a deep understanding of this phenomenon, and to provide explanations and clarify situations. The research was thus empirical since it addressed a real-life problem. A qualitative method was thus highly appropriate.

3.7 Research Methodology

As noted above, this was a qualitative study. Qualitative research methods capture people's feelings, opinions, practices and experiences and provide more contextual information (Onwuegbuzie & Leech, 2007). According to Fetterman (2010:163), qualitative research is also regarded as a case study method because data is collected in the field where the researcher is able to observe and record events and behaviour in their natural settings.

Given the dearth of research on the applicability of IFRS for SMEs in relation to NGOs' performance, a case study design was adopted. Zoë-Life South Africa was selected as the case study as it is a large NGO that is likely to experience significant financial accounting issues.

Marinho and Cagnin (2014:59) note that the majority of the largest NGOs tend to be generalists that are involved a wide range of national and international development activities across a number of sectors. A qualitative method was suitable as the researcher sought to gain a deep understanding of Zoë-Life's financial operations.

3.8 Nonprobability Sampling Method

The participants were selected using non-probability sampling. In this sampling method, the researcher uses his or her judgment to select the participants (Palys, 2008). The study focused on people who are experts in a particular field or are privileged witnesses to events. This included top, middle and junior management, and staff in the accounting, finance and project departments as they were deemed to be the main role-players in preparing financial reports or the key decision makers within the organisation.

Kokt (2009:789) notes that, purposive sampling involves selecting units (e.g. individuals, groups of individuals, or institutions) based on a specific purpose associated with answering a research question. The participants were identified with the assistance of the key contact in Zoë-Life.

3.9 Case Study

The case study design meant that this study was limited in scope to Zoë-Life. It provides a practical example of how rules and regulations, policies and IFRS for SMEs are applied within this organisation. Case studies are increasingly used in the Social Sciences, not as a data collection tactic, but as a comprehensive research strategy (Smith, 2017). As noted by Baxter and Jack (2008), this method is appropriate when the research involves answering ‘how’ and ‘why’ questions and where the researcher aims to gain an in-depth understanding of the issues under the spotlight (Houghton, Casey, Shaw, and Murphy (2013). The list of ‘how’ and ‘why’ questions posed to the respondents is contained in Appendix 1.

Brown (2008:1-3) observes that case study research has improved researchers’ knowledge of organisational culture as it enables in-depth analysis of a specific aspect or situation that other approaches cannot achieve. The case study of Zoë-Life provides an in-depth analysis of the practical application of IFRS for SMEs and the role that policies, rules and regulations have played in its financial performance and growth.

Christensen (2002:93-124) defines a case study as an intensive description and analysis of a single or individual organisation or event based on information obtained from a variety of sources such as interviews, documents, test results, and archival records. Kendall, Kendall, Kendall, and Kendall (1992) describe such a study as an in-depth but not always observational investigation of one or a few cases in contrast to a superficial cross-sectional study of a larger sample.

As noted previously, there are numerous NGOs/ NPOs in South Africa and they are scattered across the country. It was thus not possible to study the entire population. Zoë-Life was selected to investigate whether adopting IFRS for SMEs would enhance the performance of this organisation in particular and the NGO sector as a whole. Given the nature of the investigation, the researcher focussed on the organisation’s accounting and finance departments. Primary data were collected in the field by means of interviews and secondary information was gathered from organisational documents like annual financial reports.

3.10 Rationale for the selection of the case study (Zoë-Life)

Silverman (2013) notes that it is crucial to select a suitable case(s) and that selection should be based on the research questions and the conceptual framework underpinning the study in order to expand the concepts or provide various perspectives on existing concepts.

3.11 Criteria for the selection of the case study

In selecting a suitable case for this study, the researcher was guided by the following criteria:

3.11.1 The NGO must be registered

All South African NGOs and NPOs must be registered with the DSD. Zoë-Life's NPC number is 2012/109367/08. Furthermore, the NGO must submit financial reports as per IFRS for SMEs and other annual reports and documents to the DSD as and when required.

3.11.2 Partnerships with various funders/donors and Project involvement

The second criterion was that the NGO must have partnerships with various funders/donors and be involved in various projects. As noted previously, many NGOs are fully funded by various foreign and local funders. This criterion assisted the researcher to explore financial reporting practices to respond to the needs of different donors.

At the time of the field research, Zoë-Life had partnerships with 15 funders from, among other countries, the USA, UK and The Netherlands as well as the United Nations (UN), PEPFAR, UNICEF, IYCN, the Clinton Foundation, and CDCP, etc. It was involved in various projects including Kidz Alive, Youth Alive, Social Cohesion, Link Care, and International Citizens Services.

3.11.3 Geographical coverage

Swilling and Russell (2002) note that NGOs are considered to be large if they engage in national or international activities. The third criterion was thus that the NGO should have wide geographical coverage across the country or the globe. Zoë-Life was selected because of the level of its work at national level (HCT, I-ACT, IYCF, IMCI), provincial level (KZN DOH, MCBTS), KZN PSP), municipal level (eThekweni Health Department KZN), and at community and international level (Swaziland Ministry of Health (district training) and Tanzanian Ministry of Health (education tools), among others).

Zoë-Life is also engaged in a wide range of activities such as capacity building, social and economic development, public health and social transformation, systems strengthening and community training.

3.11.4 Collaboration with other Community-Based Organisations (CBOs) and NGOs

At the time of data collection, Zoë-Life had partnerships with more than 63 CBOs and NGOs throughout KZN and more than five international non-governmental organisations (INGOs).

3.12 The Study Site

According to Patton (2002:31), the study site is an area or geographic place in which a study is conducted to collect data. This study targeted Zoë-Life South Africa, an NPC located at 6 Williams Road, Westville, in Durban, South Africa.

3.13 Population

The population is the broader group of people to whom the researcher intends to generalise the study's results (Cochran, 1977). Cochran (1977) describes the population as the entire group of people whose characteristics are considered. According to W. Trochim, Donnelly, and Arora (2018), the population consists of all units or individuals whose measurements are taken for the research.

Given that the study aimed to explore the adoption of IFRS for SMEs at Zoë-Life and its level of compliance with financial reporting practices in preparing financial reports, the population was managers at Zoë-Life.

3.14 Sample

A sample is a subset of the study population (Malhotra (2007) It is the group of individuals who participate in a study (Patton, 2002). Malterud, Siersma, and Guassora (2016:17) note that, in sample-based studies, it is crucial to clearly describe the surveyed population and to ensure that the sampled population provides a precise depiction of the entire study population. The sample for this study was drawn from the various functional areas within Zoë-Life.

3.15 Sampling Design

Sampling design includes determining the sample frame, the sample size and specific procedures to select potential respondents (Creswell, 2009:148). The study participants were purposively chosen using the following criteria:

- i. Does the participant offer insight into Zoë-Life's financial practices?

- ii. Does the participant provide insight into the financial performance and growth of Zoë-Life?
- iii. Does the participant provide unique insight into compliance that would be useful for the researcher to achieve the study's objectives?

The sample is depicted in the table below:

Category	N^o of Staff/ Employees	Sample selected	%	Techniques used
Top management	3	3	100%	Purposive
Management	4	4	100%	Purposive
Accounting and finance officers	2	2	100%	Purposive
Project officers	21	15	72%	Purposive
Total	30	24	80%	

According to Malhotra (2007), representative groups are used to ensure that data collection provides suitable, unbiased and close estimates of the characteristics of the sampled population. The four groups depicted in the table above were deemed appropriate participants because of their involvement in and extensive knowledge of the role of financial accounting practices and the performance of Zoë-Life.

3.16 Sample Size

Creswell (2009b:27) defines the sample size as the total number of people or units to be studied. Twenty-four Zoë-Life employees were selected. According to Adler and Clark (2014:45), the appropriate sample size is directly related to the type of research one is conducting. Guest, Namey, and McKenna (2017) state that if the population is comparatively small, then the sample should comprise a reasonably large percentage of the population. In this case, the sample consisted of 24 (potential interviewees) out of 30 employees, representing 80%. According to Roscoe (1975), sample sizes of less than 10 are not recommended. Smith (2017) posited that any sample of 50% and above is adequate for data collection and analysis. Participants were drawn from the various functional areas within the organisation. The sample size ensured that a reasonable number of Zoë-Life employees were represented in this study. Since this research was context-bound, its main aim was not to produce generalisations. The sample selected also enabled the researcher to make inferences in relation to the population (Sekaran & Bougie, 2016).

3.17 Gaining Access

Berg (1999:239) and Yin (2017) state that gaining unrestricted access is one of the core ingredients of a successful case study. Access was primarily negotiated by a staff member who meets with members of the Executive Directors' team as part of a current study (Shenton & Hayter, 2004). It is crucial to use a key person to gain access and to treat respondents with respect (Denscombe, 2014).

3.18 Data Collection Procedures

Data were gathered by means of in-depth, semi-structured interviews, which enabled the researcher to gain insights into the participants' views and perceptions on financial accounting systems. Semi-structured interviews have the advantage of enabling participants to expand on their responses. Interviews were an appropriate data collection tool as the questions required narrative answers. Other scholars that have conducted research on NGOs' accountability have used this method of data collection as it generates meaningful insight on a topic (Marshall & Rossman, 2014).

3.19 Data Collection Instruments

As noted above, semi-structured in-depth interviews were conducted to generate data. This enabled the collection of focused, rich data (Lewis, 2015). The interviewer posed open-ended questions and probed where necessary to obtain additional information. According to Qu and Dumay (2011:263), interviews enable a researcher to gather information on subjects' experiences as articulated from their own reality. The evidence collected from the interviews was supplemented and enhanced by access to the organisation's confidential internal documents.

3.20 Data Analysis Procedures

The researcher transcribed the data collected during interviews (Table N°8 indicates the number of participants in scheduled interviews and their interview results). This was followed by transcript analysis, which involved multiple reviews of the transcripts (Mason, 2002:13). In terms of capturing and comparing financial accounting related themes, the researcher traced the themes across different interviews until saturation point was reached (Silverman, 2013).

As recommended by Krippendorff (2004) and Miles, Huberman, Huberman, and Huberman (1994), thematic content analysis was employed through coding, particularly in relation to the NGO's financial accounting systems. The same codes were used to analyse the interview transcripts.

Wildemuth (2016) defines qualitative thematic content analysis as a research method for subjective interpretation of the content of text data through a systematic classification process of coding and identifying themes or patterns. The researcher read the transcripts reflectively several times until no new insights emerged (saturation).

According to Maxwell (2008:218), saturation occurs when themes begin to appear repeatedly. Thereafter, the researcher grouped the themes into manageable groups of sub-themes. Miles, Huberman, Huberman and Huberman's (1994) approach of coding data according to key themes was used to categorise the data according to the accounting standards and quality of financial reports, compliance with the financial reporting requirements of all Zoë-Life's stakeholders and policies, rules and regulations and the relationship between financial accounting and Zoë-Life's financial performance and growth.

Themes are crucial tools in enabling the reader to understand a particular phenomenon. They also connect the case study to the broader context (Brown, 2008:6). In line with Poole, Mafini, and Makhubele (2015) recommendation, a table was drawn up to summarise the themes. Conclusions and recommendations were drawn from this table. The following four themes helped the researcher to establish what aspects to emphasise and ensured that the data collected was relevant in answering the interview questions:

- i. The first theme was the accounting standards adopted and the quality of Zoë- Life's financial reports.

Interview question1: *What accounting standards does Zoë-Life use in the preparation of its financial statements?*

- ii. The second theme examined the challenges Zoë-Life faces in adopting IFRS for SMEs.

Interview question 2: *What are the factors Zoë-Life encounters in complying with IFRS for SMEs?*

iii. The third theme dealt with the Zoë-Life's financial performance and growth.

Interview question 3: *What are the perceptions of key Zoë-Life managers on the relationship that exists between IFRS for SMEs and performance?*

iv. The fourth theme focused on clarifying the participants' perceptions of compliance with stakeholders' financial reporting requirements, policies, and rules and regulations.

Interview question 4: *To what extent does Zoë-Life comply with the Department of Social Development and donors' financial reporting practices and IFRS for SMEs?*

3.21 Validity and Reliability

According to Roberts, Priest, and Traynor (2006a:44) and Shenton (2004), validity is broadly concerned with the question of whether the researcher studied the phenomenon he or she purported to study, while reliability is concerned with whether the researcher obtained reliable data. The reliability and validity of the current study were enhanced by supplementing the data collected by means of interviews with a review of Zoë-Life's internal documents.

The researcher accessed the following documents.

1. Audited annual reports;
2. Funding proposals;
3. Financial policies and accounting procedures;
4. Budgets; and
5. Donor funding guidelines for Zoë-Life.

According to Trost (2010:56), reliability relates to the steps the researcher takes to make the research credible. The same questions were posed to all the respondents and the environment in which interviews were conducted was similar. An interview guide with carefully selected themes was also employed.

According to Ghauri and Grønhaug (2010:19), the interview guide should consist of predetermined questions but respondents should be allowed to speak freely using their own words. The researcher also posed supplementary questions that arose from the responses.

3.22 Trustworthiness

Roberts, Priest, and Traynor (2006b:44) state that, in qualitative research, trustworthiness relates to the validity and credibility of the information provided to an enquirer. The three elements of trustworthiness, namely, confirmability, dependability, and credibility, were applied to determine the trustworthiness of this research.

3.22.1 Credibility

In line with Poole, Mafini and Makhubele (2015), the study's credibility was ensured by using a purposive sampling approach, which ensured that individuals who served the objectives of the study were selected as participants. In addition, all participants were made cognisant of the study's objectives and significance before the interview commenced so that they could answer the questions to the best of their ability.

3.22.2 Confirmability

To promote confirmability, the researcher emailed transcripts of the interviews to selected respondents via email. The emails were also used to thank them for participating in the study. According to Roberts, Priest, and Traynor (2006), confirmation by participants ensures authenticity, objectivity, and accuracy to substantiate validity and reliability.

3.22.3 Dependability

According to Corbin and Strauss (2008:50), dependability or reliability relates to the extent to which a researcher can assure readers of the authenticity of his/her findings and the way he/she arrived at them from the raw social context. In this study, dependability was achieved through triangulation. Padgett (2016:86) notes that dependability is enhanced by collecting data from two or more sources in order to achieve a comprehensive picture of a fixed point of reference. The data was triangulated by combining the data collected from interviews with respondents from four different departments with documentary material (Carter, Bryant-Lukosius, DiCenso, Blythe, & Neville, 2014).

3.23 Description of Participants

Describing the participants is crucial as it gives them credibility. The participants included three members of top management, four managers, two accounting and finance officers, and 15 project officers. These experts provided rich, relevant and insightful data.

The Accountants and Finance Managers have practical experience and knowledge of Zoë-Life's accounting and financial management systems. They have unique insight into the preparation of financial statements. Project Managers have considerable knowledge of the growth of the organisation through the projects that are funded, and through their involvement in compiling quarterly and annual financial reports they have knowledge of project performance and can offer suggestions for improving such.

Executive management has practical knowledge on all the activities and initiatives designed to enhance the performance and growth of Zoë-Life and ensure the smooth running of the entire organisation. Top management (Directors) make decisions and raise funds to ensure financial health; they also oversee the overall management of Zoë-Life. Furthermore, they ensure the proper implementation of policies and deal with relevant authorities and funders. Directors have a unique insight on issues relating to compliance with Zoë-Life's funders' requirements as well as other stakeholders such as the DSD.

These four groups were purposively selected as it was anticipated that they would offer the most relevant answers and provide insight and ideas on the matters addressed in the interviews. They are the key role-players in preparing financial reports and in assessing performance and growth within the organisation.

3.24 Research Process

Prior to commencing data collection, permission was sought from the relevant authorities and the research supervisor at UKZN. Thereafter, emails were sent to Zoë-Life employees that were purposively selected for the study. Informed consent was obtained from the respondents before data collection commenced and those that were willing to participate received a letter containing information about the study. Two weeks after this information was communicated, data were collected in November 2017. The data were then analysed using thematic content analysis.

3.25 Review of the Research Process

Using the four main questions in the four themes of the financial accounting framework, 35 interview questions were formulated and adapted to the context of Zoë-Life (See Appendix 1). Questions were formulated in as neutral a manner as possible and aimed to gather rich data and a critical understanding of financial accounting in relation to Zoë-Life's performance.

The researcher collaborated with the Chief Operations Officer to arrange interviews with the selected participants (Schultze & Avital, 2011) (See Appendix 17). Interview dates were diarised so as to ensure that the researcher honoured appointments (Yin, 2011). A total of 24 interviews were conducted (See Appendix 16). Face-to-face interviews enabled the researcher to discuss pertinent issues that emerged. The first interview was held with the senior manager who approved the researcher's application for access to Zoë-Life. Thereafter, interviews were held with directors, senior management and the management team. This enabled the researcher to identify key issues that required further investigation and elaboration. With permission from the authorities and once informed consent was obtained, the interviews were conducted on the organisation's premises. Permission was obtained for all interviews to be recorded. Each interview lasted 20 to 30 minutes.

The interviews were recorded and later transcribed. The researcher asked follow-up questions on points of interest and matters that required clarification. The data collected were categorised in accordance with the interview questions. Various areas of interest were identified. The researcher made notes on important observations. The interviews were followed by a debriefing session where observations and reflections were audio recorded. According to Glaser (2017:89), the interviewer should be flexible and allow the discussion to flow naturally. As the interview progressed, the researcher focused and refocused the conversation on issues of relevance to the research agenda.

The researcher spent a total of six days at the organisation. Access to internal documents was granted on condition of maintaining the participants' anonymity. The NGO's financial processes and records were scrutinised to ensure the reliability and validity of the data. Since the study focused on financial reporting practices, documentary information made a major contribution to my understanding of financial issues in an NGO setting (Silverman, 2015). The documents supplemented the data gathered by means of interviews.

3.26 Ethical Considerations

According to Sekaran and Bougie (2016:103), "ethics relates to the researcher's conduct or expected behavior while conducting research. Participation by respondents must be voluntary. Confidentiality and anonymity of respondents must be assured at all times" (Strydom, 2005). The researcher adhered strictly to the research ethics prescribed by UKZN.

Ethical clearance was obtained from UKZN's Humanities and Social Sciences Research Ethics Committee (HSSREC) (See Appendix 15). Permission to conduct the research was duly granted. A gatekeeper's letter was also received from Zoë-Life (Kawulich, 2011) (see Appendix 14).

All the respondents signed informed consent forms (Appendix10) after being fully informed of the purpose and nature of the research. They were assured that their privacy, confidentiality, and anonymity would be respected. Pseudonyms were assigned to all the respondents to protect their identity (see Appendix16). The respondents were informed that the data gathered would be for purely academic purposes and that individual responses would not be divulged to anyone within the organisation (Heath, Charles, Crow, & Wiles, 2007). The raw data are stored in a secure place and will be destroyed after a period of five years.

3.27 Conclusion

This chapter presented the methodology employed to conduct this study. A qualitative research design was adopted to obtain in-depth understanding of the links between the financial accounting system and financial performance at Zoë-Life. Nonprobability purposive sampling was used to select 24 participants.

The chapter also discussed the data collection instruments, namely, semi-structured interviews and documentary review. The data were analysed using qualitative thematic content and transcript analysis methods. The issues of validity, credibility, confirmability, and dependability were addressed and the research process was highlighted and reviewed. Finally, the chapter discussed the ethical considerations taken into account in conducting this study.

The following chapter presents the study's findings

CHAPTER FOUR: THE CASE STUDY FINDINGS

4.1. Introduction

As noted previously, this study focused on financial accounting as a powerful tool to enhance NGOs' performance and the accounting systems implemented by the community of organisations that form the NGO sector locally and internationally through a case study of Zoë-Life in South Africa. This chapter presents the findings from the data collected. The participants included top, middle and junior management and members of the accounting and finance and project departments. The findings are analysed and discussed in Chapter 5. The research findings are presented to answer the following research questions:

1. What accounting standards does Zoë-Life use in preparing its financial statements?
2. What factors inhibit the adoption of IFRS for SMEs at Zoë-Life?
3. What are Zoë-Life's managers' perceptions of the relationship between IFRS for SMEs and performance?
4. To what extent does Zoë-Life comply with the DSD and donors' financial reporting practices and IFRS for SMEs?

Creswell and Poth (2017:19) define data presentation as a logical and methodological process of putting across information in a clear and succinct manner. The data presentation includes a description of the main issues emerging from the dataset, as well as classification and a breakdown of the data with the aim of identifying the factors that impact on financial accounting and financial performance at Zoë-Life. The data were analysed using qualitative thematic content and transcript analysis which helped to categorise it into manageable themes. This chapter is organised in two sections, namely, the key research findings and a conclusion. The following section addresses the key empirical questions in order to achieve the study's objectives.

4.2. Research Findings

4.2.1. Introduction

As noted in previous chapters, this study investigated whether financial accounting is a powerful tool to enhance NGOs' performance, with specific reference to Zoë-Life, South Africa. Interviews were conducted with senior staff members at the organisation's premises.

4.2.2. Empirical Findings and Themes

The empirical findings are presented under four themes, namely, the accounting standards adopted by Zoë-Life and the quality of its financial reports, the challenges Zoë-Life faces in adopting IFRS for SMEs, the relationship between IFRS for SMEs and performance and growth at Zoë-Life, and the participants' perceptions of compliance with stakeholders' financial reporting practices, policies, and rules and regulations. Empirical evidence is provided to shed light on these themes.

4.2.3. Key Findings

This section presents the key findings from the participants' responses to the questions posed (See Interview Guide in Appendix 1). As noted previously, the participants comprised three members of top management, four other members of management, two accounting and finance officers, and fifteen project officers. As explained in Chapter 3, section 3.23, these participants were deemed to be the key role-players in preparing financial reports as well as the key decision makers within the organisation. They are experts that were expected to provide rich, relevant and insightful data. Twenty-four interviews were conducted (See Appendix 16).

The findings emerging from the empirical data from the interviews and the confidential internal documents that were reviewed are analysed and discussed in Chapter 5 in relation to the research objectives and relevant literature in this field. The researcher reviewed Zoë-Life's audited annual financial reports as well as other relevant documents. An interview guide organised under themes provided a framework for the interviews with the respondents (See Appendix 1). Supplementary questions were posed where the need arose. This process enabled the researcher to identify similar or different perceptions among the respondents.

The following section presents the key findings from the interviews. These are discussed in light of the conceptual framework that underpinned this study and the literature reviewed in Chapter 2. Direct quotations are used as evidence to support the findings.

4.2.3.1. Findings in respect of the accounting standards adopted and the quality of Zoë-Life's financial reports

The responses to Q1 revealed that IFRS for SMEs is not applied to the fullest in preparing Zoë-Life's financial statements.

“We have not fully adopted IFRS for SMEs... because we do not have fixed assets and liabilities... I would say GAAP and IFRS for SMEs are quite similar in a sense” (Interview, November 2017).

The interview with DA, AA, BA and KA provided further insight into the financial accounting practices in Zoë-Life

DA, AA, BA and KA stated that:

“Financial accounting under IFRS for SMEs was insignificant as a function in Zoë life. Truly IFRS for SMEs played only a minor role during the accounting transactions and the formative years of Zoë life, the accounting is less visible as a function”.

Similar findings on the use of Fund Accounting to provide a clearer picture of the financial health of NGOs have been recorded in the literature (Goncharenko, 2013; Palmer, 2014; Salleh, Ab Aziz, & Bakar, 2014). For example, Salleh, Ab Aziz and Bakar (2014). note that Fund Accounting improves planning and budgeting as well as evaluation of NGOs’ financial and managerial performance.

Interviewee BA (Chief Operating Officer) explained:

“The IFRS for SMEs is most relevant but for us it is kind of deviation from GAAP and IFRS for SMEs because of [the] unusual situations Zoë-Life finds itself [in]. It is also because IFRS for SMEs does not offer specific accounting rules to describe the accounting treatment of specific operations ... in [a] ... not-for-profit organisation such as donations, legacies, and bequests; restricted funds (when a donor determines a restriction on the use of its funds ...); in-kind contributions; endowment funds, and depreciation of donated fixed assets. Presently IFRS favors large business corporations and [a number] ... of these standards are neither applicable nor relevant for Zoë-Life” (Chief Operating Officer: Zoë-Life, Interview, November 2017).

This is in line with the findings of Monsen (2008) research on the British Red Cross that found that, while fixed assets are normally recorded as assets on the balance sheet and are depreciated over their expected useful life, the fixed assets of NGOs are difficult to record, and as a result, some record and report such assets, while others do not. The same is true of depreciation. The treatment of fixed assets within the NGO sector thus causes much confusion (Liapis & Kantianis, 2015; Peterson, 2002; Zuca, 2013).

According to interviewee DA (an accountant) the fact that IFRS for SMEs is not suitable for Zoë-Life could *“be one of the reasons why these standards have not been fully implemented yet”*. Interviewee AA (senior manager) was of the same view.

CA (Finance Manager), DA (accountant), and EA (Chief Executive Officer) felt that accounting standards that were formulated for for-profit organisations do not reflect the real activities, budget accountability and other important issues confronting Zoë-Life. DA (accountant) indicated that *“the United States Generally Accepted Accounting Principles and approach for not-for-profit entities is suitable for recording of Zoë-Life’s transactions”* (Different staff: Zoë-Life, Interview, November 2017).

Similar observations were made in previous studies (Assad & Goddard, 2010; Rauh, 2010). For example, Assad and Goddard (2010) found that most NGOs do not comply with the accounting standards set by the IASB, and Bryce (2017) concluded that the financial accounting practices of many NGOs do not strictly comply with international financial reporting standards.

Bryce (2017) also noted that the formats for financial reports imposed by donors on NGOs can be inflexible and offer no or little financial information to other stakeholders. Zoë-Life prepares and submits financial reports in various formats to its donors and these do not always adhere to IFRS for SMEs.

4.2.3.2. Findings in respect of the challenges confronting Zoë-Life in complying with IFRS for SMEs

In Q2, the research question was *“What factors inhibit the adoption of IFRS for SMEs at Zoë-Life?”*

CA, a manager in the operations area dealing with the accounting and finance departments and beneficiaries (Finance Manager) and DA (accountant) noted that:

“...It is very complicated in terms of capturing because every funder wants a different type of reporting requirements where every funder has his ledger account and project code. Every one of the donors wanted their own accounts and reports so you deliver that and you are finished with them. You were not consolidating as long as you gave (X) their report, (Y) theirs, (Z) theirs; they are comfortable, well accounted for and so on. You forget your own internal needs; we had not considered consolidating the piecemeal reports so that we could

reflect on how Zoë-Life has to report to each donor according to its required reporting format” (Finance Manager and Accountant: Zoë-Life, Interview, November 2017).

These findings are inconsistent with those of Ashok (2014), who suggests that the quality of financial reporting could be improved by doing away with reporting templates and formats that do not reflect NGOs’ financial performance. International Accounting Standards could replace such templates.

An accountant (DA) stated that:

“This framework places many limitations on preparing financial reports of Zoë-Life. Since it poses a challenge when consolidating funders’ accounts, it is difficult to link different templates” (Accountant: Zoë-Life, Interview, November 2017).

DA added that:

“... for example, we do not do accounting for fixed assets; we do not depreciate the fixed assets because our donors depreciate them on their side. This accounting treatment differs from IFRS for SMEs which requires Plant, Property, and Equipment (PPE) acquired to be capitalised and depreciated over their respective useful lives. In [the] strict sense IFRS for SMEs is not fully applied in Zoë-Life, we do not have a lot of issues and opportunities to deal with IFRS for SMEs. I think [the] US not-for-profit standards ... [are] more robust and with it you can find a way to manage exceptions” (Accountant: Zoë-Life, Interview, November 2017).

It is thus concluded that financial reporting practices at Zoë-Life are influenced by funders’ priorities. This could explain the conclusion reached by other studies that NGOs’ accounting practices are poor because they do not fully understand the economic pros and cons of adopting international accounting standards (Ball, 2006).

It is also important to note that comments on this issue were often made with some passion as the NGO is expected to follow IFRS for SMEs, which does not suit their operations. A Zoë-Life manager (KA) commented:

“... We do not have any way of recording bequests, and contributions but as [there are] huge flows of funds even when restricted, the US not-for-profit approach is much better. [The strength of] IFRS for SMEs [are that] Not-for-Profit Organisations... financial statements [meet the global standard. [A weakness is that]... The organisation does not recruit

professional accountants and so this leads to misinterpretation of IFRS for SMEs” (Manager: Zoë-Life, Interview, November 2017).

A similar scenario is reported by Simpkins (2003), Wing, Hager, Rooney, and Pollack (2004), Ven (2015), and Mwangi (2009) who highlight issues relating to NGOs’ financial reporting such as depreciation of donated fixed assets, non-exchange transactions, fund accounting issues and gifts in kind, among others.

Monsen (2008) noted that NGOs primarily rely on contributions, some of which take the form of pledges in the future or over a period of time. This raises the question of whether they should be recorded as assets and income. Other contributions are non-cash ones, such as equipment, buildings, and the services of volunteers, compounding the problem.

With respect to the financial accounting system and standards implemented by Zoë-Life, some interviewees were of the view that, even if the US generally accepted accounting principles had continued for a longer period, the outcomes would still have been poor. Interviewees AA, BA, CA, DA, and KA agreed on this issue:

“The varied systems of financial reporting also stem from the many formats imposed by donors, the concentration on cash accounting rather than accruals, and a focus on specific projects without attention to what is happening to the wider institution...Clearly, several donor financial stipulations are unrealistic...” (Different staff: Zoë-Life, Interview, November 2017).

This could explain why Kilcullen, Hancock, and Izan (2007) and Sloan (2009) found that NGOs provide financial reports using prescribed formats and templates as requested by donors rather than using the accounting standards that apply to such entities.

Thornton and Belski (2010) observed that major concerns have been raised about the quality of NGOs’ financial statements. Interviewee JA (Director) noted that:

“... IFRS for SMEs is somewhat complex and needs qualified persons to prepare compliant statements” (Interview, November 2017).

This is one of the challenges confronting Zoë-Life in fully adopting IFRS for SMEs. BA (Chief Operating Officer) stated that:

“NGOs struggle to afford chartered accountants needed to run the financial system that would ensure their good financial transparency, and donors will not contribute to these costs. This makes it difficult to fully apply these standards” (Chief Operating Officer: Zoë-Life, Interview, November 2017).

Similar challenges were reported by Mantzari, Sigalas and Hines that noted that NGOs’ reporting challenges lie in preparing different financial reports in various formats for different funders. As a result, their financial reports are of different styles and types (Clayton, 2014).

Cordery and Simpkins (2016) note that many NGOs do not classify themselves as financial reporting entities and thus use formats and templates which may not be based on acceptable international accounting standards. Pagaria, (2006); McCarthy's (2007) and Palmer (2013) studies produced similar results. Palmer (2013) stated that poor financial reporting practices within the NGO sector are the result of the imposition of non-acceptable accounting standards and rules to guide the operations of these organisations.

Zoë-Life’s Chief Executive Officer (EA) argued strongly against the use of IFRS for SMEs:

“I think it is a piece of nonsense. Our organisation accounts are tough enough and IFRS for SMEs would worsen the interpretation and place a high cost on our organisation with the fewest and limited resources... I think the case for [international accounting standards for Zoë-Life] makes very little sense” (Different staff: Zoë-Life, Interview, November 2017).

This finding concurs with Samujh and Devi (2015) who examined the impact of accounting principles on financial reporting and the quality of financial reports. The study provided empirical evidence on the advantages, effects, and cost of implementation of IFRS for SMEs and concluded that financial reports are generated to conform to some of the quality attributes of good financial information.

In the same vein, a senior manager (AA) said:

“... Please do not force the international standards on our organisation There is no need whatsoever for this. It is a waste of time and money... I think the reports produced under these standards do not tell the true story” (Senior Manager: Zoë-Life, Interview, November 2017).

Several scholars (Mala & Chand, 2014; Parsons, 2003; Samujh & Devi, 2015) agree with this viewpoint. For example, Parsons (2003) observed that financial reports are produced for

different stakeholders. Rossouw (2013) and Perera and Chand (2015) argue that IFRS for SMEs is too complicated and is costly to implement. Furthermore, NGOs lack professionals such as chartered accountants and sound financial management systems. This perhaps explains why Zoë-Life's funders are not interested in assisting the organisation to adopt International Accounting Standards.

4.2.3.3. Findings in Respect of the Financial Performance and Growth of Zoë-Life

The central question in Q3 was *“What are Zoë-Life's managers' perceptions of the relationship between IFRS for SMEs and performance?”* Seven related questions enabled views to be solicited on how financial performance and growth operate under financial accounting and on areas for improvement.

It was apparent that Zoë-Life does not comply with IFRS for SMEs, as many respondents acknowledged that different formats are used to report to donors. It was also noted that, Zoë-Life has been successful in attracting funding. Its external funding has increased consistently and the organisation has grown substantially.

As a Director (JA2) stated:

“...this was attributed to its ability to project an image of a secure and committed organisation that could be trusted with large amounts of money...for example, we recently received funds from UNHCR to be used in [a] social cohesion project...it is also for this reason that the financial accounting system we have in place is heavily implicated in the process of enhancing ... Zoë-Life's financial performance” (Director: Zoë-Life, Interview, November 2017).

The Director added that:

“This impacted positively on ... Zoë-Life where it has successfully managed a number of international donor funds. Since its foundation in 2004, Zoë-Life received funding from the Harvard School of Medicine and completed its first Provincial Institutionalization project within 18 months (scale-up of Adherence Support Programme to all ART facilities in KZN). Thereafter Zoë-Life gained invaluable experience as a sub-grantee to McCord Hospital under PEPFAR CDC funding from 2007 until 2012” (Director: Zoë-Life, Interview, November 2017).

This view was supported by a senior manager (AA) who said that:

“...During this period, Zoë-Life developed skills in maintaining communication and appropriate collaboration with PEPFAR Financial and Activity Management systems. In 2011, Zoë-Life managed a UNICEF contract to develop and implement a rapid scale-up Capacity Building package for IYCN in the KZN Province. Zoë-Life has been contracted for three consecutive years (2009-2012) by the Clinton Foundation to develop and implement Malaria Capacity Building tools and services to the Swaziland Ministry of Health (District Training), and the Tanzanian Ministry of Health (education tools)” (Senior Manager: Zoë-Life, Interview, November 2017).

A senior manager (AA) added that:

“...Zoë-Life has now experienced a range of donor requirements and has acquired the skills and systems required [to meet] all donor expectations... these have contributed positively to the financial performance of our organisation” (Senior Manager: Zoë-Life, Interview, November 2017).

The interviews with HA, JA2, EA, and AA were particularly insightful as they are dealing with Zoe life’s Donors.

HA, JA2, EA, and AA stated:

“Accounting practices in Zoë life seems not to be essential to attain high donor credibility. Despite its lower financial accounting stature within the organisation, Zoë life has been consistently maintaining and building its donor credibility for many years”

The findings revealed that Zoë-Life prepares budgets for its funders. Interviewees AA, BA, EA, HA, and the Financial Manager (CA) stated:

“... in order to keep Zoë-Life, running, a number of private donors have been contributing faithfully to the annual budgets... a substantial portion of that donation flowed through Zoë-Life South Africa: fifteen (15) foreign funders among which the United States of America (USA), England (UK), Netherlands, UN, and nothing from the South African government” (Different staff: Zoë-Life, Interview, November 2017).

The interviews with CA, JA1, IA7 and IA14 were particularly insightful as they have dealt with many funds from many Zoe life’s Donors.

They added that accounting, finance and project managers are involved in preparing, implementing, monitoring and reviewing budgets. CA, JA1, IA7 and IA14 stated that:

““Programmes, projects and operations of Zoë life are heavily dependent on funders’ financial contributions or donor grants. Therefore, Zoë life’s Funders possess substantial power associated with their conferring of financial and non-financial to Zoë life” (Different staff: Zoë-Life, Interview, November 2017).

Various documents also point to the role of said staff in the budgeting and review process. For instance, the Chief Finance Officer reviews the costing of planned activities. A director (JA1) and most of the project managers (IA5, AI10, and AI15) at a field office noted that financial reports are produced monthly:

“In terms of performance against budgets and financial reports, are we raising as much as what we intended, are we spending as much as what we planned, are we spending on the right sort of thing and... so, within Zoë-Life, we have a monthly and yearly reporting and reflection system which is relatively robust now which [enables] us ... to make sound decisions” (Project Managers and Director: Zoë-Life, Interview, November 2017).

Sinclair, Northcott and Hooper (2014) note that budgetary accounting allows for comparison of plans (budgets) and actual results (accounts).

From IA3, IA6, IA8, IA11, and IA12 interviews provided further insight into the organisational performance measurement. The interviews with IA3, IA6, IA8, IA11, and IA12 stated that:

“Zoë life has not standardised its financial performance measurement system. Rather Donors specify their financial reporting requirements specific to the projects they fund. Projects performance are not assessed through reports that might be submitted to DSD. Rather Zoë life usually assessed through impact made, planned activities and realised activities goals achieved”. (Different staff: Zoë-Life, Interview, November 2017).

It was also established that financial indicators and measures, such as expenditure and fundraising levels were easy to determine and that these straightforward quantitative measures are crucial in enabling Zoë-Life to carry out its programmes. Various directors acknowledged the role of budgeting in this organisation. A Director (JA2) and Operations Manager (BA) said:

“The things that are measured most and people pay most attention to are numbers and budgets” (Director and Operations Manager: Zoë-Life, Interview, November 2017).

The Chief Operating Officer (BA) observed:

“...that is an easy measure, against budgets, against previous years ... [it] aims at strengthening the financial system tools and staff capacity for increasing efficient utilisation” (Chief Operating Officer: Zoë-Life, Interview, November 2017).

The literature notes that, financial performance is mainly assessed by analysing financial statements and budgets (Su, Nuryyev, and Aimable 2014). The respondents stated that Zoë-Life's financial statements and budgets ensured that its funds are spent prudently in accordance with policies and donations. However, it was established that the organisation's financial reports are not fully in line with IFRS for SMEs as Zoë-Life tends to seek to satisfy all its funders and not government in terms of financial reporting practices. It was also revealed that efforts are made to ensure that these reports are accurate. The Chief Operating Officer (BA) noted that:

“...We hold regular meetings with the beneficiaries, where they normally discuss financially-oriented reports and inputs.... But we do go to the field to check the outcomes and outputs of the projects” (Chief Operating Officer: Zoë-Life, Interview, November 2017).

The interviews with AI1, IA6 and IA9 were particularly insightful as they all dealt with the projects management

AI1, IA6 and IA9 stated that:

“The ability of Zoë life to demonstrate projects impacts is crucial in attracting New Donors and to maintain its funders and to secure donors' funding” (Projects Managers: Zoë-Life, Interview, November 2017)

Since legitimacy is closely linked to donor funding, the study also sought to establish Zoë-Life's level of funding from 2013 to 2016. The financial statements indicated that the organisation had performed well with a surplus of R1, 936.00; R 5,250.00 in 2013 and 2014 respectively. It was also found that assigned targets were reached. The Chief Operating Officer (BA) stated that:

“...we certainly increased the financed ... projects and activities... for example, we have expanded the social cohesion project in Pretoria”. However, the financial reports revealed a deficit of R 20,132 in 2014/2015 and R20, 448 in 2015/2016

The researcher also observed adverse and positive variances (i.e., actual expenditure higher than budget, and actual income higher than budget). Notably, in 2015/2016, funding increased by about R3, 890,795 and in 2014/2015 by around R2, 730,000, pointing to confidence in the organisation among funders and stakeholders (Zoë-Life audited financial reports, 2015/2016).

Nobes (2010) argues that NGOs’ financial reports and statements that are prepared in line with International Accounting Standards are powerful tools in enhancing their performance and the quality of financial reports and are usually required by different stakeholders. As such, Zoë-Life needs to fully comply with IFRS for SMEs if it is to be seen as a well-performing organisation. The financial reports highlight achievements in programmes and projects undertaken within a given period.

Hoque and Parker (2014) state that every step of the financial reporting process must be thoroughly documented. Engel (2016) concurs and notes that financial accounting has long been acclaimed as one of the most powerful tools to enhance NGOs’ performance. Financial reports and statements are significant measures of performance as they make available financial data on these organisations’ operations.

4.2.3.4. Findings in respect of compliance with stakeholders’ financial reporting practices, policies, and IFRS for SMEs

The central question in Q4 was *“To what extent does Zoë-Life comply with the Department of Social Development and donors’ financial reporting practices and IFRS for SMEs?”* Eighteen (18) linked questions highlighted compliance that had a significant positive impact in promoting improved performance and the development of the organisation and its programmes and projects.

The research findings revealed that tensions often arise regarding not only the accounting system to adopt, but the form, frequency, and format of accounting output. Donors’ influence on financial accounting was very clear.

These insights are captured in the following excerpt:

“Overriding attention is paid to the Government’s financial accounting needs because we are given a mandate by the government of South Africa, truly we must follow South Africa’s regulations to satisfy the national accountants. But donors usually ask [for] different reports in different formats and we cannot receive their support without respecting their requirements” (Different staff: Zoë-Life, Interview, November 2017).

These findings are inconsistent with those of (Ball, 2006) and Ashford (2007) who state that financial statements must be useful and relevant to all users or stakeholders. This could be due to the fact Zoë-Life pays little attention to IFRS for SMEs in preparing its financial statements.

This observation was supported by a senior manager who commented:

“....our financial reporting system is indeed characterised by imbalances between our foreign funders and government. ... because each foreign donor has its own reporting requirements” (Senior Manager: Zoë-Life, Interview, November 2017).

This study found that Zoë-Life’s financial statements include a balance sheet (statement of financial position), a statement of comprehensive income, and a statement of changes in reserves to indicate the financial position as a whole. A budget vs. variance analysis is also prepared.

The fact that Zoë-Life prepares such statements could be interpreted to mean that they are compliant with legal requirements or that the donors or individuals who fund them insist on periodic preparation of such statements. However, the interviews revealed that IFRS for SMEs was not fully adopted.

Holloway and Galvin, (2016) observed that, were NGOs to comply with reporting requirements in line with International Standards, they might attract more funders.

Accounting records include many activities such as an accounting manual, accounting systems, and accounting software. The central question in this regard was Q4 ii: *Does Zoë-Life avail sufficient written policies and guidelines for financial reporting and the accounting system in line with the State and Donors’ requirements?* The results indicate the availability of sufficient policies and guidelines for financial management.

From interviews with JA1, BA, and AA it was clear that the accounting process, as reflected by the nature of the records kept and accounting report output, have been designed in Zoë-Life.

The interview with JA1, BA, and AA state that:

“The basic bookkeeping emphasised keeping track of cash and production of periodic donor reports..... attempts had been made to develop an accounting manual and there were some sound policy guidelines for financial decision making in Zoë life”.

However, as stated by IA1, IA4, IA7, IA11 and IA15 (Project Managers) and confirmed by BA (Operations Manager) these policies and accounting guidelines are not rigorously followed and the organisation uses different formats to present its financial reports.

IA1, IA4, IA7, IA11 and IA15 stated:

“... we have sound financial guidelines stipulated in the constitution and in financial policy and procedures, but some of them were just there [with no practical implications] ... look for example in our financial policy accounting and record keeping does not clearly show the accounting standards we can really rely on” (Project Managers: Zoë-Life, Interview, November 2017).

As stated by the project managers (IA1, IA5, IA8 and IA14) and CA, BA and confirmed by KA *“accounting policies, procedures and guidelines had not been rigorously abided by”.*

Mostyn and Tan (2010) and Wilson, Reck, Kattelus and Robbins (2010) note that Fund Accounting is a method of segregating resources into categories to identify the source and use of funds which was developed to present financial transactions that are unique to NGOs and NPOs. It is thus widely used in this sector. The study also found that the fact that donors determine the nature of Zoë-Life’s financial accounting activities is a matter of concern to the government.

As JA1 (Director) explained:

“It is the Government that gives an NGO the mandate to operate. If the NGO does not deliver the expected financial reports and services, then the Government has the right to demand an explanation...So that raises a bit of suspicion [that the government’s interest in NGOs is purely both political and administrative]” (Director: Zoë-Life, Interview, November 2017).

Another Director (JA2) in charge of administration who was telephonically interviewed highlighted that:

“...We must submit the reports, the financial report ... that is also, why our organisation is very quick to deliver the report because we know that if we deliver the report we are credible and then we can enhance that relationship” (Director in charge of administration: Zoë-Life, Interview, November 2017).

The researcher analysed five reporting formats and noted that donors seek assurance that the funds they provide are spent on the designated projects. However, these reports did not tell the true story as none provided information on financial performance.

According to the respondents, typically, these financial reports should cover all items; however, none provided the clarity that can be achieved using IFRS for SMEs. It thus appears that Zoë-Life is influenced by funder requirements that tend to emphasise upward reporting of financial data, with limited information on the quality of the work and downward accountability to all stakeholders. Another concern is that financial reports are not submitted to the South Africa NPOs Directorate, but only to external funders.

A participant observed:

“...of course we should pay attention to the requirements of our State, it also makes a fair bit of sense, but donor’s decisions were ‘cast in stone’ and as such, it was not possible to deliver the financial reports as per IFRSs in South Africa. Under these circumstances, donors decide on what, where and even how the funds can be used and the reporting formats to be used..... we need donors ... much, more than donors need us..... As such, the State withdrew from the core responsibility of providing ... grants for our organisation” (Operations Manager: Zoë-Life, Interview, November 2017).

South Africa has adopted IFRS for SMEs for non-business entities. A single set of accounting standards could improve the quality of the accounting information compiled by such entities and also promote uniformity. The international accounting literature points to the positive impact of the adoption of international accounting standards, principles, and practices, including IFRS and IFRS for SMEs. To satisfy the needs of all users of financial reports, accounting quality hinges on four factors: financial reporting incentives, the quality of

accounting standards, IFRS adoption and a country's legal and political system (Hooks & van Staden, 2004; Setia et al., 2015).

The interviews with a manager (KA) and senior manager (AA) brought to light gaps in the submission of financial reports. It was revealed that financial and activity reports were not being submitted to relevant government bodies and donors at the same time.

A Director (JA1) stated that:

“Of course we do pay much attention to our funders ... We hold a good relationship with the main funders, is an important attribute towards the achievements of the organisation. The funders are really partners, understanding our situation as well as that of the country in which we operate” (Director: Zoë-Life, Interview, November 2017).

The senior manager (AA) noted:

“Our funders typically use broad criteria such as compliance with NPO laws and regulations (e.g. registration and financial reporting), quality of managing and accounting systems, looking at the organisation's governance structure and standards, integrity policies/codes of conduct, transparency standards, human resource management policies, financial management standards (based on national laws and global good practice)” (Senior Manager: Zoë-Life, Interview, November 2017).

Asked about compliance with financial reporting, some interviewees suggested that requirements for financial reporting to the government are open to misuse. The senior manager (AA) and Director (JA2) argued that:

“...It is not a very good situation, of course. If you look at the NGO policy there is a clause in it that [states] NGOs shall submit annual financial reports to the government, which I think is not fair... It is not fair if the government knows how much our organisation has on our account in the bank. So it did not matter to our funders, but it mattered to a lot of government officials” (Senior Manager and Director: Zoë-Life, Interview, November 2017).

The Chief Operating Officer (BA) observed:

“...Like so many other NGOs, Zoë-Life has in the main been guided by, or in some cases has been obliged to comply with, the requirements of donors regarding administration and reporting. As a result, the system use by Zoë-Life is not well-suited to providing the

information needed for Zoë-life's own management and reporting... However, for the period 2013 to 2016, these requirements have not fully complied with Government guidelines....It is in neither the interests of the Zoë-Life nor the funders to publicise the financial reports" (CEO: Zoë-Life, Interview, November 2017).

Having analysed the comments by respondents AA, BA, CA, DA, JA and KA above and having reviewed various internal documents, it is clear that Zoë-Life does not comply with some of the government's financial reporting requirements.

The final questions (*Q4xv, Q4xvi, Q4 xvii, Q4xviii*) sought to establish if external auditors audit Zoë-Life's financial statements. A senior manager and Director responded:

"...we ensure financial transparency by preparing financial reports and have annual accounts prepared and/or audited" (Senior Manager and Director: Zoë-Life, Interview, November 2017).

These findings are supported by the independent audit report on Zoë-Life financial reports:

"...we have audited [the] statement of financial position of Zoë-Life Innovative Solutions NPC (RF) as at 29 February 2016 and its financial performance for the year then ended in accordance with international standards of auditing. We believe that all are prepared in accordance with International Financial Reporting Standards for Small and Medium-sized Entities(SMEs) and in the manner required by the Companies Act No 71 of 2008, the financial statements present fairly in all material aspects and we expressed a qualified audit opinion on those financial statements". (Zoë-Life audited financial reports: 2015/2016).

Cordery and Sim (2018) indicate that auditors and financial analysts examine whether or not financial reports are consistent with the International Accounting Standards set by the IASB.

A senior manager noted that:

"One of the observations the auditors have repeatedly had in previous audits of our financial statements is the issue of capitalisation and depreciation of fixed assets for which we have found no solution.... I think more connection to the concepts of IFRS for SMEs would be helpful" (Senior Manager: Zoë-Life, Interview, November 2017).

The interview with JA1, JA2, DA, and AA provided further insight into the Zoë-Life's audited reports.

For example JA1 stated that:

“Auditors have consistently raised concerns over Zoë life’s fixed assets not being capitalised and depreciated according to their useful life”

As stated by all project Managers and confirmed by the Director in charge of administration that financial reports for different projects are audited:

“... Our five funded projects (Kidz Alive, International Citizens Services (DFID), Youth Alive, Social Cohesion, and Link Care) are audited by reputed auditing firms, annual audits have been conducted. In 2013/2014 Mozars was employed and 2015/2016. Moore Stephens was also employed” (Project Managers: Zoë-Life, Interview, November 2017).

AA (Senior Manager) noted that:

“... Donors were very much impressed that we on our own had decided to appoint an audit firm. Actually, there is increased credibility and donors were impressed as well. So in terms of information made available to users, it is the same as in previous years. But in terms of the opinion, it is now international. ...So when international funders see Zoë-Life is going to [audit firm] it means Zoë-Life is more serious” (Senior Manager: Zoë-Life, Interview, November 2017).

As explained by the Chief Operating Officer (BA), it should also be borne in mind that:

“...It is not accountability and obligation merely to submit a certified financial account each year.To be accountable means to give reasons for and explanations of actions taken, but an account rarely provides explanations and it never gives reasons. Any major financial account hides far more than it reveals... in the year 2014/2015, the donors did not demand [that] financial statements’ authenticity [be] verified by independent auditors” (Chief Operating Officer: Zoë-Life, Interview, November 2017).

A Director (JA2) elaborated on how Zoë-Life prepared and monitored budget statements for donors’ funds:

“...It makes a fair bit of sense and it can be judged that, not until the donors are satisfied with the budget, otherwise they cannot support the organisation. Thus, Zoë-Life does prepare the budget for the donors and make sure that they satisfy them maximally.... We prepare a

budget for each funder, so we do not have an overall budget for the organisation as we have to report to them separately” (Director: Zoë-Life, Interview, November 2017).

Zoë-Life tends to attract individuals who hold similar views and interests to those of the organisation, which makes it easier for these individuals to assimilate the organisational culture described by the Zoë-Life Operations Manager (BA):

“.... the feasible strategy for increasing fundraising, we have, donors, require proposals in the form of project work plans and budgets” (Operations Manager: Zoë-Life, Interview, November 2017).

The Operations Manager (BA) added that:

“... over the years we did two things which were excellent fundraising devices. First ... we requested an external evaluation ... and second we changed auditors ... this also helped with the funders” (Operations Manager: Zoë-Life, Interview, November 2017).

The Financial Development Officer (HA) stated:

“We do set in place financial targets which is very much driven by what our partnerships is going to be this year, what their requirements are, and what is our capacity to be able to add value... It is against these options we increase the number of our funders” (Financial Development Officer: Zoë-Life, Interview, November 2017).

These observations suggest that donors are powerful stakeholders in Zoë-Life. As such, its funding decisions are influenced by their priorities rather than those of the government. Despite the increasing funding channeled through Zoë-Life, the amount forthcoming from the government has decreased considerably over time. This could be attributed to the organisation’s failure to fully adopt IFRS for SME. A Senior Manager (AA) expressed the views of many other respondents in stating:

“...There has been a growing tendency among donors and Government to approach Zoë-Life with proposals for additional interventions and funds. Many of programme activities proposed by donors match with the Zoë-Life mission. However, there is a need for Zoë-Life to fully adopt the use of IFRS for SMEs...it makes more sense that government grants are being given only to NGOs that agreed [to] higher levels of financial transparency requirements” (Senior Manager: Zoë-Life, Interview, November 2017).

He added that:

“...The political situation in the USA and in the UK is also hampering the significant funds we used to receive from them... for example, USA President, Donald Trump has ordered [that funds should not be pumped] to African countries and focus on only USA” (Senior Manager: Zoë-Life, Interview, November 2017).

These issues have undermined the financial performance of Zoë-Life. A senior manager (AA) highlighted that:

“... It is a difficult problem in that each donor will seek to make its own assurance arrangements in order to keep on providing funds to Zoë-Life” (Senior Manager: Zoë-Life, Interview, November 2017).

A manager (KA) with many years' experience in the organisation said:

“We are required to complete financial accounts in accordance with IFRS for SMEs and guidelines in South Africa as well as complete financial statements for the funders. ... We have difficulty in doing this [but we] have no concerns on the basis of financial reporting... financial information in annual financial reports is meant to satisfy the requirements of our funders and has little relevance in upholding compliance issues towards the government” (Manager: Zoë-Life, Interview, November 2017).

As noted in the literature review, the Government of South Africa via the DSD and NPOs' Directorate is the main regulator of NGO and NPO operations in the country. The DSD ensures that NGOs and NPOs comply with regulatory requirements, standards, and principles including the adoption of international financial reporting practices for SMEs (Lesley Stainbank & Tafuh, 2011).

Zoë-Life is thus required to provide the DSD with relevant financial and other information, including annual audited financial reports in order to ensure continued operations in the country.

4.2.3.5. Views on whether there is a need for the full adoption of IFRS for SMEs within Zoë-Life

The respondents were asked to *“Please add any further comments in relation to the applicability of IFRS for SMEs in Zoë-Life.”*

This yielded fewer responses than the other questions. Many respondents simply stated “Yes”, indicating that they felt that the study had adequately covered the issues. Perceptions on how full adoption of IFRS for SMEs would enhance Zoë-Life’s performance are explored in this sub-section. As accountant (DA) working at Zoë-Life said:

“Strongly agree... applicability of IFRS for SMEs is vital in order to promote financial transparency, accountability and to develop, disseminate and promote the implementation of better accounting standards and best practices for NGOs/NPOs. These standards should cover all aspects of our organisation’s reporting obligations” (Accountant: Zoë-Life, Interview, November 2017).

The Chief Executive Officer (EA) said:

“... It would be possible to have a single financial report submitted to ... the institutional donor, private donors with the remaining parties like our government absolved of the financial accounting and reporting burden. It could bring goodwill and confidence in local and international NGOs/NPOs from institutional donors tied to home country financial accounting standards to agree to pool funds in this way” (Accountant: Zoë-Life, Interview, November 2017).

These findings support those of Chikwemma, Ursula, and Sunday (2016) and Board (2010) who highlighted that the international financial accounting standards for SMEs could be considered for use by NPOs, NGOs, cooperatives, and non-investor social enterprises as they enable an analysis of performance against financial sustainability.

DA (accountant) stated that:

“Implementing IFRS for SMEs at Zoë-Life is a very good idea due to the fact that such an implementation would lead to uniform reporting and international comparability for our organisation in the future” (Accountant: Interview, Zoë-Life, November 2017).

Some respondents also commented on the difficulties of implementing this system. For instance, the Operations Manager (BA) said:

“...The IFRS for SMEs often does not address the particular issues of Zoë-Life – for example, the treatment and reporting of restricted funds, endowment funds, in-kind contributions, legacies, and bequests. The minimum disclosure requirements sometimes mean that important information for the user of financial reports is not reported, for example, more information on sources of funding, and the nature and purpose of the expenditure. There is insufficient guidance on the application and interpretation of general principles of IFRS for SMEs” (Operations Manager: Zoë-Life, Interview, November 2017).

Another participant noted that:

“...When developing international accounting standards it is important that they are kept as simple as possible. Many NPOs are small organisations with limited resources and over-complicated accounting standards would be difficult for them to apply... Micro NPOs shouldn't be burdened with restrictive reporting, especially because they don't have (at least in most cases) a qualified person to prepare them” (Finance Manager: Zoë-Life, Interview, November 2017).

This concurs with Perera and Chand (2015) observation that the adoption of IFRS for SMEs is costly and complex for SMEs and NGOs, especially in relation to accounting standards

In contrast, Eierle and Haller (2009) study in Germany concluded that NGOs should adopt IFRS for SMEs in order to ensure high-quality financial reporting standards. Schildbach (2013) also notes that international accounting standards have been widely recognised as tools for effective financial management, highlighting the importance of IFRS for SMEs as a tool to enhance Zoë-Life's performance.

4.2.3.6. Views on compliance with reporting requirements

The central question was Q4: *To what extent does Zoë-Life comply with the Department of Social Development and donors' financial reporting practices and IFRS for SMEs?*

Members of management that were interviewed confirmed that donors require progress updates as well as proposals in the form of project work plans and budgets. On

implementation, they require regular narrative and financial reports to determine if resources are being used in an efficient, timely and cost-effective manner.

It was noted that when donors partner with Zoë-Life, they require assurance that their funds are prudently spent and that results are being achieved. Freeman and Moutchnik (2013) observed that many NGOs are fully funded by foreign donors and thus operate autonomously. This could explain why, as in the case of Zoë-Life, they adopt the formats and templates favoured by their donors rather than the accounting standards set by the ISAB (Chahim & Prakash, 2014; Nzimakwe, 2008).

4.3. Conclusion

This chapter presented the respondents' responses to the interview questions (see Appendix 1 for the list of questions). The questions aimed to solicit the views of Zoë-Life senior staff on the organisation's financial reporting, the applicability of IFRS for SMEs, financial reporting compliance, and financial performance.

The following chapter analyses and discusses the study's empirical results in relation to the study's four objectives and the relevant literature.

CHAPTER FIVE: ANALYSIS AND DISCUSSION OF RESEARCH FINDINGS

5.1 Introduction

This chapter analyses and discusses the research findings that were presented in Chapter 4 in relation to the study's four objectives and the relevant literature. The study investigated financial accounting as a powerful tool to enhance NGOs' performance, with specific reference to Zoë-Life.

The chapter discusses the general themes that arose from the findings as well as a number of issues of interest that emerged, followed by comments on the financial accounting regime used at Zoë-life. The overall themes are the Accounting Standards Zoë-Life used in preparing its financial statements, challenges encountered in complying with IFRS for SMEs; the relationship between IFRS for SMEs and performance at Zoë-Life, and the organisation's compliance with all its stakeholders financial reporting requirements.

5.2 Discussion of Findings in Relation to the Study's Aim and Objectives

This section discusses the findings presented in Chapter 4 in relation to the research objectives and the review of the relevant literature. The main objective of this study was to investigate financial accounting as a potential instrument to enhance NGOs' performance using the case study of Zoë-Life South Africa, and to explore the use of IFRS for SMEs in the preparation of NGOs' financial statements, particularly at Zoë-Life.

The strengths of IFRS for SMEs are discussed and its role in relation to NGOs is reviewed. Thereafter, the unique role that IFRS for SMEs could play at Zoë-Life is analysed. Finally, the implications of the findings for Zoë-Life, the DSD, NGOs, and policymakers are highlighted.

The study's four specific objectives were to:

1. Analyse the accounting standards adopted at Zoë-Life.
2. Investigate the factors that inhibit the adoption of IFRS for SMEs at Zoë-Life.
3. Ascertain Zoë-Life management's perceptions of the impact of using IFRS for SMEs to enhance organisational performance.
4. Determine whether Zoë-Life's financial reporting practices comply with IFRS for SMEs, and donors and the DSD's reporting requirements.

The research questions were developed to enable the researcher to achieve the research objectives. As stated in Chapter 1, the research questions were:

1. What accounting standards does Zoë-Life use in preparing its financial statements?
2. What factors inhibit the adoption of IFRS for SMEs at Zoë-Life?
3. What are Zoë-Life's managers' perceptions of the relationship between IFRS for SMEs and performance?
4. To what extent does Zoë-Life comply with the DSD and donors' financial reporting practices and IFRS for SMEs?

This section is divided into four sub-sections. The first discusses the accounting standards Zoë-Life used in preparing its financial statements, while sub-section two addresses the factors that inhibit this organisation's adoption of IFRS for SMEs. The third sub-section discusses the relationship between IFRS for SMEs and performance at Zoë-Life and the fourth focuses on Zoë-Life's compliance with the financial reporting requirements of its various stakeholders.

5.2.1 Accounting Standards used by Zoë-Life to prepare its Financial Statements

The first question was: *What accounting standards does Zoë-Life use in preparing its financial statements?*

The respondents revealed that Zoë-Life uses varied reporting formats and computerised accounting systems to record transactions. The organisation has standards and policies in place for financial accounting practices and managing its finances.

The findings revealed that there are gaps in Zoë-Life's financial reporting practices. It was established that IFRS for SMEs is not fully adhered to. For example, an interviewee stated that, *"US not-for-profit standards are more robust and with it, you can find a way to manage exceptions"*. As noted previously, the DSD has reported that many NGOs do not follow sound accounting and financial reporting practices.

The first objective was *"To analyse the accounting standards adopted at Zoë-Life"*. The answers to Q1 assisted the researcher in fulfilling this objective. As noted in Chapter 2, the literature discusses the link between financial accounting and financial performance among NGOs. Ram and Newberry (2013) and Cordery and Sim (2018) state that NPOs should adopt IFRS for SMEs in order to produce higher quality financial statements. Leo (2000) and Rezaee, Smith and Szendi (2010) also highlighted that NGOs should adopt

international standards and principles rather than templates to guide their financial reporting practices.

According to Reheul, Van Caneghem and Verbruggen (2014), poor quality financial reports are associated with poor accounting standards. Kateeba (2010:42) asserts, that poor financial reports are outputs of a poor accounting system. Nzimakwe (2008) also noted that many organisations lack sound and proper financial management and accounting systems. In order to improve the quality of its financial reports, it is essential that Zoë-Life fully adopts international accounting standards and financial reporting practices.

The following sub-section discusses the challenges Zoë-Life encountered in complying with IFRS for SMEs.

5.2.2 Challenges confronted in complying with IFRS for SMEs

The second question was, “*What factors inhibit the adoption of IFRS for SMEs at Zoë-Life*” The respondents indicated that the IFRS for SMEs often do not address the particular issues the organisation encounters; for example, treatment and reporting of restricted funds, endowment funds, in-kind contributions, legacies, depreciation of donated assets, bequests, and capitalisation, and depreciation of fixed assets, among others.

It was established that Zoë-Life does not recruit professional accountants due to cost considerations and the fact that the organisation has limited resources at its disposal. It is also expensive to train employees to apply IFRS for SMEs.

The study’s second objective was to “*Investigate the factors that inhibit the adoption of IFRS for SMEs at Zoë-Life*”. The answers to Q2 assisted the researcher in achieving this objective. The literature review identified the strengths, suitability, and weaknesses of the IFRS for SMEs framework (Eierle & Haller, 2009; Perera & Chand, 2015; Lesley Stainbank & Tafuh, 2011). Schutte and Buys (2011) maintained that this framework is less relevant to small entities and proposed amendments to suit the business transactions of such entities.

Di Pietra, Evans, Chevy, Cisi, Eierle, Jarvis, and Committee (2008) noted that numerous challenges arise in implementing IFRS for SMEs. According to Reheul, Van Caneghem and Verbruggen (2014), these include the fact that the services of professionals such as chartered accountants are expensive. Samujh and Devi (2015) argue that IFRS for SMEs is too

complicated in the context of the SME sector and that the costs of implementation may be unaffordable for small SMEs and NPOs.

The following sub-section discusses the relationship between IFRS for SMEs and performance at Zoë-Life.

5.2.3 The relationship between IFRS for SMEs and performance at Zoë-Life

The third question was, “*What are Zoë-Life’s managers’ perceptions of the relationship between IFRS for SMEs and performance?*” The respondents pointed to the fact that the organisation’s financial statements show that it performed well over the period 2013-2016.

It was established that donors determine the financial reporting formats adopted by Zoë-Life and that the organisation prepares financial reports using different formats for different donors. This has enabled Zoë-Life to attract funding and grow. At the time the research was conducted, Zoë-Life was fully funded by external funders.

The study’s third objective was to “*Ascertain Zoë-Life management’s perceptions of the impact of using IFRS for SMEs to enhance organisational performance*”. The answers to Q3 helped the researcher to fulfil this objective. The findings concur with those of Wyngaard (2013) and Ritchie and Kolodinsky (2003) who established that many NGOs are independently-funded through foreign and private sources, and, as a result, enjoy autonomy.

According to Kateeba (2010:42), a financial report is a means of portraying financial performance. An NGO prepares financial reports in order to review its financial activities over the past year and plan for the future. Keating (2003:3-15) and Jegers and Lapsley (2001:17) note that financial reports enable stakeholders in NGOs to assess their performance and overall financial situation because understanding historical trends is essential to make sound predictions of future income and expenditure.

Harding (2014) is of the view that financial weaknesses limit the quantity and quality of the services NPOs offer to communities. Poor financial performance could result in funders and/or the government withdrawing or reducing their funding. Bryce (2017), Lancksweerd (2013) and Ram and Newberry (2013) propose two viewpoints on the link between IFRS for SMEs and NPOs’ financial performance. The first is that through financial reports, NGOs access substantial opportunities locally and internationally. Secondly, financial health enables

such entities to exert substantial influence in the communities in which they operate. It is thus clear that the financial accounting system has a significant impact on the financial performance of NGOs. This implies that if Zoe- Life were to improve the quality of its financial reports, its financial performance would be adequately assessed.

The following sub-section discusses Zoe- Life's compliances with the financial reporting requirements of its stakeholders.

5.2.4 Compliance with stakeholders' financial reporting requirements

The fourth question was, *“To what extent does Zoë-Life comply with the DSD and donors' financial reporting practices and IFRS for SMEs?”* The more experienced interviewees noted that there is some tension between the financial reports required by Zoë-Life's donors and what should occur under IFRS for SMEs. It was established that Zoë-Life's financial reporting practices have been characterised by imbalances between its foreign funders and the Government or DSD.

Zoë-Life's financial reporting practices have not always been in line with the NPOs' Codes of Good Practices. As a non-profit company, it is subject to the Code of Good Practice (CGP) Act of 2001 and the DSD's rules and regulations. For the purposes of this discussion, the focus is compliance with financial reporting requirements.

The study's fourth objective was to *“Determine whether Zoë-Life's financial reporting practices comply with IFRS for SMEs and donors and the DSD's reporting requirements”*. The answers to Q4 enabled the researcher to achieve this objective. Compliance with IFRS for SMEs is required in order for all stakeholders to have confidence in Zoë-Life's financial transparency.

As noted earlier, such practices would need to be in place regardless of the size and type of NPO (Albu, 2013). Kaya and Koch (2015) point out that financial reports can only be relied on if they substantially reflect economic value. Christensen, Lee, Walker and Zeng (2015) maintain that financial reports prepared under IFRS for SMEs enhance communication with stakeholders, reduce irregularities in financial information and assist in the allocation of financial resources.

According to Bryce (2017), financial reports prepared in compliance with international standards enhance financial performance and comparability of financial reports across

markets and countries. Clarkson, Hanna, Richardson, and Thompson (2011) add that financial reports should be relevant, complete, verifiable, comparable and free from bias and material error.

These views are supported by Barth, Landsman and Lang (2008) and Dayanandan, Donker, Ivanof and Karahan (2016) who note that high quality financial reports are associated with compliance with international accounting standards. It can thus be argued that IFRS for SMEs would enhance comparability, transparency, accountability, legitimacy, and compliance with the requirements of all Zoë-Life's stakeholders, including the DSD. The study's findings suggest that the remedial step to close this gap is a review of the organisation's current financial reporting practices in order to bring them fully in line with IFRS for SMEs.

The following section analyses the research findings.

5.3 Analysis and Interpretation of the Research Findings

This section interprets and analyses the empirical findings in line with the aim of the study, the research problem, the relevant literature and the theoretical framework.

This section is divided into two sub-sections. The first analyses the study's results in relation to the applicability of IFRS for SMEs and financial performance at Zoë-Life, while the second focuses on compliance with stakeholders' financial reporting requirements.

5.3.1 Applicability of IFRS for SMEs and Financial Performance at Zoë-Life

The findings presented in the previous chapter suggest that Zoë-Life is paying insufficient attention to the role of IFRS for SMEs. The principal reason is that the organisation depends on foreign donors. These findings are in agreement with several scholars. For example, Jegers and Lapsley (2001), and Wyngaard (2013) established that many NGOs are independently-funded through foreign and private sources, and, as a result, they enjoy autonomy.

Scott (2000:38-60) and Felin, Foss, and Ployhart (2015:365) argue that organisations that seek external support and stability incorporate many incompatible elements in their financial reports, leading to lower quality financial reports. The findings of the current study support the views of Jegers and Lapsley (2001), as Zoe-Life produces financial statements in the different formats required by external donors. Furthermore, the organisation has not adopted

accounting standards for reporting in line with IFRS for SMEs and its reports to its donors differ from those required by the Government of South Africa.

As noted in Chapter 4 (4.4.2) Zoe-Life's funding increased by R3, 890,795 between 2015 and 2016 and R2, 730,000 between 2014 and 2015. However, the financial reports revealed a deficit of R 20,132 in 2014/2015 and R20, 448 in 2015/2016 (Zoë-Life audited financial reports).

These findings are in agreement with Moore (2005) who found that financial sustainability can be gauged as an entity's net income (the surplus of income over expenses), liquidity, and solvency. He added that financial performance and sustainability are one aspect of an entity's overall sustainability. Mueller- Hirth (2012) argues that information on financial performance, especially for longer periods such as five or ten years, would shed more light on NGOs' performance. They add that standards for measurement of net income should be the same for NGOs and business enterprises.

The empirical findings presented in Chapter 4 (4.4.4) in relation to research question 4 show that management of Zoë-Life is aware of the possible benefits of adopting IFRS for SMEs, although some felt that IFRSs do not add economic value. Several scholars have discussed the effectiveness of accounting practices among NGOs. Eccles and Saltzman (2011) extensive review of empirical studies on NGOs used quantitative archival data, such as financial statements and operational statements to measure performance and effectiveness. They concluded that effectiveness and financial performance in not-for-profit settings is judged against financial reports but also requires a multidimensional approach.

The findings of this study are in agreement with those of Kateeba (2010) who established that poor quality financial reports greatly diminish both performance and the quality of NGOs. Yetman and Yetman (2012) and Waniak-Michalak and Michalak (2016)highlighted the need for such organisations to adopt IFRS for SMEs. Notwithstanding some challenges, they found that the benefits of implementing IFRS outweigh the negative effects. In the current study, interviewees AA (Senior Manager), CA (Finance Manager), DA (Accountant) and EA (Chief Executive Officer) agreed that the standards should be adjusted to be more applicable to Zoë-Life.

Vieira and Borba's (2015) found that implementing IFRS for SMEs can be complicated. Interviewees BA (Chief Operating Officer), KA (manager), and CA (Finance Manager)

agreed that these standards are too complex and difficult for NPOs. Zoë-Life does not recruit professional accountants due to cost considerations as the organisation has limited resources and it is also expensive to apply this system. Furthermore, some respondents were of the view that IFRSs for SMEs do not fully address particular issues confronting Zoë-Life, for example, treatment and reporting of restricted funds, endowments funds, in-kind contributions, legacies, bequests, capitalisation, and depreciation of fixed assets.

Interviewee CA's (Financial Manager) views on the practicality of IFRS for SMEs in NGOs are consistent with those of Ledgerwood and Morgan (2012) who noted that IFRS might need to be amended to suit the needs of not-for-profit organisations.

There is also a lack of practical knowledge regarding the use of IFRS for SMEs. Moreover, in some cases, funders' reporting requirements conflict with IFRS for SMEs in terms of preparation of financial statements. A number of the respondents that felt that IFRS for SMEs should be applied by NGOs argued that small organisations should be exempt. This finding is in line with Cordery and Simpkins (2016) who found that for-profit organisations and associated accounting standards are not always relevant to smaller NPOs.

The empirical evidence suggests that the lack of a standard financial reporting format was one of the major problems facing Zoë-Life. This finding is in agreement with AbouAssi (2013) who concluded that NGOs need to adopt modern accounting standards to ensure that their activities are in line with all stakeholders' expectations. In their research on Tanzanian NGOs, Goddard and Juma Assad (2006) established that accounting is important in ensuring legitimacy. However, the study noted that financial reports are not fully prepared under the IFRS for SMEs but differ substantially in line with different formats imposed by external donors.

5.3.2 Compliance with Donors and Government's Financial Reporting Requirements

The interviewees concurred with Santucci (2008) that, accounting standards for SMEs could be useful in assisting NGOs to prepare financial statements and meet donors' requirements. Lantto and Sahlström (2009:341-361) noted that NGOs need to account transparently in order to enhance their financial performance and legitimacy within and beyond the organisation.

Other studies note that financial accounting is inextricably linked to organisational identity (Aaltonen, Jaakko, & Tuomas, 2008; Mohamed, 2017). Mohamed (2017) suggests that

“precisely how financial reports are understood and used by different parties is the key to understand what role financial accounting plays or could play in NGOs”.

Baur and Palazzo (2011) defined legitimacy as a general perception “that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions.... legitimacy is socially constructed in that it reflects congruence between the behaviours of the legitimated entity and the shared beliefs of some of the social group”. The findings of the current study show that ‘trust and honest’ were repeatedly cited by the respondents. Interviewees JA (Director) and AA (Senior Manager) as well as EA (Chief Executive Officer) noted that funders typically use broad criteria to measure these attributes, including compliance with NPO laws and regulations (e.g. registration and financial reporting), the quality of management and accounting systems, and the organisation’s governance structure and standards, integrity policies/codes of conduct, transparency standards, human resource management policies and financial management standards.

A good relationship with the main funders was associated with the financial support Zoë-Life receives from external donors, which is an important indicator of the organisation’s achievements. This viewpoint is supported by Harrison, Freeman, and Abreu (2015) who concluded that legality is a dimension of accountability and financial transparency. The current study found that legitimacy is also a tool to attract additional funders.

However, interviewees KA (manager), BA (Chief Operating Officer), and IA (Project Managers) did not agree with this perspective. They noted that, while some financial guidelines are stipulated in the organisation’s constitution, they are not practically implemented. BA (Chief Operating Officer) was of the view that the Government’s financial accounting requirements should be prioritised because Zoë-Life is mandated by the Government. However, the organisation continues to provide reports in different formats to donors in order to ensure their continued support.

These findings contrast with those of Tennyson, Harrison, and Wisheart (2008-21) who found that NGOs are valued as partners by both government and multilateral donors. The interviewees’ views can be explained by BA’s (Senior Manager) statement that the organisation’s financial reporting system is characterised by imbalances between the requirements of foreign funders and those of government bodies.

BA (Senior Manager) added that each foreign donor has its own reporting requirements. Yang, Brennan, and Wilkinson (2014) reported that NGOs that accepted donors' reporting formats were not in compliance with the requirements of IFRS for SMEs. Mwangi (2013) argues that organisations are conforming to the rules and regulations of funders in order to "thrive and survive".

Interviewees CA (Finance Manager) and DA's (Accountant) views on integrated financial reporting versus sustainability within NGOs are in tandem with those of Clayton (2014); (EY, 2013) and de Villiers, Rinaldi and Unerman (2014) that note that there is a paucity of research on how integrated reporting links with other financial accounting issues. However, Verbruggen, Christiaens, and Milis (2011) and Solomon and Maroun (2012) argue that practical knowledge can only be gained through action, and there is sufficient knowledge on how to perform NGOs' financial transactions within the accounting profession.

Interviewees BA and DA noted that IFRS for SMEs does not suit the organisation in respect of capitalisation and depreciation of fixed assets. This finding contrasts with Del Giudice, Manganeli, and De Paola (2016) assertion that depreciation is applied to Plant, Property and Equipment (PPE) that the NGO uses over or beyond one year. He added that one of the reasons why PPE is depreciated is to match income earned in a certain period with the expenses connected or associated with earning it.

This study found that IFRS 16 (PPE) is relevant in order to comply with IFRS for SMEs. This finding is supported by Lewis (2009) who concluded that not-for-profit organisations should adopt accounting practices as legitimating devices. McCarthy's (2007) study in Kenya also established that all organisations, including NGOs, are required to comply with IFRS and abide by the principles and practices of depreciation in the business enterprise environment, as NGOs' assets also need to be checked for wear and tear.

However, the question that arises is whether fixed assets occupy a permanent place in the accounting books. Scott (2000) notes that, auditing is a tool for NGOs to achieve legitimacy among stakeholders. Jacobs (2000:337) described an audit as a "powerful form of symbolic capital". The current study found that Zoë-Life commissioned an independent audit report and that a '*qualified audit opinion*' was issued for 2015/2016. This was welcomed by the organisation's funders and will no doubt increase its legitimacy. This finding is in line with those of Cohen, Krishnamoorthy, Peytcheva, and Wright (2013) and Gaynor, Kelton,

Mercer, and Yohn (2016) who noted that audited financial reports are an essential condition for financial transparency and accountability.

In summary, the study's findings suggest that, an understanding of the interrelationship among various stakeholders such as funders, auditors, and government oversight bodies is crucial in improving NGOs' financial performance. This requires that this sector becomes proactive in implementing IFRS for SMEs.

5.4 Conclusion

This chapter analysed and discussed the study's findings against the research objectives and questions, as well as the relevant literature. Given the fact that previous studies have criticised NGOs for not adopting IFRS for SMEs, Zoë-Life's financial reporting practices were reviewed and discussed. While this study focused on a single NGO, Zoë-Life is a large and influential player in this sector. It was found that, due to the fact that Zoë-Life depends on external funding, it focuses on satisfying its funders' requirements, with little or no attention to the government's financial reporting expectations.

Chapter 6 presents a summary of the findings, conclusions and recommendations, and suggestions for further research.

CHAPTER SIX: SUMMARY OF FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

6.1 Introduction

The previous chapter analysed and discussed the study's findings in relation to its objectives, research questions and the relevant literature. This chapter presents a summary of the key findings. It provides answers to the research questions and examines whether the research objectives were achieved. This is followed by conclusions and recommendations, the implications of the findings and suggestions for further research.

6.2 Summary of the Key Issues Emanating from the Research Findings

Chapter 4 presented the study's key findings under two sub-themes:

- i. Failure to fully comply with IFRS for SMEs;
- ii. Lack of financial support from the government.

6.2.1 Failure to Fully Comply with IFRS for SMEs

The thematic content and transcript analysis revealed that Zoë-Life has not fully adopted IFRS for SMEs. Compliance with the South African Government's financial accounting standards and policies emerged as a serious concern, particularly with regard to the use of IFRS for SMEs for the purposes of financial reporting.

This is due to the fact that, as noted by the respondents, Zoë-Life's prioritises donors' financial reporting requirements and these differ significantly from State financial reporting requirements.

It was observed that most of the financial information in Zoë-Life's annual reports is aimed at satisfying the requirements of external donors and has little relevance in upholding Zoë-Life's financial transparency and accountability towards its beneficiaries and the State. Zoë-Life submits accounts to its funders quarterly, semi-annually and annually using the prescribed format for reporting. It also produces audited annual reports.

As noted in Chapter 4, the researcher analysed five reporting formats for different funders and noted that donors basically seek assurance that the funds they donate are being spent on projects. However, none of these reporting formats sought information on outcomes. In our view, Zoë-Life's failure to adequately adopt IFRS for SMEs is not the fault of this NPC.

Rather, it reflects the pressures inherent in the environment in which the organisation operates. It is also clear that the South African body for NGOs and similar organisations are not operating in ways which ensure that NGOs adhere to their financial reporting requirements. The case study analysis reveals that compliance with South Africa's financial accounting standards remains a serious challenge for Zoë-Life. Financial accounting emerged as being predominantly donor driven and production of financial reports to satisfy donors was observed.

It was observed that, despite seemingly "limited" financial accounting, the organisation appears to have managed to meet the requirements of donor reporting over a long period of time by maintaining documents and memoranda that enable the production of donor reports. However, there seems to have been little or no consideration of IFRS for SMEs.

6.2.2 Lack of Financial Support from the Government

In general, the analysis highlighted that Zoë-Life's financial performance was further compromised by the fact that it was not really working with the South African DSD, but with external donors. As donor confidence increased, there was a corresponding increase in the level of resources channeled to the organisation.

Nonetheless, Zoë-Life's performance is not up to the expected standard as it consistently fails to submit its financial reports in line with IFRS for SMEs. This represents noncompliance with government requirements and presents a poor image to the government.

6.3 Conclusion

In the light of the above analysis, it is concluded that, despite its substantial resource base, the Government, which is a definitive stakeholder, holds less sway than donors, with significant implications for compliance with the financial accounting system endorsed by the South African authorities.

The analysis highlighted that Zoë-Life lacks financial support from the government due to its failure to comply with the financial reporting system for NGOs endorsed in South Africa. The reason for such non-compliance is that Zoë-Life's Board of Directors took the position that IFRS for SMEs is not appropriate for this not-for-profit company.

In many cases, donors' financial reporting requirements conflict with the general purpose of NGOs' financial statements; hence Zoë-Life's reports do not provide the level of accountability required by the DSD.

6.4 Insights from the Narrative Comments as a Whole

Four research questions guided the interviews with the study respondents. This section presents the views raised in their narratives. The comments point to divergent views on the issue of financial reporting at Zoë-Life and the extent to which IFRS for SMEs could help to ameliorate or address the challenges.

Most of the respondents noted that Zoë-Life employs professional accountants and noted that smaller NPOs would not be able to afford their services. In many cases, funders' reporting requirements conflict with IFRS for SMEs in terms of preparing financial reports. While some respondents supported IFRS for SMEs, they were of the view that micro NGOs/NPOs should be exempt from these requirements.

Some respondents cited possible benefits of the adoption of IFRS for SMEs, while others were vehement that this would be a waste of time, money, and effort and would divert resources from Zoë-Life's core values and objectives. It was clear from the Senior Manager's comments that the organisation was not seeking to fully use IFRS for SMEs. The findings revealed that Zoë-Life finances are managed using SAGE PASTEL software, although some interviewees' did not appreciate its utility given the absence of IFRS for SMEs.

6.5 Conclusions

This section provides answers to the research problem and research questions, and examines whether or not the study's objectives were achieved. This study investigated financial accounting as a powerful tool to enhance NGOs' performance. The data analysis offered important insights and enables several conclusions to be drawn; however, these cannot be generalised to other NPOs/NGOs.

6.6 Answers to the Research Questions and Achievement of Research Objectives

The research questions were designed to achieve the research objectives. This section draws conclusions on the research findings based on the study's objectives.

6.6.1 Conclusions on the Findings in respect of the Accounting Standards adopted by Zoë-Life

Objective 1: To analyse the accounting standards adopted at Zoë-Life

The central question addressed was the accounting standards adopted by Zoë-Life. The findings show that many of the respondents were of the view that the US general accounting principles for not-for-profit entities are superior to IFRS for SMEs.

6.6.2 Conclusions on the Findings in respect of factors inhibiting the adoption of IFRS for SMEs at Zoë-Life

Objective 2:

To investigate the factors that inhibit the adoption of IFRS for SMEs at Zoë Life

The challenges outlined in the previous section are compounded when different donors impose their own reporting requirements. This is further compounded by the fact that clearer standards are required to account for fixed assets and other transactions, which neither IFRS for SMEs or GAAP take into account. Multiple financial reports on the same financial information are both time-consuming and wasteful.

It was found that Zoë-Life has numerous (15) international grants and that reporting regimes are often made more complex by the lack of an agreed approach to financial planning and reporting. Moreover, the study found that IFRS for SMEs systems present specific problems where frameworks are unclear.

6.6.3 Conclusions on the Findings in Respect of Zoë-Life's Financial Performance and Growth

Objective3:

To ascertain Zoë-Life's management's perceptions of the impact of using IFRS for SMEs to enhance organisational performance

Seven closely linked questions were posed to solicit the interviewees' views on this issue. In general, the respondents felt that, while IFRS for SMEs is not particularly useful for Zoë-Life's donors, it would promote international comparability and standardisation. Some thus felt that this system should be fully adopted.

On the positive side, the study revealed that Zoë-Life continues to receive donor funding. This offers an opportunity to improve its financial reporting system by fully adopting IFRS for SMEs. It is evident that Zoë-Life has significant economic value.

In the light of the above, it can be concluded that the study fulfilled its objectives of gathering and analysing information on how Zoë-Life conducts its performance measurement, reporting, and levels of funding and key compliance requirements for funding, among others.

The findings suggest that a strong relationship exists between donor funding and demonstration of financial transparency, accountability, and legitimacy.

The Chief Executive Officer (EA) agreed with the Senior Manager (AA) when he said: *“it also helped the organisation to not borrow money from ... private individuals in order to raise funds during the ... three years”*. The respondents outlined the different tools such as budgets and financial statements that the organisation uses to evaluate its performance.

Preference was expressed for both qualitative and quantitative performance measurement. This is due to the need to be accountable to a variety of funders and the potential for mission drift due to being overly focused on what can be measured quantitatively.

While there was widespread acceptance of the value of financial accounting to determine financial performance, some respondents stressed that financial and operational performance is judged against organisational budgets and financial progress reports.

6.6.4 Conclusions on the Findings in Respect of whether or not Zoë-Life’s financial reporting practices comply with IFRS for SMEs, and donors and the South African Department of Social Development’s reporting requirements

Objective 4:

To determine whether Zoë-Life’s financial reporting practices comply with IFRS for SMEs and donors and the DSD’s reporting requirements

The findings revealed that compliance with existing policies is of serious concern, particularly with regard to the full use of IFRS for SMEs. This indicates that the burden of financial reporting is more onerous than programmatic reporting. The responses to the interview questions suggest that full use of IFRS would be of benefit if adjusted to the needs of this organisation.

In conclusion, while there was widespread awareness of the problems and limitations of the standards associated with different reporting formats, and wide acceptance of the need for broad accountability, not all the respondents favoured resolving such problems by fully adopting IFRS for SMEs. However, it was also noted that not adopting IFRS for SMEs in full creates a vicious cycle which perpetuates the status of “poor financial reports”. Zoë-Life needs to address such perceptions in order to prevent threats to its long-term financial sustainability.

The study found that Zoë-Life prepares financial statements that include a balance sheet (statement of financial position), statement of comprehensive income, and statement of changes in reserves to indicate the financial position as a whole as well as budget vs. variance analysis. The fact that the organisation prepares such statements could be interpreted to mean that it is compliant with legal requirements or that the donors or individuals who fund them insist on periodic preparation of such statements.

Furthermore, an independent audit report showed a qualified audit opinion due to Zoë-Life’s failure to capitalise and depreciate its fixed assets in line with IFRS 16 (Audited financial reports: 2015/2016).

The study also sought to identify the obstacles faced by Zoë-Life in adopting IFRS for SMEs. There was widespread awareness of such problems or limitations. In some cases, donors’ financial reporting requirements conflict with those of the State. However, some respondents felt that this is not of major concern as the organisation is not funded by the South African government.

It is thus concluded that Zoë-Life is not compliant with financial information disclosure laws as the organisation reports to each donor according to their reporting formats. This prevents Zoë-Life from receiving government funds to boost its finances and future performance.

6.7 Overall Conclusion

This study investigated financial accounting as a powerful tool to enhance NGOs’ performance using Zoë-Life South Africa as a case study. The overarching research question was: Is IFRS a powerful tool that could enhance Zoë-Life’s performance?

The study sought to fill a gap in the literature by examining financial reporting practices within Zoë-Life and to test the usefulness of financial reporting in an NPO environment. Its aims and objectives were achieved.

Based on the findings, it is concluded that IFRS for SMEs could be useful tool for South African NPOs and Zoë-Life in particular as it enhances the quality of financial reports, enables comparability and is in line with international best practice. However, the study showed that IFRS for SMEs is not fully applied at Zoë-Life. A significant relationship was thus established between financial accounting and performance at Zoë-Life. Financial accounting can be likened to a roadmap that enables an organisation to assess its performance and plan for the future.

The study's findings demonstrate the influence of external funders as well as the fact that failure to fully adopt IFRS for SMEs precludes organisations from receiving government funding. Zoë-Life's weak and out-dated accounting standards have eroded government trust.

The question that arises is why some funders ignore current accounting practices in NGOs' financial reporting systems.

6.8 Recommendations

Based on the study's findings, the following recommendations are made with a view to enabling Zoë-Life to meet the divergent and often conflicting requirements of all its stakeholders without losing credibility and/or compromising its principles:

6.8.1 Recommendations in Respect of Zoë-Life

- i.* Zoë-Life's documentation, financial policy and procedures, and accounting guidelines should be further improved to comply with IFRS for SMEs and NGOs in South Africa.
- ii.* Zoë-Life should fully adapt and apply IFRS for SMEs in preparing its financial statements as this will enable comparability with other local and multinational NGOs/NPOs, meet global standards and attract State funding.
- iii.* Zoë-Life should bridge the gap between the government and foreign funders in order to promote financial transparency, particularly in the area of financial reporting, by using IFRS for SMEs.

- iv. The organization should employ professionals such as Certified Public Accountants and Chartered Accountants.
- v. Certified or audited financial and activity reports should be timeously submitted to the relevant government bodies (DSD) and donors.
- vi. Proper and consistent presentation of financial statements is necessary to provide a true reflection of the state of affairs and IFRS for SMEs would serve this purpose.
- vii. Property, Plant and Equipment (fixed assets) donated for use by Zoë-Life should be capitalised and depreciated on the basis of the initial cost of items to present their true and fair value in the organisation's financial reports.
- viii. Reports should be submitted to donors on capital gifts (capital assets) using funds reconciliation and/or an analysis of cash spent.

6.8.2 Recommendations in Respect of Donors

- i. Foreign donors should not impose reporting requirements on the organisation and Zoë-Life should be guided by IFRS for SMEs in South Africa in its financial accounting.

6.8.3 Recommendations in Respect of the NGO/NPO Directorate in South Africa

- i. The State should engage more rigorously with NGOs to ensure that they report in line with IFRS for SMEs.
- ii. Government grants should only be awarded to NGOs that meet financial reporting standards and demonstrate a high level of financial transparency.
- iii. Financial performance audits should be conducted for all registered NGOs in South Africa.

6.8.4 Recommendations in Respect of Policymakers

- i. NGOs' accounts should be drawn up by Chartered Accountants where possible and should be sufficiently detailed to capture all financial transactions as the way transactions are recorded in the accounting records determines what type of reports can be produced and the ease with which they can be created. This would enable South African NGOs to report uniformly.
- ii. NGOs should employ proper financial reporting systems to report on financial and management performance. This would improve process efficiency and

effectiveness, as well as overall performance and stimulate the growth of this sector.

6.8.5 Recommendations in Respect of NGOs

- i.* NGOs should engage in constructive dialogue with overseas donors and other stakeholders to address the issue of multiple financial reporting burdens.

6.9 Conclusions on Recommendations

It is apparent that NGOs confront challenges in managing their relationships with their development partners. With respect to donors and host governments, they have laboured under the erroneous belief that they lack power to influence decisions. Furthermore, there is a misconception that governments have no right to scrutinise NGOs' performance.

Donors and the public authorities/governments' expectations of NGOs' performance in communities have increased. Failure to comply with their financial reporting and other requirements erodes public authorities' confidence and trust in these organisations. In the absence of confidence and trust, NGOs cannot reasonably be expected to enjoy the degree of autonomy that promotes favourable project outcomes.

In conclusion, the study found that, while Zoë-Life's foreign funders benefit from their influence on the NGO, no mechanisms are in place to enable the NGO to influence its donors. Donors' reporting requirements, timelines for reports and the complex procedures which have to be followed have resulted in Zoë-Life not fully adopting IFRS for SMEs in line with the requirements of the South African government. This has resulted in the NGO having to tailor its activities to fit with funders /donors' priorities.

The following section discusses the implications of the findings for Zoë-Life, NGOs/NPOs, and donors and policymakers.

6.10 Implications of the Research Findings

The fact that the majority of the respondents indicated that full adoption of IFRS for SMEs would add value to the organisation, implies that there is a need for Zoë-Life to explore how it could use IFRS for SMEs to enhance organisational performance.

The second implication is that best reporting practices strengthen the legitimacy and credibility of NPOs. Stakeholders like the South Africa NPOs Directorate demand accounting and reporting practices similar to IFRS for SMEs.

A third implication is that, IFRS for SMEs is an important tool that could enhance Zoë-Life's financial performance and offers an opportunity to expand its projects and programmes across the country and the globe.

The following section offers recommendations for future research.

6.11 Suggestions for Further Research

Given that this study was confined to Zoë-Life, it is suggested that research be conducted on other organisations in order to compare the findings.

Since this study used a qualitative approach, future research could be conducted using a mixed method approach.

Future research could also investigate the harmonisation of GAAP for Zoë-Life versus full adoption of IFRS for SMEs in South Africa.

It is possible that some interviewees were afraid of providing information on sensitive issues pertaining to financial information, for fear of victimisation. In view of this, future research could be tailored to unearth challenges that this study did not identify and to address the questions that remain unanswered.

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Appendix 1: Interview Guide

Initially, I will greet the participant and introduce myself, then ask the participant to introduce him or herself by telling me his or her full name and the nature of his or her job.

Purpose of the Study (Moderator)

I will explain the aim of the study, namely to explore how IFRS is substantial in the preparation of financial statements and in enhancing the financial performance in Zoë-Life. I will further explain that through his or her participation, we hope to understand the performance challenges they faced. I will also explain that the findings of the study are intended to contribute to the knowledge that will help to improve financial performance in Zoë-Life. Eventually, this will improve the performance of NGOs.

I will give assurance that participation in the project is voluntary and that a participant may withdraw from the project at any time with no negative consequences. I will explain that there will be no monetary gain from participation. We will inform the participant that all information collected will be confidential and anonymous and that the records will be maintained by the School of Accounting, Economics, and Finance, UKZN.

I will allow the opportunity for questions and concerns about participating in the study. I will give me and my supervisor's contact details. I will announce the time duration of the survey/interview before initiating the interview, namely 25 minutes.

I will offer an opportunity for any short final comments, which participants would like to make. We will thank the participant for his or her input and inform the participant that information provided will help me to write my dissertation and inform me about the challenges in the financial accounting and performance of Zoë-Life case study.

The interview guide is divided into four themes that the researcher want to address in the dissertation. The following are some of the questions that will be posed:

Theme 1: The accounting standards adopted and quality of financial reports of Zoë- Life.

1. What accounting standards does Zoë-Life use in preparing its financial statements?

Theme 2: The challenges Zoë- Life faced to adopt IFRS for SMEs

2. What factors inhibit the adoption of IFRS for SMEs at Zoë-Life?

Theme 3: Financial Performance and Growth of Zoë-Life

3. What are Zoë-Life's managers' perceptions of the relationship between IFRS for SMEs and performance?
 - i. *How would you describe the use of IFRS for SMEs- related financial performance you have at the Zoë-Life?*
 - ii. *Can you please briefly describe how financial reports under IFRS for SMEs have the significant influence on your financial performance within Zoë-Life?*
 - iii. *How are the systems that Zoë-Life uses for the sake of increasing its performance related to the way Zoë-Life is structured?*
 - iv. *For example, are budgets prepared because of the financial projects or otherwise?*
 - v. *If so, can you please describe?*
 - vi. *Please add any further comments in relation to the IFRS for SMEs for Zoë-Life accounting.*
 - vii. *How strong and coherent are the links between the IFRS for SMEs and financial performance in the Zoë-Life?*
 - viii. *Do the financial measures allow you to gauge your progress towards meeting the Zoë-Life goals?*
 - ix. *Can you please identify some of those goals and explain which are more closely related to your reporting system?*
 - x. *To what extent can you describe the IFRSs for SMEs applied in ensuring financial performance in your organisation?*
 - xi. *Can you please share your thoughts as to how financial reports are more closely related to your projects implementations?*

- xii. *The past and current financial reports are valuable in creating long-term plans and preparing annual budgets?*
- xiii. *Can you please explain how the Zoë-Life boosts its funders through the accuracy of its financial reports?*

Theme 4: Compliance with stakeholders' financial reporting practices, policies, rules, and regulations.

- 4. To what extent does Zoë-Life comply with the DSD and donors' financial reporting practices and IFRS for SMEs?
 - i. *Can you please share your thoughts as to how Zoë-Life complies with its stakeholder's financial reporting requirements?*
 - ii. *Do Zoë-Life avail sufficient written policies and guidelines for financial reporting and the accounting system is in line with the state and donors' requirements?*
 - iii. *Does the Zoë-Life prepare and monitor budget statement for the donors' funds?*
 - iv. *If so what are the major sources of funds of Zoë-Life?*
 - v. *Do the Zoë-Life accounting and finance staffs involve in the budget preparation process, reviewing budgets?*
 - vi. *Do accounting and finance staff involve in monitoring and measuring the actual income and expenditure performances against the budgets?*
 - vii. *Are variance analyses and reports prepared regularly?*
 - viii. *What is the overall trend in donor funding?*
 - ix. *Is it increasing/decreasing?*
 - x. *Is the number of donors increasing/decreasing?*
 - xi. *What are the trends in revenue and expenditures?*
 - xii. *Are the Zoë-Life employs qualified accounting and finance staff?*
 - xiii. *Do external auditors audit the Zoë-Life financial reports?*
 - xiv. *Yes, or Not, If yes, what was the external auditor's opinion?*
 - xv. *Does the Zoë-Life submit annual and audited financial reports concerned government body and donors timely?*
 - xvi. *Have there been any problems with meeting the auditing requirements of donors?*
 - xvii. *What are the problems?*
 - xviii. *Review financial reports to donors?*

Table 1: Appendix 2: The international classification of non-profit organizations

GROUP 1 Culture and Recreation	GROUP2 Education and Research	GROUP 3 Health	GROUP4 Social services
GROUP 5 Environment	GROUP6 Development and Housing	GROUP 7 Law, Advocacy, and Politics	GROUP8 Philanthropic intermediaries and Volunteerism promotion
GROUP 9 International	GROUP 10 Religion	GROUP11 Business professional associations	GROUP 12 Not elsewhere classified

Table 2: Appendix 3: Criteria to fully comply with IFRS or the IFRS for SMEs in South Africa

	Financial reports in line with (compiled)	
	Externally	Internally
Public interest score <100	IFRS for SMEs	IFRS for SMEs
Public interest score between 100-349	IFRS for SMEs	IFRS for SMEs
Public interest score of 350 or plus	IFRS for SMEs	IFRS for SMEs
Listed companies	IFRS	IFRS

Table 3: Appendix 4: Illustrative Statement of Financial Position or Balance Sheet

Note ref	Statement of financial position	Total funds	Prior year funds
		Currency Unit	Currency Unit
	Assets		
	Cash		
	Trade and other receivables		
	Legacies, Gifts, and grants receivable		
	Inventories		
	S/total current assets		
	Non- Current assets		
	Property, Plant, and Equipment		
	Intangible assets		
	Financial assets: investments		
	S/total non- current assets		
	Total assets		
	Liabilities		
	Current Liabilities		
	Bank overdrafts		
	Trade payables		
	Interest payable		
	provision for grants payable		
	S/total current liabilities		
	Non-current liabilities		
	Bank loans		
	Long-term employee benefit obligations		
	Obligations under finance leases		
	provision for multi-year grants payable		
	s/total non-current liabilities		
	Total liabilities		
	Total net assets or liabilities		
	Retained funds and Equity		
	Restricted funds		
	Unrestricted funds		
	Share capital		
	Total retained funds and Equity		

Table 4: Appendix 5: Illustrative Statement of Income and Retained Earnings

Statement of income and retained funds	Unrestricted funds	Restricted funds	Total funds	Prior year Unrestricted funds	Prior Year Restricted funds	Prior year funds
	Unit	Unit	Unit	Unit	Unit	Unit
Income and restricted gifts from:						
Donations and legacies						
Social purpose trading activities						
Other trading activities						
Investments						
Other						
Total						
Expenditure on:						
Raising funds and other trading activities						
Social purpose activities						
Other						
Total						
Net gains(losses) on investments						
Net income (Expenditure)						
Other recognised gains (Losses):						
Actuarial gains/(losses) on defined benefit pension schemes						
Other gains (Losses)						
Net movement in funds						
Reconciliations retained funds :						
Retained funds brought forward						
Transfer between unrestricted and Restricted funds						
Distribution to members						
Retained funds carried forward						

Table 5: Appendix 6: Illustrative Statement of Cash Flows

Statement of Cash flows	Total funds	Prior Year funds	Note
	Currency Unit	Currency Unit	
Cash from operating activities:			
Net cash provided by (used in) operating activities	x	(x)	
Cash flows from investing activities :			
Dividends, interests and rents form investments	x	x	
Proceeds from the sale of property, plant, and Equipment	x	x	
Purchase of property, Plant and Equipment	(x)	(x)	
proceeds from the sale of investments	x	—	
Purchase of investments	—	(x)	
Net cash provided by (used in) investing activities	x	x	
Cash flows from financing activities :			
Repayments of borrowing	(x)	(x)	
Cash inflows from New borrowing	x	—	
Receipt of restricted funds subject to conditions that mean that they cannot be spent during the reporting period	x	x	
Net cash provided by(used in(financing activities	x	x	
Change in cash and cash equivalents in the reporting period	x	x	
Cash and cash equivalents at the beginning of the reporting period	x	x	
Change in cash and cash equivalents due to exchange rate movements	x	(x)	
Cash and cash equivalents at the end of the reporting period	x	x	

Figure 1: Appendix 7: The Processing of Data in Typical Accounting Cycle

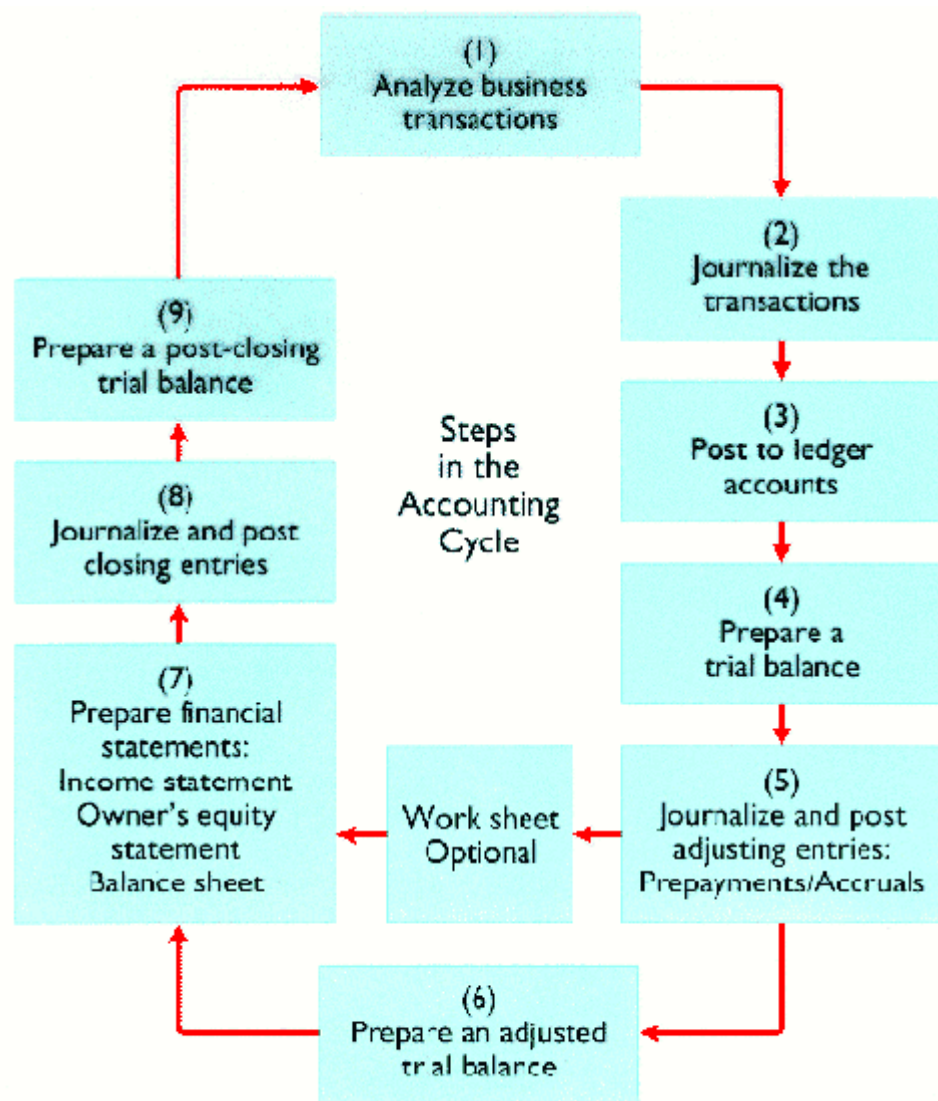
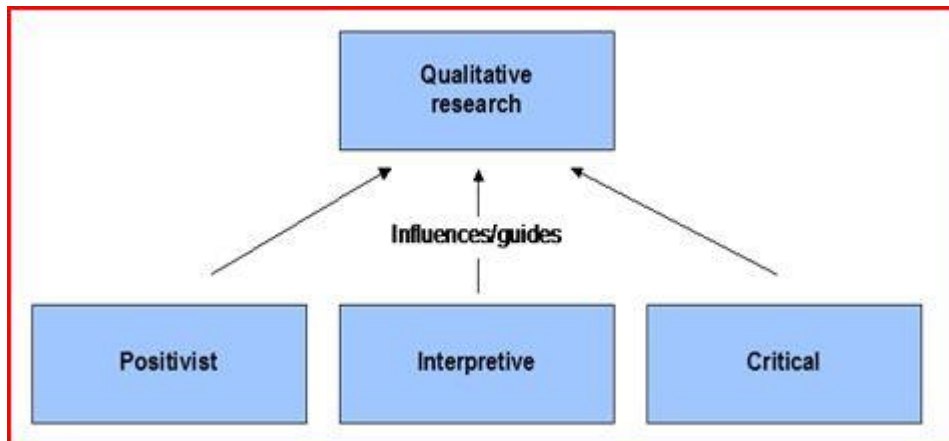


Table 6: Appendix 8: The Users of NGOs' Financial Statements

STAKEHOLDERS	EXPECTATIONS
INTERNAL USERS	
Members	<ul style="list-style-type: none"> ❖ How fees/donations/grants, proceeds from fund-raising activities were used ❖ Other information needs such as managerial remuneration, use of assets, management efficiency etc.
Management Team	<ul style="list-style-type: none"> ❖ Board of directors /trustees for policy-making, strategic decision making and fulfilling its trusteeship/stewardship role. ❖ Executive director for operational decision making ❖ Program/project managers for project- program related decision making
EXTERNAL USERS	
Donors, Grantors, Funders and Funding Agencies	<ul style="list-style-type: none"> ❖ The degree of attainment of development objectives as indicated in financial statements and reports ❖ The degree of compliance with agreed amount and manner of using funds ❖ The degree of compliance with prescribed financial accounting and reporting system and procedures
Creditors (Banks, Financial institutions)	<ul style="list-style-type: none"> ❖ Information on the ability to pay as indicated by ratios of solvency, liquidity, and stability as well as the status of their security.
Government and regulators	<ul style="list-style-type: none"> ❖ Compliance with laws, government rules and regulations and reportorial requirements (regulation-partnership in development)
General public	<ul style="list-style-type: none"> ❖ Impact of the activities of NPOs to the community and society (contributions to the development of society) in general
Volunteers	<ul style="list-style-type: none"> ❖ Contributions to the development of specific concerns

Figure 2: Appendix 9: Philosophical Assumptions and Accounting Research Perspectives



Appendix 10: Informed Consent Letter to participants

UNIVERSITY OF KWAZULU-NATAL SCHOOL OF ACCOUNTING, ECONOMICS, and FINANCE

Dear Respondent,

Master's Dissertation in Accounting

Researcher: Mr. Jean Damascene Mvunabandi

Cell phone number: 0617650688

Supervisor: Charmaine LATHLEIFF CA (SA)

Office Telephone number: 031 765 5828)

Research Office: Ms. M Snyman 031-2608350

I, Jean Damascene MVUNABANDI a Master of Accounting student, at the School of Accounting, Economics, and Finance at the University of KwaZulu Natal. You are invited to participate in a research project entitled “**Financial accounting as a Powerful tool to enhance NGOs performance**” This study has been ethically reviewed and approved by UKZN Humanities and Social sciences Research Ethics committee (**Approval Number: HSS/1946/017M**)

The aim of this study is to investigate financial accounting as a powerful tool for enhancing NGOs performance using Zoë-Life-South Africa as a source of data. The other research issue addressed by the present study is also to explore how IFRS for SMEs is substantial in the preparation of financial statements in NGOs and particularly in Zoë life.

Through your participation I hope to understand the following:

1. The accounting standards adopted at Zoë-Life.
2. The factors that inhibit the adoption of IFRS for SMEs at Zoë-Life.
3. Ascertain Zoë-Life management's perceptions of the impact of using IFRS for SMEs to enhance organisational performance.
4. Whether or not Zoë-Life's financial reporting practices comply with IFRS for SMEs, and donors and the DSD's reporting requirements.

The results of the focus group are intended to contribute to improving profession excellence within the organisation and NGOs/NPOs sector as a whole. Your participation in this project is voluntary. You may refuse to participate or withdraw from the project at any time with no

negative consequence. There will be no monetary gain from participating in this survey/focus group. Confidentiality and anonymity of records identifying you as a participant will be maintained by the Graduate School of Business and Leadership, UKZN

If you have any questions or concerns about completing the questionnaire or about participating in this study, you may contact me or my supervisor at the numbers listed above. The survey should take you about 25 minutes to complete. I hope you will take the time to complete this survey.

Sincerely.

Investigator's signature _____ Date _____

Appendix 11: Consent Form of Participants

This page is to be retained by participant

UNIVERSITY OF KWAZULU-NATAL SCHOOL OF ACCOUNTING, ECONOMICS, AND FINANCE

Master's Dissertation in Accounting

Researcher: Mr. Jean Damascene Mvunabandi

Cell phone number: 0617650688

Supervisor: Charmaine LATHLEIFF CA (SA)

Office Telephone number: 031 765 5828)

Research Office: Ms. M Snyman 031-2608350

CONSENT FORM OF PARTICIPANTS

I..... (Full names of participant)
hereby confirm that I understand the contents of this document and the nature of the research project, and I consent to participate in the research project.

I understand that I am at liberty to withdraw from the project at any time, should I so desire.

I hereby consent / do not consent to have this interview recorded.

Signature of participant.....

Date

Appendix 12: Request for Data Collection- Letter

University of KwaZulu-Natal

School of Accounting, Economics, and Finance

Jean Damascene Mvunabandi

Student Number: 216063968

Email: 216063968@stu.ukzn.ac.za or mvuna2020@gmail.com

UKZN, 21 April 2016

Attn: Zoë- Life South Africa

Po. Box 1195, Westville, 3630

Dear Sir/Madam,

RE: REQUEST FOR DATA COLLECTION

I, hereby requesting the data related to the financial accounting in your institution.

In fact, the researcher is a student at the University of KwaZulu-Natal. As a partial fulfillment the Award of a Degree in Master of Accounting, I am carrying out a research on “**Financial accounting as a powerful tool to enhance NGOs/NPOs’ performance**”. Zoë-Life South Africa has been selected as the case study.

Enclosed with this letter is a list of brief interview questions on your perceptions of financial accounting system in relation to financial performance within your organisation. I, therefore, request you to extend your help to answer the provided interview questions as honestly as possible and by giving me, any necessary information required from your institution. The study findings are purely for academic purposes. The information obtained from your institution will be treated in the swiftest confidence.

I hope my request will be put into consideration.

Yours faithfully

Jean Damascene Mvunabandi

Appendix 13: Declaration of Confidentiality.

This is to declare that I

Student Name: Jean Damascene Mvunabandi

Student Number: 216063968

This serves to confirm that all respondents' privacy will be protected; I will not use names in any of the data I gather from this study or any other research report. All information received in the study will be recorded with a code number which will be secured. When the study has completed the key that links code number with your name, will be destroyed. Respondents have the right to get withdraw without any negative consequences.

Signature.....

Date.....

Appendix 14: Gatekeeper's Letter



Tel: 031 267 0080 / 0800 109 510 Email: info@zoë-life.co.za Website: www.zoë-life.co.za
Address: 20 Buckingham Terrace, Westville, 3630 Post: PO Box 37580, Overport City, 4067
SMT HEALTH SOLUTIONS CC MEMBERS: S.A. THOMAS, C.M. THOMAS, N.F. KEENAN
CK 2004/096641/23 VAT: 4040233325 ZNT: SMT001ZNT ZOË-LIFE INNOVATIVE SOLUTIONS NPC
2012/109367/08 BOARD MEMBERS: S.A. THOMAS, C.M. THOMAS, N.F. KEENAN, B.J. VAN DER WALT, A. FOURIE

25th August 2016

The Dean of the School of Accounting, Economics, and Finance
Westville Campus
University of KwaZulu Natal
Durban 4000

Dear Sir/ Madam

RE: Masters in Commerce/ Accounting

Student: Jean Damascene MVUNABANDI

Research title: Financial accounting as a powerful tool to enhance NGOs performance, a case study of Zoë- life South Africa.

Jean Damascene MVUNABANDI has been granted permission to conduct this research in Zoë -life South Africa. This is done as a sample to improve profession excellence within the organization.

Yours Sincerely,

A black rectangular box redacting the signature of Mr. Frank Liford.

Mr: Frank Liford,

Appendix 15: Ethical Clearance



24 October 2017

Mr Jean Damascne Mvunabandi (216063968)
School of Accounting, Economics & Finance
Westville Campus

Dear Mr Mvunabandi,

Protocol reference number: HSS/1946/017M

Project title: Financial Accounting as a powerful tool to enhance NGOs Performance – Case study: Zoë-Life South Africa

Full Approval – Expedited Application

In response to your application received on 13 October 2017, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and the protocol has been granted **FULL APPROVAL**.

Any alterations to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach/Methods must be reviewed and approved through an amendment /modification prior to its implementation. Please quote the above reference number for all queries relating to this study. Please note: Research data should be securely stored in the discipline/department for a period of 5 years.

PLEASE NOTE: Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.

Best wishes for the successful completion of your research protocol.

Yours faithfully

Dr Shenuka Singh (Chair)

/ms

cc Supervisor: Ms Charmaine Lathleiff
cc Academic Leader Research: Dr Colette Muller
cc School Administrator: Mrs Nondumiso Mfungeni

Humanities & Social Sciences Research Ethics Committee

Dr Shenuka Singh (Chair)

Westville Campus, Govan Mbeki Building

Postal Address: Private Bag X54001, Durban 4000

Telephone: +27 (0) 31 260 3587/8350/4557 Facsimile: +27 (0) 31 260 4609 Email: ximbap@ukzn.ac.za / snymanm@ukzn.ac.za / mohunp@ukzn.ac.za

Website: www.ukzn.ac.za

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Appendix 16: Interviewee Profile

Pseudo initials of the interviewee/ respondent	Organisation/Zoë- life	Position	Number of times Interview conducted
AA	Zoë-Life	Senior Manager	1
BA	Zoë-Life	Chief operating officer	1
CA	Zoë-Life	Finance Manager	1
DA	Zoë-Life	An accountant	1
EA	Zoë-Life	Chief executive officer	1
HA	Zoë-Life	Financial development officer	1
IA	Zoë-Life	Project Managers	15
JA	Zoë-Life	Directors	2
KA	Zoë-Life	A prominent Manager	1

Table 7: Appendix 17: Interview Schedule

No	Position/ Designation	Day/Date	Time	Duration
1	An Accountant (DA)	Monday, 13 rd Nov 2017	9:00-9:25	25'
2	Project Manager (IA1)	Monday, 13 rd Nov 2017	9:40-10:00	20'
3	Chief Operating Officer (BA)	Monday, 13 rd Nov 2017	11:10-11:40	30'
4	Project Manager (IA2)	Monday, 13 rd Nov 2017	13:00- 13:20	20'
5	Finance Manager (CA)	Monday, 13 rd N Nov 2017	13:40-14:10	30'
6	Project Manager (IA3)	Tuesday, 14 th Nov 2017	9:20-9:45	25'
7	Senior Manager (AA)	Tuesday, 14 th Nov 2017	11:10- 11:30	30'
8	Project Manager (IA4)	Thursday, 16 th Nov 2017	9:15-9:40	25'
9	Chief Executive Officer (EA)	Thursday, 16 th Nov 2017	9:50-10:20	30'
10	Project Manager (IA5)	Thursday, 16 th Nov 2017	11:30-10:50	20'
11	Financial Development Officer (HA)	Thursday, 16 th Nov 2017	11:30-11:50	20'
12	Project Manager (IA6)	Thursday, 16 th Nov 2017	13:10-13:35	25'
13	Project Manager (IA7)	Monday, 20 th Nov 2017	9:30-9:50	20'
14	Project Manager (IA 8)	Monday, 20 th Nov 2017	10:00-10:30	30'
15	Director (JA1)	Monday, 20 th Nov 2017	11:10-11:40	30'
16	Project Manager (IA 9)	Monday, 20 th Nov 2017	13:30-13:55	25'
17	Project Manager (IA 10)	Monday, 20 th Nov 2017	14:10-14:30	20'
18	Project Manager (IA 11)	Thursday, 23 rd Nov 2017	9:15-9:40	25'
19	A Prominent Manager (KA)	Thursday, 23 rd Nov 2017	10:00-10:30	30'
20	Project Manager (IA 12)	Thursday, 23 rd Nov 2017	10:50-11:15	25'
21	Project Manager (IA 13)	Wednesday, 28 th Nov 2017	9:10-9:30	20'
22	Director (JA2)	Wednesday, 28 th Nov 2017	10:00- 10:30	30'
23	Project Manager (IA 14)	Wednesday, 28 th Nov 2017	11:00- 11:25	25'
24	Project Manager (IA 15)	Wednesday, 28 th Nov 2017	13:00-13:30	30'

Appendix 18: Turnitin Originality Report

The Turnitin Originality report appears hereafter

Appendix 19: English Editor's Certificate

The English Editor's certificate appears hereafter

Appendix 20: Table 8: In- depth interview details

Participants/	Code	Levels or Status	Arranged interviews		Recorded conversations
Top Management	JA1	Director	1	3	<ul style="list-style-type: none"> • “... IFRS for SMEs is somewhat complex and needs qualified persons to prepare compliant statements” • “This impacted positively on ... Zoë-Life where it has successfully managed a number of international donor funds. Since its foundation in 2004, Zoë-Life received funding from the Harvard School of Medicine and completed its first Provincial Institutionalization project within 18 months (scale-up of Adherence Support Programme to all ART facilities in KZN). Thereafter Zoë-Life gained invaluable experience as a sub-grantee to McCord Hospital under PEPFAR CDC funding from 2007 until 2012” • “... in order to keep Zoë-Life, running, a number of private donors have been contributing faithfully to the annual budgets... a substantial portion of that donation flowed through Zoë-Life South Africa: fifteen (15) foreign funders among which the United States of America (USA), England (UK), Netherlands, UN, and nothing from the South African government” • “Programmes, projects and operations of Zoë life are heavily dependent on funders’ financial contributions or donor grants. Therefore, Zoë life’s Funders possess substantial power associated with their conferring of financial and non-financial to Zoë life. • “Overriding attention is paid to the Government’s financial accounting needs because we are given a mandate by the government of South Africa, truly we must follow South Africa’s regulations to satisfy the national accountants. But donors usually ask [for] different reports in different formats and we cannot receive their support without respecting their requirements”. • “.....The basic bookkeeping emphasised keeping track of cash and production of periodic donor reports..... attempts had been made to develop an accounting manual and there were some sound policy guidelines for financial decision making in Zoë life”.

					<ul style="list-style-type: none"> • <i>“It is the Government that gives an NGO the mandate to operate. If the NGO does not deliver the expected financial reports and services, then the Government has the right to demand an explanation...So that raises a bit of suspicion [that the government’s interest in NGOs is purely both political and administrative]”.</i> • <i>“Of course we do pay much attention to our funders ...We hold a good relationship with the main funders, is an important attribute towards the achievements of the organisation. The funders are really partners, understanding our situation as well as that of the country in which we operate”</i> • <i>“...It is not a very good situation, of course. If you look at the NGO policy there is a clause in it that [states] NGOs shall submit annual financial reports to the government, which I think is not fair... It is not fair if the government knows how much our organisation has on our account in the bank. So it did not matter to our funders, but it mattered to a lot of government officials”</i>
	JA2	Director in charge of administration	1		<ul style="list-style-type: none"> • <i>Most of Donors were based in UK, USA, Netherlands and UN and share common requirements for financial accounting with respect to their grants or donations.</i> • <i>“this was attributed to its ability to project an image of a secure and committed organisation that could be trusted with large amounts of money...for example, we recently received funds from UNHCR to be used in [a] social cohesion project...it is also for this reason that the financial accounting system we have in place is heavily implicated in the process of enhancing ... Zoë-Life’s financial performance”</i> • <i>“Accounting practices in Zoë life seems not to be essential to attain high donor credibility. Despite its lower financial accounting stature within the organisation, Zoë life has been consistently maintaining and building its donor credibility for many years”</i> • <i>“In terms of performance against budgets and financial reports, are we</i>

				<p><i>raising as much as what we intended, are we spending as much as what we planned, are we spending on the right sort of thing and... so, within Zoë-Life, we have a monthly and yearly reporting and reflection system which is relatively robust now which [enables] us ... to make sound decisions”</i></p> <ul style="list-style-type: none"> • <i>“The things that are measured most and people pay most attention to are numbers and budgets”</i> • <i>“...It makes a fair bit of sense and it can be judged that, not until the donors are satisfied with the budget, otherwise they cannot support the organisation. Thus, Zoë-Life does prepare the budget for the donors and make sure that they satisfy them maximally.... We prepare a budget for each funder, so we do not have an overall budget for the organisation as we have to report to them separately”</i> • <i>“...We must submit the reports, the financial report ... that is also, why our organisation is very quick to deliver the report because we know that if we deliver the report we are credible and then we can enhance that relationship”</i> • <i>“... Our five funded projects (Kidz Alive, International Citizens Services (DFID), Youth Alive, Social Cohesion, and Link Care) are audited by reputed auditing firms, annual audits have been conducted. In 2013/2014 Mozars was employed and 2015/2016. Moore Stephens was also employed”.</i>
	EA	Chief Executive officer	1	<ul style="list-style-type: none"> • <i>“I think it is a piece of nonsense. Our organisation accounts are tough enough and IFRS for SMEs would worsen the interpretation and place a high cost on our organisation with the fewest and limited resources... I think the case for [international accounting standards for Zoë-Life] makes very little sense”</i> • <i>“Accounting practices in Zoë life seems not to be essential to attain high donor credibility. Despite its lower financial accounting stature within the organisation, Zoë life has been consistently maintaining and building its donor credibility for many years”</i> • <i>“... It would be possible to have a single financial report submitted to ... the institutional donor; private donors with the remaining parties like our government absolved of the financial accounting and reporting burden. It</i>

					<i>could bring goodwill and confidence in local and international NGOs/NPOs from institutional donors tied to home country financial accounting standards to agree to pool funds in this way”</i>
Management	BA	Chief operating officer	1	4	<ul style="list-style-type: none"> • <i>“We have not fully adopted IFRS for SMEs... because we do not have fixed assets and liabilities... I would say GAAP and IFRS for SMEs are quite similar in a sense”</i> • <i>“The IFRS for SMEs is most relevant but for us it is kind of deviation from GAAP and IFRS for SMEs because of [the] unusual situations Zoë-Life finds itself [in]. It is also because IFRS for SMEs does not offer specific accounting rules to describe the accounting treatment of specific operations ... in [a]... not-for-profit organisation such as donations, legacies, and bequests; restricted funds (when a donor determines a restriction on the use of its funds ...); in-kind contributions; endowment funds, and depreciation of donated fixed assets. Presently IFRS favors large business corporations and [a number] ... of these standards are neither applicable nor relevant for Zoë-Life”</i> • <i>“It is very complicated in terms of capturing because every funder wants a different type of reporting requirements where every funder has his ledger account and project code. Every one of the donors wanted their own accounts and reports so you deliver that and you are finished with them. You were not consolidating as long as you gave (X) their report, (Y) theirs, (Z) theirs; they are comfortable, well accounted for and so on. You forget your own internal needs; we had not considered consolidating the piecemeal reports so that we could reflect on how Zoë-Life has to report to each donor according to its required reporting format”</i> • <i>“.The basic bookkeeping emphasised keeping track of cash and production of periodic donor reports..... attempts had been made to develop an accounting manual and there were some sound policy guidelines for financial decision making in Zoë life”</i> • <i>“The varied systems of financial reporting also stem from the many formats imposed by donors, the concentration on cash accounting rather than accruals, and a focus on specific projects without attention to what is</i>

					<p><i>happening to the wider institution...Clearly, several donor financial stipulations are unrealistic..."</i></p> <ul style="list-style-type: none"> • <i>"Accounting policies, procedures and guidelines had not been rigorously abided by".</i> • <i>"The basic bookkeeping emphasised keeping track of cash and production of periodic donor reports..... attempts had been made to develop an accounting manual and there were some sound policy guidelines for financial decision making in Zoë life".</i> • <i>"NGO struggles to afford chartered accountants needed to run the financial system that would ensure their good financial transparency, and donors will not contribute to these costs. This makes it difficult to fully apply these standards"</i> • <i>"The things that are measured most and people pay most attention to are numbers and budgets"</i> • <i>".... the feasible strategy for increasing fundraising, we have, donors, require proposals in the form of project work plans and budgets"</i> • <i>"that is an easy measure, against budgets, against previous years ... [it] aims at strengthening the financial system tools and staff capacity for increasing efficient utilisation"</i> <ul style="list-style-type: none"> • <i>"We hold regular meetings with the beneficiaries, where they normally discuss financially-oriented reports and inputs.... But we do go to the field to check the outcomes and outputs of the projects"</i> • <i>"we certainly increased the financed ... projects and activities... for example, we have expanded the social cohesion project in Pretoria"</i> • <i>"... over the years we did two things which were excellent fundraising devices. First ... we requested an external evaluation ... and second we changed auditors ... this also helped with the funders"</i> • <i>"Overriding attention is paid to the Government's financial accounting needs because we are given a mandate by the government of South Africa, truly we must follow South Africa's regulations to satisfy the national accountants. But donors usually ask [for] different reports in different</i>
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					<p><i>formats and we cannot receive their support without respecting their requirements”.</i></p> <ul style="list-style-type: none"> • <i>“Financial accounting under IFRS for SMEs was insignificant as a function in Zoë life. Truly IFRS for SMEs played only a minor role during the accounting transactions and the formative years of Zoë life, the accounting is less visible as a function”.</i> • <i>“...of course we should pay attention to the requirements of our State, it also makes a fair bit of sense, but donor’s decisions were ‘cast in stone’ and as such, it was not possible to deliver the financial reports as per IFRSs in South Africa. Under these circumstances, donors decide on what, where and even how the funds can be used and the reporting formats to be used..... we need donors ... much, more than donors need us..... As such, the State withdrew from the core responsibility of providing ... grants for our organisation”</i> • <i>“...Like so many other NGOs, Zoë-Life has in the main been guided by, or in some cases has been obliged to comply with, the requirements of donors regarding administration and reporting. As a result, the system use by Zoë-Life is not well-suited to providing the information needed for Zoë-life’s own management and reporting... However, for the period 2013 to 2016, these requirements have not fully complied with Government guidelines....It is in neither the interests of the Zoë-Life nor the funders to publicise the financial reports”</i> • <i>“...It is not accountability and obligation merely to submit a certified financial account each year.To be accountable means to give reasons for and explanations of actions taken, but an account rarely provides explanations and it never gives reasons. Any major financial account hides far more than it reveals... in the year 2014/2015, the donors did not demand [that] financial statements’ authenticity [be] verified by independent auditors”</i> • <i>“....The IFRS for SMEs often does not address the particular issues of Zoë-Life – for example, the treatment and reporting of restricted funds, endowment funds, in-kind contributions, legacies, and bequests. The</i>
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					<i>minimum disclosure requirements sometimes mean that important information for the user of financial reports is not reported, for example, more information on sources of funding, and the nature and purpose of the expenditure. There is insufficient guidance on the application and interpretation of general principles of IFRS for SMEs”</i>
	KA	A prominent Manager	1		<ul style="list-style-type: none"> • “ We do not have any way of recording bequests, and contributions but as [there are] huge flows of funds even when restricted, the US not-for-profit approach is much better. [The strength of] IFRS for SMEs [are that] Not-for-Profit Organisations... financial statements [meet the global standard. [A weakness is that]... The organisation does not recruit professional accountants and so this leads to misinterpretation of IFRS for SMEs” • “The varied systems of financial reporting also stem from the many formats imposed by donors, the concentration on cash accounting rather than accruals, and a focus on specific projects without attention to what is happening to the wider institution...Clearly, several donor financial stipulations are unrealistic...” • “Financial accounting under IFRS for SMEs was insignificant as a function in Zoë life. Truly IFRS for SMEs played only a minor role during the accounting transactions and the formative years of Zoë life, the accounting is less visible as a function”. • “We are required to complete financial accounts in accordance with IFRS for SMEs and guidelines in South Africa as well as complete financial statements for the funders. ... We have difficulty in doing this [but we] have no concerns on the basis of financial reporting... financial information in annual financial reports is meant to satisfy the requirements of our funders and has little relevance in upholding compliance issues towards the government”
	HA	Financial development	1		<ul style="list-style-type: none"> • “Accounting practices in Zoë life seems not to be essential to attain high donor credibility. Despite its lower financial accounting stature within the organisation, Zoë life has been consistently maintaining and building its

		officer			<p><i>donor credibility for many years”</i></p> <ul style="list-style-type: none"> • <i>“Accounting policies, procedures and guidelines had not been rigorously abided by”.</i> • <i>“We do set in place financial targets which is very much driven by what our partnerships is going to be this year, what their requirements are, and what is our capacity to be able to add value... It is against these options we increase the number of our funders”</i>
	AA	Senior Manager	1		<ul style="list-style-type: none"> • <i>“We have not fully adopted IFRS for SMEs... because we do not have fixed assets and liabilities... I would say GAAP and IFRS for SMEs are quite similar in a sense”</i> • <i>“Financial accounting under IFRS for SMEs was insignificant as a function in Zoë life. Truly IFRS for SMEs played only a minor role during the accounting transactions and the formative years of Zoë life, the accounting is less visible as a function”.</i> • <i>“The varied systems of financial reporting also stem from the many formats imposed by donors, the concentration on cash accounting rather than accruals, and a focus on specific projects without attention to what is happening to the wider institution...Clearly, several donor financial stipulations are unrealistic...”</i> • <i>“ Please do not force the international standards on our organisation There is no need whatsoever for this. It is a waste of time and money... I think the reports produced under these standards do not tell the true story”</i> • <i>“During this period, Zoë-Life developed skills in maintaining communication and appropriate collaboration with PEPFAR Financial and Activity Management systems. In 2011, Zoë-Life managed a UNICEF contract to develop and implement a rapid scale-up Capacity Building package for IYCN in the KZN Province. Zoë-Life has been contracted for three consecutive years (2009-2012) by the Clinton Foundation to develop and implement Malaria Capacity Building tools and services to the Swaziland Ministry of Health (District Training), and the Tanzanian</i>

					<p><i>Ministry of Health (education tools)</i></p> <ul style="list-style-type: none"> • <i>“Zoë-Life has now experienced a range of donor requirements and has acquired the skills and systems required [to meet] all donor expectations... these have contributed positively to the financial performance of our organisation”</i> • <i>“Overriding attention is paid to the Government’s financial accounting needs because we are given a mandate by the government of South Africa, truly we must follow South Africa’s regulations to satisfy the national accountants. But donors usually ask [for] different reports in different formats and we cannot receive their support without respecting their requirements”.</i> • <i>“.The basic bookkeeping emphasised keeping track of cash and production of periodic donor reports..... attempts had been made to develop an accounting manual and there were some sound policy guidelines for financial decision making in Zoë life”.</i> • <i>“our financial reporting system is indeed characterised by imbalances between our foreign funders and government. ... because each foreign donor has its own reporting requirements”</i> • <i>“Accounting practices in Zoë life seems not to be essential to attain high donor credibility. Despite its lower financial accounting stature within the organisation, Zoë life has been consistently maintaining and building its donor credibility for many years”</i> • <i>“Our funders typically use broad criteria such as compliance with NPO laws and regulations (e.g. registration and financial reporting), quality of managing and accounting systems, looking at the organisation’s governance structure and standards, integrity policies/codes of conduct, transparency standards, human resource management policies, financial management standards (based on national laws and global good practice)”</i> • <i>“...It is not a very good situation, of course. If you look at the NGO policy there is a clause in it that [states] NGOs shall submit annual financial reports to the government, which I think is not fair... It is not fair if the</i>
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					<p>government knows how much our organisation has on our account in the bank. So it did not matter to our funders, but it mattered to a lot of government officials”</p> <ul style="list-style-type: none"> • “...we ensure financial transparency by preparing financial reports and have annual accounts prepared and/or audited” • “One of the observations the auditors have repeatedly had in previous audits of our financial statements is the issue of capitalisation and depreciation of fixed assets for which we have found no solution.... I think more connection to the concepts of IFRS for SMEs would be helpful” • “... Donors were very much impressed that we on our own had decided to appoint an audit firm. Actually, there is increased credibility and donors were impressed as well. So in terms of information made available to users, it is the same as in previous years. But in terms of the opinion, it is now international. ...So when international funders see Zoë-Life is going to [audit firm] it means Zoë-Life is more serious” • “...There has been a growing tendency among donors and Government to approach Zoë-Life with proposals for additional interventions and funds. Many of programme activities proposed by donors match with the Zoë-Life mission. However, there is a need for Zoë-Life to fully adopt the use of IFRS for SMEs...it makes more sense that government grants are being given only to NGOs that agreed [to] higher levels of financial transparency requirements” • “...The political situation in the USA and in the UK is also hampering the significant funds we used to receive from them... for example, USA President, Donald Trump has ordered [that funds should not be pumped] to African countries and focus on only USA” • “... It is a difficult problem in that each donor will seek to make its own assurance arrangements in order to keep on providing funds to Zoë-Life”
					<ul style="list-style-type: none"> • “We have not fully adopted IFRS for SMEs... because we do not have fixed assets and liabilities... I would say GAAP and IFRS for SMEs are quite

Accounting and Finance officers	DA	Accountant	1	2	<p>similar in a sense.</p> <ul style="list-style-type: none"> • “ the fact that IFRS for SMEs is not suitable for Zoë-Life could “be one of the reasons why these standards have not been fully implemented yet” • “the United States Generally Accepted Accounting Principles and approach for not-for-profit entities is suitable for recording of Zoë-Life’s transactions”. • “It is very complicated in terms of capturing because every funder wants a different type of reporting requirements where every funder has his ledger account and project code. Every one of the donors wanted their own accounts and reports so you deliver that and you are finished with them. You were not consolidating as long as you gave (X) their report, (Y) theirs, (Z) theirs; they are comfortable, well accounted for and so on. You forget your own internal needs; we had not considered consolidating the piecemeal reports so that we could reflect on how Zoë-Life has to report to each donor according to its required reporting format” • “This framework places many limitations on preparing financial reports of Zoë-Life. Since it poses a challenge when consolidating funders’ accounts, it is difficult to link different templates” • “For example, we do not do accounting for fixed assets; we do not depreciate the fixed assets because our donors depreciate them on their side. This accounting treatment differs from IFRS for SMEs which requires Plant, Property, and Equipment (PPE) acquired to be capitalised and depreciated over their respective useful lives. In [the] strict sense IFRS for SMEs is not fully applied in Zoë-Life, we do not have a lot of issues and opportunities to deal with IFRS for SMEs. I think [the] US not-for-profit standards ... [are] more robust and with it you can find a way to manage exceptions” • “Financial accounting under IFRS for SMEs was insignificant as a function in Zoë life. Truly IFRS for SMEs played only a minor role during the accounting transactions and the formative years of Zoë life, the accounting is less visible as a function”. • “Overriding attention is paid to the Government’s financial accounting needs because we are given a mandate by the government of South Africa,
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					<p><i>truly we must follow South Africa's regulations to satisfy the national accountants. But donors usually ask [for] different reports in different formats and we cannot receive their support without respecting their requirements".</i></p> <ul style="list-style-type: none"> • <i>"Strongly agree... applicability of IFRS for SMEs is vital in order to promote financial transparency, accountability and to develop, disseminate and promote the implementation of better accounting standards and best practices for NGOs/NPOs. These standards should cover all aspects of our organisation's reporting obligations"</i> • <i>"Implementing IFRS for SMEs at Zoë-Life is a very good idea due to the fact that such an implementation would lead to uniform reporting and international comparability for our organisation in the future"</i>
	CA	Finance Manager	1		<ul style="list-style-type: none"> • <i>"the United States Generally Accepted Accounting Principles and approach for not-for-profit entities is suitable for recording of Zoë-Life's transactions"</i> • <i>"It is very complicated in terms of capturing because every funder wants a different type of reporting requirements where every funder has his ledger account and project code. Every one of the donors wanted their own accounts and reports so you deliver that and you are finished with them. You were not consolidating as long as you gave (X) their report, (Y) theirs, (Z) theirs; they are comfortable, well accounted for and so on. You forget your own internal needs; we had not considered consolidating the piecemeal reports so that we could reflect on how Zoë-Life has to report to each donor according to its required reporting format"</i> • <i>"The varied systems of financial reporting also stem from the many formats imposed by donors, the concentration on cash accounting rather than accruals, and a focus on specific projects without attention to what is happening to the wider institution...Clearly, several donor financial stipulations are unrealistic..."</i> • <i>"Accounting policies, procedures and guidelines had not been rigorously abided by".</i>

					<ul style="list-style-type: none"> • “ in order to keep Zoë-Life, running, a number of private donors have been contributing faithfully to the annual budgets... a substantial portion of that donation flowed through Zoë-Life South Africa: fifteen (15) foreign funders among which the United States of America (USA), England (UK), Netherlands, UN, and nothing from the South African government” • “Programmes, projects and operations of Zoë life are heavily dependent on funders’ financial contributions or donor grants. Therefore, Zoë life’s Funders possess substantial power associated with their conferring of financial and non-financial to Zoë life” • “...When developing international accounting standards it is important that they are kept as simple as possible. Many NPOs are small organisations with limited resources and over-complicated accounting standards would be difficult for them to apply... Micro NPOs shouldn't be burdened with restrictive reporting, especially because they don't have (at least in most cases) a qualified person to prepare them”
	IA1	Project Manager	1		<ul style="list-style-type: none"> • “The ability of Zoë life to demonstrate projects impacts is crucial in attracting New Donors and to maintain its funders and to secure donors’ funding” • “we have sound financial guidelines stipulated in the constitution and in financial policy and procedures, but some of them were just there [with no practical implications] ... look for example in our financial policy accounting and record keeping does not clearly show the accounting standards we can really rely on”. • “... Our five funded projects (Kidz Alive, International Citizens Services (DFID), Youth Alive, Social Cohesion, and Link Care) are audited by reputed auditing firms, annual audits have been conducted. In 2013/2014 Mozars was employed and 2015/2016. Moore Stephens was also employed”
	IA2	Project Manager	1		<ul style="list-style-type: none"> • “Zoë life has not standardised its financial performance measurement system. Rather Donors specify their financial reporting requirements specific to the projects they fund. Projects performance are not assessed

Projects officers				15	<p><i>through reports that might be submitted to DSD. Rather Zoë life usually assessed through impact made, planned activities and realised activities goals achieved”.</i></p> <ul style="list-style-type: none"> • <i>“... Our five funded projects (Kidz Alive, International Citizens Services (DFID), Youth Alive, Social Cohesion, and Link Care) are audited by reputed auditing firms, annual audits have been conducted. In 2013/2014 Mozars was employed and 2015/2016. Moore Stephens was also employed”</i>
	IA3	Project Manager	1		<ul style="list-style-type: none"> • <i>“Zoë life is subject to checks by its funders”.</i> • <i>“Zoë life has not standardised its financial performance measurement system. Rather Donors specify their financial reporting requirements specific to the projects they fund. Projects performance are not assessed through reports that might be submitted to DSD. Rather Zoë life usually assessed through impact made, planned activities and realised activities goals achieved”.</i> • <i>“... Our five funded projects (Kidz Alive, International Citizens Services (DFID), Youth Alive, Social Cohesion, and Link Care) are audited by reputed auditing firms, annual audits have been conducted. In 2013/2014 Mozars was employed and 2015/2016. Moore Stephens was also employed”</i>
	IA4	Project Manager	1		<ul style="list-style-type: none"> • <i>“Programmes, projects and operations of Zoë life are heavily dependent on funders’ financial contributions or donor grants. Therefore, Zoë life’s Funders possess substantial power associated with their conferring of financial and non-financial to Zoë life”.</i> • <i>“we have sound financial guidelines stipulated in the constitution and in financial policy and procedures, but some of them were just there [with no practical implications] ... look for example in our financial policy accounting and record keeping does not clearly show the accounting standards we can really rely on”.</i> • <i>“... Our five funded projects (Kidz Alive, International Citizens Services (DFID), Youth Alive, Social Cohesion, and Link Care) are audited by reputed auditing firms, annual audits have been conducted. In 2013/2014 Mozars was employed and 2015/2016. Moore Stephens was also employed”</i>

	IA5	Project Manager	1		<ul style="list-style-type: none"> • <i>“In terms of performance against budgets and financial reports, are we raising as much as what we intended, are we spending as much as what we planned, are we spending on the right sort of thing and... so, within Zoë-Life, we have a monthly and yearly reporting and reflection system which is relatively robust now which [enables] us ... to make sound decisions”</i> • <i>“...accounting policies, procedures and guidelines had not been rigorously abided by”.</i> • <i>“... Our five funded projects (Kidz Alive, International Citizens Services (DFID), Youth Alive, Social Cohesion, and Link Care) are audited by reputed auditing firms, annual audits have been conducted. In 2013/2014 Mozars was employed and 2015/2016. Moore Stephens was also employed”</i>
	IA6	Project Manager	1		<ul style="list-style-type: none"> • <i>“Zoë life has not standardised its financial performance measurement system. Rather Donors specify their financial reporting requirements specific to the projects they fund. Projects performance are not assessed through reports that might be submitted to DSD. Rather Zoë life usually assessed through impact made, planned activities and realised activities goals achieved”.</i> • <i>“The ability of Zoë life to demonstrate projects impacts is crucial in attracting New Donors and to maintain its funders and to secure donors’ funding”.</i> • <i>“... Our five funded projects (Kidz Alive, International Citizens Services (DFID), Youth Alive, Social Cohesion, and Link Care) are audited by reputed auditing firms, annual audits have been conducted. In 2013/2014 Mozars was employed and 2015/2016. Moore Stephens was also employed”.</i>
	IA7	Project Manager	1		<ul style="list-style-type: none"> • <i>“Programmes, projects and operations of Zoë life are heavily dependent on funders’ financial contributions or donor grants. Therefore, Zoë life’s Funders possess substantial power associated with their conferring of financial and non-financial to Zoë life”.</i> • <i>“we have sound financial guidelines stipulated in the constitution and in</i>

				<p><i>financial policy and procedures, but some of them were just there [with no practical implications] ... look for example in our financial policy accounting and record keeping does not clearly show the accounting standards we can really rely on”</i></p> <ul style="list-style-type: none"> • <i>“... Our five funded projects (Kidz Alive, International Citizens Services (DFID), Youth Alive, Social Cohesion, and Link Care) are audited by reputed auditing firms, annual audits have been conducted. In 2013/2014 Mozars was employed and 2015/2016. Moore Stephens was also employed”</i>
	IA8	Project Manager	1	<ul style="list-style-type: none"> • <i>“Zoë life has not standardised its financial performance measurement system. Rather Donors specify their financial reporting requirements specific to the projects they fund. Projects performance are not assessed through reports that might be submitted to DSD. Rather Zoë life usually assessed through impact made, planned activities and realised activities goals achieved”.</i> • <i>“Accounting policies, procedures and guidelines had not been rigorously abided by”.</i> • <i>“... Our five funded projects (Kidz Alive, International Citizens Services (DFID), Youth Alive, Social Cohesion, and Link Care) are audited by reputed auditing firms, annual audits have been conducted. In 2013/2014 Mozars was employed and 2015/2016. Moore Stephens was also employed”</i> •
	IA9	Project Manager	1	<ul style="list-style-type: none"> • <i>“The ability of Zoë life to demonstrate projects impacts is crucial in attracting New Donors and to maintain its funders and to secure donors’ funding”</i> • <i>“... Our five funded projects (Kidz Alive, International Citizens Services (DFID), Youth Alive, Social Cohesion, and Link Care) are audited by reputed auditing firms, annual audits have been conducted. In 2013/2014 Mozars was employed and 2015/2016. Moore Stephens was also employed”</i>
				<ul style="list-style-type: none"> • <i>“In terms of performance against budgets and financial reports, are we</i>

	IA10	Project Manager	1		<p><i>raising as much as what we intended, are we spending as much as what we planned, are we spending on the right sort of thing and... so, within Zoë-Life, we have a monthly and yearly reporting and reflection system which is relatively robust now which [enables] us ... to make sound decisions”</i></p> <ul style="list-style-type: none"> • <i>“... Our five funded projects (Kidz Alive, International Citizens Services (DFID), Youth Alive, Social Cohesion, and Link Care) are audited by reputed auditing firms, annual audits have been conducted. In 2013/2014 Mozars was employed and 2015/2016. Moore Stephens was also employed”</i>
	IA11	Project Manager	1		<ul style="list-style-type: none"> • <i>“Zoë life has not standardised its financial performance measurement system. Rather Donors specify their financial reporting requirements specific to the projects they fund. Projects performance are not assessed through reports that might be submitted to DSD. Rather Zoë life usually assessed through impact made, planned activities and realised activities goals achieved”.</i> • <i>“ we have sound financial guidelines stipulated in the constitution and in financial policy and procedures, but some of them were just there [with no practical implications]... look for example in our financial policy accounting and record keeping does not clearly show the accounting standards we can really rely on”</i> • <i>“... Our five funded projects (Kidz Alive, International Citizens Services (DFID), Youth Alive, Social Cohesion, and Link Care) are audited by reputed auditing firms, annual audits have been conducted. In 2013/2014 Mozars was employed and 2015/2016. Moore Stephens was also employed”</i>
	IA12	Project Manager	1		<ul style="list-style-type: none"> • <i>“.....Zoë life has not standardised its financial performance measurement system. Rather Donors specify their financial reporting requirements specific to the projects they fund. Projects performance are not assessed through reports that might be submitted to DSD. Rather Zoë life usually assessed through impact made, planned activities and realised activities goals achieved”.</i> • <i>“... Our five funded projects (Kidz Alive, International Citizens Services (DFID), Youth Alive, Social Cohesion, and Link Care) are audited by reputed auditing firms, annual audits have been conducted. In 2013/2014</i>

					<i>Mozars was employed and 2015/2016. Moore Stephens was also employed”</i>
	IA13	Project Manager	1		<ul style="list-style-type: none"> • “ we have sound financial guidelines stipulated in the constitution and in financial policy and procedures, but some of them were just there [with no practical implications] ... look for example in our financial policy accounting and record keeping does not clearly show the accounting standards we can really rely on ” • “... Our five funded projects (Kidz Alive, International Citizens Services (DFID), Youth Alive, Social Cohesion, and Link Care) are audited by reputed auditing firms, annual audits have been conducted. In 2013/2014 Mozars was employed and 2015/2016. Moore Stephens was also employed”
	IA14	Project Manager	1		<ul style="list-style-type: none"> • “Programmes, projects and operations of Zoë life are heavily dependent on funders’ financial contributions or donor grants. Therefore, Zoë life’s Funders possess substantial power associated with their conferring of financial and non-financial to Zoë life” • “.....accounting policies, procedures and guidelines had not been rigorously abided by”. • “... Our five funded projects (Kidz Alive, International Citizens Services (DFID), Youth Alive, Social Cohesion, and Link Care) are audited by reputed auditing firms, annual audits have been conducted. In 2013/2014 Mozars was employed and 2015/2016. Moore Stephens was also employed”
	IA15	Project Manager	1		<ul style="list-style-type: none"> • “In terms of performance against budgets and financial reports, are we raising as much as what we intended, are we spending as much as what we planned, are we spending on the right sort of thing and... so, within Zoë-Life, we have a monthly and yearly reporting and reflection system which is relatively robust now which [enables] us ... to make sound decisions” • “... we have sound financial guidelines stipulated in the constitution and in financial policy and procedures, but some of them were just there [with no practical implications] ... look for example in our financial policy accounting and record keeping does not clearly show the accounting standards we can really rely on ” • “... Our five funded projects (Kidz Alive, International Citizens Services

					<i>(DFID), Youth Alive, Social Cohesion, and Link Care) are audited by reputed auditing firms, annual audits have been conducted. In 2013/2014 Mozars was employed and 2015/2016. Moore Stephens was also employed”</i>
Total interviews				24	

