Australian Government

Australian Accounting Standards Board

AASB RESEARCH REPORT 16

FINANCIAL REPORTING BY NON-CORPORATE OR SMALL ENTITIES

(Public Sector Entities, Private Sector SMEs, Not-for-Profits including Charities and Non-Government Organisations)

April 2021

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Acknowledgements

Any errors or omissions remain the responsibility of the principal authors.

AASB Research Report Series

The AASB Research Centre publishes the AASB Research Report Series, which promotes thought leadership in external reporting standard-setting and policy making through in-depth analysis of financial reporting issues and related empirical research.

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EXECUTIVE SUMMARY

This research report presents an overview of the academic literature on financial reporting by non-corporate and small entities. It has the overall objective of answering key questions about the coverage of their reports, their user and stakeholder needs, and their compliance and regulatory oversight.

The report has been prepared for the Australian Accounting Standards Board (AASB) to describe and synthesise existing academic literature on financial reporting by public sector entities, private sector small and medium-sized entities (SMEs), not-for-profit entities including charities, and non-government organisations in Australia, New Zealand (NZ), the United Kingdom (UK), Europe and the United States of America (US). The report focuses on the published academic literature spanning the period 1990 – 2019, and provides an annotated bibliography of that literature in Appendix 1. Appendix 2 summarises 33 professional reports that focus specifically on charities.[2]

As well as summarising what is known, this report also describes the gaps in the literature, and it is intended that the identification of such gaps will direct future researchers to topics of interest to the AASB for which there is little or no academic evidence.

This report provides answers to the following questions:

- What is the suggested coverage of the entities' financial reporting?
- What are the user and stakeholder needs from financial reports?
- Is there compliance with financial reporting standards and regulatory oversight of these entities?

Key Findings:

- With regard to which entities should report and in how much detail:
    - There is some consensus in the academic literature about the:
        - mismatch between the needs of users and the information that is reported (often for compliance purposes) by non-corporate and small entities
        - difficulties applying a conceptual framework targeted at for-profit entities to the reporting of not-for-profit entities.
    - Authors highlight the importance of:
        - both financial and non-financial information
        - mandatory reporting requirements

[2] Professional reports are out of the scope of this report. However, to provide a comprehensive picture about financial reporting requirements for the charities sector, authors included Appendix 2 an annotated bibliography of professional reports and related web sites, which include the provision of guidelines for the new requirements for accounting and reporting in the charity sector from professional accounting bodies, accounting firms and other stakeholders.

        - oversight by large donors, auditors and government authorities.
    - Some authors raise concerns regarding the compliance burden that detailed reporting requirements will place on small entities.

- There is little research on the question of whether general purpose financial reports are required by users and resource providers in these sectors. In the public sector, GAAP is preferred over cash or statistical reporting, as is IFRS preferred over cash reporting in a New Zealand study[3]. There appears to be support for the inclusion of budgetary and infrastructure reporting. Some users seek information to monitor management.
- It is recognised by several studies that large donors are able to obtain the information required, whereas other users are restricted to financial reports. Non-financial information is wanted, and narrative reporting is valued. Performance information is also sought, although defining performance is an open question.
- The academic literature highlights breaches in compliance and misrepresentation in the financial reporting in this sector. Examples include late filing of financial statements, poor coverage of environmental issues, and diversity in reporting of art and heritage assets. This sector is subject to financial and reputational incentives to misreport, just like the for-profit sector.

Notwithstanding the wide search of the academic literature performed (a total of over 400 articles were surveyed to arrive at the list included in the annotated bibliography), the literature does not directly address the reporting requirements for these sectors, nor does it offer a lot of guidance regarding regulation.

The findings of this report will be of interest to regulators including standard setters, and researchers. It is particularly relevant to the Australian Accounting Standards Board's Not-for-Profit Private Sector Financial Reporting Framework project. It is recommended that, as a matter of policy, the standard setters connect better with academic researchers to address significant gaps in the literature. Addressing existing gaps in the literature is a critical part of evidence-informed standard-setting.

[3] New Zealand now uses IPSAS as its base for the public sector.

Contents

1. Introduction

The types of entities covered in this literature review - public sector entities, private sector small and medium-sized entities (SMEs), not-for-profit entities and non-government organisations - are significant contributors to the Australian economy.

Small businesses (defined as having a turnover of less than $2 million and employing fewer than 20 people) employ a large number of Australian citizens. For example, recent figures indicate that there are close to five million people working in small businesses[4]. Small businesses account for more than nine out of ten businesses in Australia and return approximately 33 per cent of total GDP, and around 12 per cent of the country's tax revenue[5]. Their 51,000 medium-sized counterparts (fewer than 200 employees) account for 2.4 per cent of all firms.

The Australian Government Department of Finance identifies 188 non-corporate Commonwealth entities and companies as at 1 January 2021[6]. These entities are a subset of a larger register of 1,311 bodies that constitute the General Government Sector[7].

According to the Australian Charities and Not-for Profits Commission (ACNC), there are around 58,800[8] registered charities in Australia, and this number is growing at a rate of around four per cent per annum. This growth rate is "faster than population growth and business formation" in Australia, but around two-thirds of the charities included in this number are small (having an annual revenue of less than $250,000) and have operations in only one state. Registered charities include diverse organisations like non-government schools, childcare centres, universities and religious institutions[9].

The next section reports on the scope and method of this report, followed by sections which address the research questions posed below. The report concludes with a summary and suggestions for future research.

Research Questions:

What is the suggested coverage of the entities' financial reporting?

- Which entities should lodge reports?
- How much detail should they report?
- Is any supplementary reporting suggested?

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[4] https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1819/SmallBusinessSector#_Toc527009247, accessed 11 September 2019.
[5] https://www.asbfeo.gov.au/sites/default/files/Small_Business_Statistical_Report-Final.pdf, accessed 11 September 2019.
[6] https://www.finance.gov.au/sites/default/files/2021-02/Flipchart%20Jan%202021%20FINAL%20v2.pdf, accessed 7 April 2021.
[7] https://www.directory.gov.au/reports/australian-government-organisations-register, accessed 7 April 2021.
[8] https://www.acnc.gov.au/, accessed 23 April 2021
[9] https://www.acnc.gov.au/for-public/understanding-charities/are-there-too-many-charities-australia, accessed 11 September 2019.

What are the needs of different users and stakeholders?

- Are there users and stakeholders who require general purpose financial reporting information?
- Do different users and stakeholders require specific and differentiated financial reporting information?
- What is the public interest in the entities' financial reporting?

What is the compliance and regulatory oversight of financial reporting by the entities?

- What is the compliance rate of the entities with these requirements?
- What is the role and impact of auditors?

2. Scope and method of this report

This report covers reporting by public sector entities, private sector small and medium-sized entities (SMEs), not-for-profit entities including charities, and non-government organisations in a number of jurisdictions, primarily the UK, Europe, New Zealand, the US and Australia.

An extensive keyword search (with a focus on "Accounting") for each type of entity's financial reporting was conducted over papers published in a wide range of national and international academic journals in the thirty-year period between 1990 and 2019. This search produced an initial list of over 400 papers, which was reduced by the authors to about 80 papers, based on the relevance of each paper to the purposes of this report. Finally, the relevant papers were classified by type of entity, by country and by research question.

3. Suggested coverage of financial reporting

In this section, we summarise academic research that has provided guidance or assessed the impact of the coverage of entities' financial reporting; that is, which entities should lodge reports, how much detail should they report, and is any supplementary reporting suggested?

3.1 Public sector entities

Van Peursem and Pratt (1998) examine financial reporting by New Zealand public hospitals and conclude that improved reporting would include non-financial accomplishments, removing revenue disclosure, disclosing non-financial resources and obligations, alternative asset valuations, and providing budgetary information and further disaggregation.

Several studies have called for a rethink of the conceptual framework for public sector entity reporting. McCrae and Aiken (2000) argue that the application of commercial accounting concepts of asset valuation, depreciation and capital maintenance produces generational bias in government accounting. They propose an alternative 'flow of obligations' approach that does not require reference to valuations of community service resources or cost allocations. Christiaens and Rommel (2008) propose that accrual accounting in government will only succeed in business-like parts of government activities.

An issue with performance reporting in public sector organisations identified by Connolly and Hyndman (2004) is that much of this performance information is not independently verified. They suggest that guidance relating to performance information is needed for reports to be useful, and that this guidance could be provided by government bodies. Ryan, Mack, Tooley and Irvine (2014) call for broader NFP-specific accountability and reporting practices, including the provision of financial and non-financial reporting.

3.2 Private sector SMEs

We did not identify any research examining the suggested coverage of SMEs financial reporting, no doubt partly because of the diversity of what is reported.

3.3 Not-for-profit entities

The literature contains support for better articulated and mandated requirements for financial reporting in the NFP sector. Concerns are raised about charities adequately discharging their responsibility for accountability in their financial reports. There is evidence that supplementary reporting on non-financial performance would meet the information needs of donors.

The conclusion from research into the level of detail that should be included in charities' reporting is that users prefer non-financial to financial information. The seminal works of Hyndman (1990, 1991) found that there was a significant difference in the UK between the information needs of contributors and what was generally provided to them, which the authors call the "relevance gap". The six highest-ranked information types that are useful for contributors in assessing performance are predominantly non-financial in nature, and this information is generally not disclosed by charities. The 1990 paper also concludes that, if financial statements are disclosed, contributors would be better served by simplified (rather than traditional) audited financial statements.

In a more recent study, the results of Harris, Petrovits and Yetman (2015) also support the notion that accountability is important to donors and yet variable in the charity sector. They find that donors reward non-profit organisations that make their financial information more readily available on the charity's website and provide the name of a person to contact.

In an internet survey/experiment, McDowell, Wei and Smith (2013) directly examine donors' information needs and uses of financial and non-financial information. They cite literature (e.g. Hyndman, 1990, 1991; Hooper, Sinclair, Hui and Mataira ,2008) which finds that charities report financial data in order to meet the information needs of government regulators rather than contributors. Hyndman (1990) suggests that individual donors would be primarily interested in non-financial information because these donors make donations for altruistic rather than economic reasons.

McDowell et al.'s (2013) results indicate that individual donors both need and use non-financial information on non-profit organisations. Donors are more likely to acquire non-financial information and integrate it into their decisions, as indicated by their chosen donations being significantly correlated with such information. While they also acquire financial efficiency measures, such as expense ratios, they do not seem to integrate such information into their decisions.

Hines and Jones (1992) examine whether Statement of Recommended Accounting Practice 2 *Accounting by Charities* issued by Accounting Standards Committee in 1988 (SORP2) had a significant impact on accounting practices of UK charities in the period after its introduction in 1988. Their finding of little impact revealed a preference by charities for compliance only when the charities agree with the practice in question, which indicates a lack of appreciation of the need to be accountable. For example, charities were reluctant to implement recommendations relating to capitalisation and depreciation of fixed assets, and disclosure of details about publicity and fund-raising expenses.

Lee (2004) supports the call for public accountability for NFP entities using the argument that the public at large is a stakeholder through the substantial taxpayer subsidy for the sector.

In 2008, an Australian Senate Economics Standing Committee inquiry was conducted into the disclosure regimes of charities and NFP entities. A content analysis of the submissions by Palmer (2013) highlighted the importance but also the deficiencies in current NFP reporting, in terms of consistency, efficiency and transparency. There was support for a sector-specific standard, with some relief for smaller NFPs that would find the costs of compliance too high.

A 2007 study conducted by Kilcullen, Hancock and Izan examines the regulatory financial reporting requirements in the NFP sectors in the US, Canada, the UK, New Zealand and Australia. This study identifies “a lack of clarity in the definition of a NFP entity under Australian Accounting standards” (Kilcullen et al., 2007, p. 26). In particular, the study finds the AASB definition of a NFP entity has “difficulty in identifying the principal objective of an entity” and, “together with the availability of alternative defining characteristics, makes this a significant issue for NFP entities reporting under the AIFRS” (Kilcullen et al., 2007, p. 31). The study also calls for inclusion of additional non-financial information, comparative information, budget and performance targets, segment and related party reporting, and measurement and disclosure information for non-reciprocal transfers.

Boateng, Akamavi and Ndoro (2016, p. 60) attempt to create a “parsimonious set of measures of performance” using data gathered from interviews and surveys of CEOs in England, Wales and Scotland. Their final list of twenty indicators underlines the conclusion that it is difficult to find a single performance measure for all charities. Importantly, non-financial measures are prominently included in this list of indicators. Using factor analysis, these authors conclude that five factors: financial measures, client/customer satisfaction, management effectiveness, stakeholder involvement and benchmarking can explain 71.68 per cent of the performance of charities.

In the specific sector of schooling, Tooley and Guthrie (2007) call for more disclosures, and more financial and non-financial performance indicators and measures.

Should there be international standards that apply to reporting in the NFP sector? Crawford, Morgan and Cordery (2018) provide evidence from respondents familiar with NFP reporting that international financial reporting standards for NFP are needed, for the purposes of accountability upwards to external funders and regulators. Breen, Cordery, Crawford and Morgan (2018) survey 605 stakeholders from 179 countries and find support for international standards for NFP but notes the need to decide whether such standards would apply to all NFPs or only those above a certain size, and whether they would be mandatory. Cordery, Sim, and van Zijl (2017) document the current requirements for filing with government authorities across Australia, Canada, New Zealand, Singapore and all countries in Great Britain, finding as follows:

Australia	Canada	England and Wales	Ireland	New Zealand	Scotland	Singapore
annual revenue >$250 000, excluding religious charities	all charities	all unless revenue < £25 000	all except education charities	all charities	all charities	registration is voluntary but required for tax deductibility status; special requirements for charities with expenditure >£500 000

McConville & Cordery (2018) identify differences in reporting between Australia, New Zealand, the UK and the US. They report that regulatory approaches range from 'command and control' to market regulation.

In 1992, Falk identified the differences between for-profit and not-for-profit entities that lead to an accounting framework that is consistent with both the nature of NFP entities and the nature of the decision to donate. Gordon and Khumawala (1999, pp.53-54) develop a model that shows that standard-setters should mandate disclosures that help donors to evaluate the performance of NFP entities. They also conclude that independent auditors would assist in this process. "Implications of particular interest to standard setters include the importance of comparability and the need to devote special attention to, and perhaps additional disclosure requirements for, the types of entities that solicit contributions from people who will not directly or indirectly benefit from their gifts … standard setters should mandate disclosures that aid donors in evaluating the performance of the organizations."

Anthony (1995) critiques the application of accounting standards for charities in the US, taking particular issue with one major difference between non-profit organisations and businesses, which is the source of their equity capital. Ryan et al. (2014) suggest that a specific conceptual framework based on an accountability rather than a decision-usefulness objective needs to be developed for NFP entities. Using examples unique to NFP entities, these authors demonstrate that the existing conceptual frameworks do not work for entities without a profit or political and social imperative. These examples are non-reciprocal or non-exchange transfers from donors that have conditions or restrictions attached (a control issue – are these income or unearned income?) and valuing the contributions of volunteers.

Parsons has written a series of papers (2003, 2007, 2017) supporting an accounting framework for NFP entities and reporting of financial performance measures, which it is claimed will increase the level of donations. Her 2003 paper (Parsons, 2003) examines the value relevance of accounting in the donor's decision to donate funds. Using arguments derived from literature about the key similarities and differences between for-profit (FP) and NFP entities, Parsons (2003) seeks to unpack the ability of a system designed for for-profit entities to provide sufficient value relevant data for decision makers in not-for-profit entities. For example, similarities include equating the economic goals of both types of entities (profit and surplus are the same), similar treatment of long-term assets, and the notion of contribution to society in not-for-profits as similar to the impact of profitability in for-profit entities. Differences include the purpose of long-term assets (i.e. they do not necessarily generate a return or future cash flows in a not-for-profit), even if they are costly to acquire – indeed they may even be net expenditures if they require significant maintenance. Restricted donor funds require additional disclosure and do not have a counterpart in for-profit entities.

In the literature cited by Parsons (2003), efficiency and effectiveness are identified as key performance indicators for donors and regulators in this sector. Efficiency is defined as "the ability to provide the greatest amount of services with the least level of resources". Various measures cited include the ratio of resources used to produce a service (inputs) to the services produced (outputs). Operational efficiency is a restricted version of this as it measures the degree to which resources are directed to the pursuit of the mission of the organisation. Price is another example – the after-tax cost from one donated dollar for purchasing output to beneficiaries, or the percentage of resources that are actually spent on the cause rather than on administration of the not-for-profit. Other useful efficiency measures include volunteered time, external ratings, fundraising ratio (fundraising expense divided by total donations revenue) and percentage of funds used for administration.

Effectiveness is difficult to quantify (Parsons, 2003), and relates to how well a not-for-profit satisfies donor wants and needs. Suggested measures include non-financial ratios like level of improvement in constituents or the problem identified in the mission, number of satisfied beneficiaries, improvement in demographic data, and output measures (like SEA disclosures). There is some evidence that non-financial performance measures aid in decision making by donors.

A third factor identified by Parsons (2003) as important to donors is financial stability (similar to the for-profit notion of a 'going concern'). Measures suggested here include four specific indices: 'adequacy of equity' (ratio of net assets to total revenue used to find the number of periods of revenue held by the not-for-profit), 'revenue concentration' (similar to the Herfindahl index using the number of revenue providers), 'level of administrative costs' (ratio of administrative expenses to total expenses), and 'operating margins' (revenues less expenses, divided by revenues). Three of these have been found by Greenlee and Trussel (2000) to be good predictors of financial vulnerability in not-for-profits (the exclusion is adequacy of equity) and two (adequacy of equity and operating margin) have been found to be good indicators of financial distress (Trussel and Greenlee, 2004).

Parsons experimentally tests the ability of accounting information and non-financial information by donors to reduce uncertainty (Parsons, 2007). While participants in the experiment reported the non-financial disclosures to be useful for making decisions, there was no conclusive finding that such data helps to determine whether to give or how much to give. Donors who had previously donated found positive financial accounting information doubled the likelihood of repeating a donation. Parsons (2007) posits that this equates to a reduction in perceived uncertainty for these donors.

3.4 Non-government organisations

Murtaza (2012) highlights an issue peculiar to the NGO sector, which is how accounting reports can contribute to or detract from advocacy. This article finds that current accountability approaches prioritise accountability to boards and donors over accountability to communities, despite rhetoric to the contrary.

4. Needs of users and resource providers

In this section, we examine research that considers whether users and resource providers for the four types of entities require general purpose financial reports, and/or whether they might require specific and differentiated financial reporting information.

4.1 Public sector entities

There is limited research evidence on uses of public sector financial reports by external users or by managers.

In the context of performance reporting in Spain, Brusca and Montesinos (2013) report that managers of local government authorities do not use performance indicators for decision making or accountability. They report that budgetary reporting is the most useful because it is the means by which budgetary expenditure is controlled. However, Barnes and Lord (2017) report that the managers of local government authorities in New Zealand plan and provide for infrastructure while taking into account the needs of current and future communities. Laswad and Botica Redmayne (2015) find that preparers of public sector financial reports perceive that the primary user is management. As these authors state, "this finding is interesting as neither IASB nor IPSAS frameworks include 'management' as a primary user … such reports are aimed at external parties" (Laswad and Botica Redmayne, 2015, p. 182). The respondents to their survey (preparers) identified the income statement to be the most important statement and considered that the benefits of producing these statements outweigh the cost.

In an Australian setting, Kober, Lee and Ng (2010) compare the usefulness of three accounting systems (cash, GAAP and Government Finance Statistics) for public sector decision making. They survey internal users, external users and preparers, and conclude that GAAP is more useful and understandable. This conclusion is supported by Laswad and Botica Redmayne (2015), who surveyed preparers and find support for IFRS as the basis of reporting in the New Zealand public sector.

In their study related to Malaysian local authorities, Tooley, Hooks and Basnan (2010) take a broad stakeholder perspective and assert that stakeholders are entitled to accountability via the provision of information about the performance and condition of the reporting entity. They examine the informational items and disclosures considered important to internal users (managers, employees and councillors of local authorities) and external users (the general public with an identifiable relationship with the authority, state government and creditors). These categories of respondents similarly identified statement of revenue and expenditure items to be more important than items in the balance sheet or cash flow statement. Non-financial items deemed very important included future plans and future performance targets, closely followed by information about future capital investments and impact measures (Tooley et al., 2010, p. 113). Management, councillors, employees and the public have a keen interest in the intentions of the local council and in measurement of success at achieving those intentions. Creditors appear less interested in solvency than in the performance of the council in society. State government interest focuses on the present management of cash flows and service delivery.

4.2 Private sector SMEs

There is limited research evidence on uses of private sector SMEs financial reports by external users.

A quantitative study by Palazuelos, Crespo and del Corte (2018) of bank officers' decisions in Spain finds that they are more willing to provide credit if they perceive high accounting information quality, and if the accounts are audited.

Ehalaiye, Laswad, Botica Redmayne, Stent and Cai (2018) examine the perceptions of users of financial reports of for-profit entities with public accountability in New Zealand and compare these perceptions with users of financial reports of private entities. Both types of users indicate that financial statements are most important for decision making, with the income statement and balance sheet identified as the most important financial statements, followed by the cash flow statements and the notes. Further, they find that users of statements produced by for-profit entities with public accountability are most concerned with the making of equity and debt investments. Notes to the financial statements for these entities are less useful because they are difficult to read. These users also place importance on advisor and analyst reports, and have significantly more interest in supplementary information, despite their easier access to more information than private sector users. The types of supplementary information of interest to both sets of users include information about business strategies and future prospects. This study identifies that private sector report users are interested in monitoring management performance. This is attributed to the closely-held shareholdings in these entities and a relatively lower debt percentage when compared with public entities. These users place relatively more importance on the financial statements than their public sector counterparts. There is a mix of other needs identified for users of these statements, including "compliance with regulations and tax, assessing the performance of the organisation, evaluation of projects and monitoring compliance of covenants". Particularly, this also supports the notion that SMEs are not motivated to provide internationally comparative financial statements. Since private sector users are less able to access information, they place high importance on narratives explaining the entity's performance and financial position.

Similarly, Erdogan's (2018) study of the requirements of SME bankers finds that financial reports are not kept well by SMEs and the lack of such reliable financial data limits the ability of banks to make loan provision decisions. This study cites evidence of bank managers describing information about SMEs' equity base, revenue, profitability, debt structures, net-working capital, property holdings and cash generation power as important in decisions regarding loans for SMEs. Bankers assessed the short-term borrowing capacity of SMEs by examining maturity of trade receivables. Other non-financial considerations included reliability of the company and owners, relationship and duration of relationship with the bank, industry, firm age and experience, and the existence of clear planning.

4.3 Not-for-profit entities

There is a body of literature supporting the use of accrual accounting in the not-for-profit sector in order to provide useful information to encourage donors and assure or support regulators. For example, Thornton and Belski (2010) find that more accurate financial reporting is rewarded by donors to NFP entities and improves their disciplining of NFP entities by their allocation of donations. Calabrese (2011) provides empirical evidence to support demand by the public for accrual based financial reporting.

Gordon, Khumawala, Kraut and Neely (2010) provide a list of best practices for not-for-profits to meet user needs of completeness, accessibility, transparency, full disclosure and relevance. These are audited financial statements including an auditor's opinion, the disclosure of a "classified balance sheet, thoughtful subtotals on the statement of activities if needed, a statement of cash flows prepared using the direct method, a statement of functional expenses, and as much clarity in the notes as possible, such as roll-forward tabular disclosures of changes in restricted net assets", complete disclosure of related-party and non-mission focussed expenditure, and tabulated non-financial performance data.

However, we note that many researchers and standard setters assume that accrual accounting is needed to provide good financial management and accountability to stakeholders and regulators, and information for strategic decision making. Whilst the internal uses of financial accounting information in charities should be similar to those in for-profit organisations, it is not clear that the classification of line items and accounting standards applying to charities should mirror those of for-profits in the production of general purpose financial reports for external use. On the other hand, there is limited research showing that they should not.

One paper that does address this question is a working paper by Jetty and Beattie (2008). Taking the perspective of report preparers, and using a grounded theory approach, the researchers conducted interviews examining views of the drivers and role of external disclosure. Preparers view legal requirements as the primary driver of disclosures, which they find burdensome. They doubt that there are many readers of their annual reports, primarily because they consider potential readers to be financially unsophisticated. In its conclusions, the paper states, "... the preparers' views imply the existence of an expectations gap between what regulators and preparers perceive as useful and transparent information and effective reporting documents" (Jetty and Beattie, 2008, p. 16).

Would some stakeholders' needs be better met with specific and differentiated financial reporting information? We have not found any research related specifically to this question but note, as in our discussion of the needs of users, resource providers and the general public, the suggestions of Hyndman (1990 and 1991) and McDowell et al. (2013) that supplementary reporting on non-financial performance would meet the information needs of donors. McDowell et al. (2013) find that donors to charities are more likely to use non-financial information to guide their giving than financial information.

A study by Connolly and Hyndman (2013) seeks to identify the stakeholders of charity reporting, their information needs and whether or not these are being met. The study identifies donors as the most important stakeholder group for a charity to account to, followed by beneficiaries. Regarding information needs, in earlier research Hyndman (1990) had identified the seven most important information types for donors; statement of charity goals, information on problem or need areas, administration cost percentage, statement of current objectives, measures of output, measures of efficiency, and statement of future objectives. This earlier study found these disclosures were not evenly dispersed in the annual report and annual reviews, and that many charities were not discharging their accountability, particularly for organisational efficiency. In a comparison of results between Hyndman (1990) and Connolly and Hyndman (2013), the latter study found that the quantum of reporting of the information types in annual reports had increased over time. Interestingly, Hyndman (1990) notes that the audited annual financial report has limited importance to donors, who prefer the information disclosed in the annual review. Donors also find one of the most frequently disclosed types of information – list of charity officers – to be of low importance. Suggestions from the author include reviewing the formal communication channels through which charities provide information to their stakeholders, with particular emphasis on stemming the increasing complexity and length of annual reports when that information is not favoured by donors.

He also suggests that performance reporting, while progressing, still needs improvement, as does the reporting on administration cost percentage.

Extending on the above, a related paper by Connolly and Hyndman (2016) focuses specifically on the relevance of commonly disclosed information from formal charity communications to the information needs of donors as a key stakeholder group. This research seeks to unpack the notion of accountability for donors, and notes that donors appear to link accountability to a demonstration that the money donated to the charity has been spent appropriately according to the purpose of the charity. Donors also link accountability to stewardship and appropriate spending. It is clear from the study that small donors surveyed prefer narrative to formal audited communications. Audited financial reports are nevertheless considered important in the sense that they act as a legitimising discipline on the activities of the charity. Cordery and Baskerville (2011) note that charities focus on the needs of larger donors, rather than smaller donors.

A study of the particular needs of larger government and philanthropic organisations in New Zealand conducted by Yang, Northcott and Sinclair (2017) finds that these larger donors have the size and influence to shape accountability reporting in the charities they support. Their size and influence empower these donors to coercively insist on the provision of background information in their grant application forms. They are also able to access internal information like budgets and budget variance reports. They can insist on separate identification of their contribution and reporting on how it is spent. Sanctions are imposed to enforce the provision of accountability information including short- and long-term non-financial data like “achieved outputs, achieved outcomes and results-based accountability reports”. These larger funders are also actively involved in the improvement of the performance information they receive, by the provision of education in the form of workshops, training and mentoring.

Particular needs identified by Yang et al. (2017) include background, financial and non-financial information. A surprising finding is the “disconnect between the information that is (coercively) required by these funders and the information perceived as needed; outputs information is seen as less important than outcomes information, the reporting of long-term outcomes is encouraged, despite the challenges of capturing long-term effects, and unintended outcomes are also perceived as necessary in telling a charity’s accountability story. The disclosure of unintended outcomes also seems likely to enable funder-charity dialogue and learning around innovation, and to further trust-building that can support the formal reporting aspects of accountability relationships”.

Another view of a specific user group, this time the Accounting and Finance Faculty members of not-for-profit universities, is presented by Hudack and Tyler (2004). These authors find that academic users attribute a moderate-to-high degree of usefulness to GAAP-based financial performance information and a specifically tailored Stakeholder Allocation Statement (SAS). These users preferred the SAS to the GAAP-based financial statements and this was particularly evident for tenured academics.

4.4 Non-government organisations

No studies have been identified that address the actual needs of users of NGOs financial reports.

However, Assad and Goddard (2010) identify users as overseas donors and establish that these donors have the ability to influence accounting practices within NGO organisations to the extent that they provide accounting information to satisfy the donors' claims, but do not use it within the organisations for internal decision making.

5. Compliance and regulatory oversight of financial reporting by the entities

In this section, we overview research that has examined how entities' financial reporting has responded to regulatory oversight.

5.1 Public sector entities

In general, research into public sector entities in a range of countries finds serious gaps between either what is required or what is appropriate and what is actually reported, in each case undermining the effectiveness and relevance of accounting reporting in public sector entities.

The coverage of local council annual reports has been found to be lacking. English local government authorities do not report on environmental issues even though they are important considerations in their decision making. Bowerman and Hutchinson (1998) report that relevant decisions are made politically and informally, with a limited role for accountants.

In Australia, Ryan, Stanley and Nelson (2002) examine the quality of local councils' annual reports, finding that, although the quality has improved over time, there are significant gaps on aspects of corporate governance, remuneration of executive staff and personnel, occupational health and safety, equal opportunity policies, and performance information. The financial statements of the Australian Department of Defence are claimed to seriously misrepresent its financial performance and position by Barton (2004). It is funded by budget appropriation but is required to report as a commercial business.

Looking at the reports of cities in various European counties, Adam, Massari and Jones (2011) identify significant diversity between actual practices and the norms imposed by national policy-makers or set by IPSAS (International Public Sector Accounting Standards Board). In particular, the authors found that art and heritage assets were frequently excluded from city financial statements, compromising comparability of statements between countries and even between cities.

5.2 Private sector SMEs

There is limited evidence on the requirements of SMEs. In the absence of any regulation, Atkins (2015) suggests that a form of integrated reporting, in the form of private social and environmental reporting, is beginning to emerge. However, Vanstraelen and Schelleman (2017) argue against mandatory audits for all private companies.

5.3 Not-for-profit entities

What is the compliance rate of charities with mandatory financial reporting requirements? Are reports timely? What factors improved reporting compliance? There is mixed evidence even when the question is examined in one country (UK), and an overall absence of evidence that indicates strong compliance under any circumstances by these entities.

Reheul, Van Caneghem and Verbruggen (2014) report that 17 per cent of their sample of Belgian not-for-profit entities do not file their financial statements within the legal time frame. They cite accounting regulations that delay the reporting process as a key factor in this failure. Similarly, Burks (2015, p. 341) notes that reported errors in public charities is "60 percent higher than that of publicly-traded corporations, and almost twice as high as that of similar-sized corporations", and also that those errors are given low visibility in the financial reports. However, charities are less likely to report errors if audited by a Big 4 or second-tier auditor.

Two early studies by Palmer, Isaacs and D'Silva (2001) and Hines and Jones (1992) into reporting under the UK's SORP found that compliance was variable at best. As reported earlier, Hines and Jones (1992) opined that compliance happened only when the charities agreed with the accounting practice in question. Hines and Jones (1992) concluded by recommending either mandatory pronouncements or government legislation, on the basis that a voluntary code such as SORP2 had little impact. However, a later study of the impact of SORP by Connolly and Hyndman (2000) contradicted these findings, concluding that charity accounting did eventually improve significantly but the effect was not immediately following the introduction of the SORPs.

One of the earliest comprehensive studies of charities, by Newberry (1993), identified particular problems of NZ charities complying with accounting standards and evaluated whether a separate standard for charities was required. This report noted accounting issues with the consistent treatment of revenue, reporting format and classifications, donations and restrictions, and subsidiaries and connected entities. Later studies demonstrate that these problems have persisted. Hooper et al. (2008) provide a list of areas of ambiguity with respect to NZ charity reporting: fund accounting, treatment of fixed assets, accounting basis and fund-raising expenses. Van Staden and Heslop (2009) investigate the practical and conceptual difficulties caused by applying a private-sector-based reporting model to the not-for-profit sector, using data from NZ charities between 2003 and 2007. Similar to other NZ studies, they report two different treatments of charitable distributions, as detailed above. The majority report them in the Statement of Financial Performance (as expenses), an approach that is conceptually justifiable and complies with international best practice (and is agreed to by Van Staden and Heslop). However, they also find that a significant (but decreasing) minority of the entities report charitable distributions in the Statement of Movements in Equity (and therefore report higher surpluses). The paper notes that these two approaches lead to very different results, yet apparently both are acceptable by the entities and their auditors. Among their conclusions is a concern for the understandability and comparability of the financial reporting by these entities. They question "the suitability of the for-profit sector reporting requirements for the not-for-profit sector" (p 42).

Research by Connolly and Hyndman (2013) indicates an improvement over time in the reporting of information to stakeholders of not-for-profit charities, and attributes this improvement to the intervention by government and non-government oversight bodies. In addition, Hyndman (2010) suggests that the growth in this sector has led to increased scrutiny from interested parties including "government oversight agencies, private donors and foundations, clients, the media and the public at large". Kitching (2009) indicates the importance of quality auditing particularly for smaller donors. However, Szper and Prakash (2011) question the role of charity watchdogs, finding that donors place more reliance on "familiarity, word-of-mouth, or the visibility of the non-profit in their community". In their examination of the specific role of large government and institutional donors, Yang, Northcott and Sinclair (2017) emphasise the important role of these organisations in dissemination of best practice reporting and in stimulating changes in the reporting from the charity sector.

Calabrese (2011) empirically investigates the impact that public and market oversight have on financial reports prepared for not-for-profit organisations in the US. Those organisations, which are required by state or federal legislation to have their statements audited, are found to comply with GAAP and to use accrual accounting methods. Many states in US do not require such oversight, theoretically leaving these organisations with a choice to use cash or accrual. Prior studies indicate a relationship with size, i.e. larger entities are less likely to use cash reporting. In this study, a response is identified to pressure from public officials and regulators that is more nuanced than size. Accrual accounting is demanded by public and market actors. When examining those not-for-profit organisations in the sample that switched from cash to the accrual accounting method, the study finds that increasing public and market oversight has a significant effect on the decision to switch to accrual accounting. It is further found that restrictions placed by donors on gift spending increases the use of accrual accounting in these less-regulated entities, and regular periodic detection powers exerted by Attorney General oversight was also found to be particularly effective.

Contrary to the idealised view of charities as being completely focused on their social goals, a consistent theme in the literature is that charities (not-for-profits) face agency problems in the same ways as for-profit organisations. As early as 1994, Beattie and Jones suggested that managers of charities do face, and respond to, incentives to misreport accounting data. More recently, the agency problems inherent in any organisational structure are applied to charities by Krishnan, Yetman and Yetman (2006). They examined the extent to which misreported expenses were the result of managerial incentives, finding that misreporting is "associated with managerial incentives to garner larger amounts of managerial pay and donations" (p. 418).

Dhanani and Connolly (2012) examine accountability practices of large UK charities through public discourse (statutory annual reports and voluntary annual reviews). Although they employ the ethical model of stakeholder theory, their results prove contrary to this approach. Their results favour the explanation that the charities' accountability practices are motivated by a desire to legitimise their activities and present them in a positive light (contrary to their purposes and values). Legitimation strategies include changing stakeholder perceptions about the organisation without altering internal behavioural practices, amending shareholder expectations to reduce pressure on the organisation, and distraction tactics to divert attention away from contentious issues. This is consistent with the for-profit literature.

By way of explanation, Dhanani and Connolly find that charities face multiple accountability pressures that can compete and conflict with one another. They have adopted pragmatic business practices in response to these increasingly common corporate-like pressures. Similarly, Parsons, Pryor and Roberts (2017) explain that the pressure placed on non-profit managers to manage effectiveness ratios increases with an increase in donor pressure. Donor pressure is increased when donors place restrictions on spending and when donations take the form of government grants. The most popular ratio management practices favoured by managers include "real changes to spending", particularly administrative spending, acceleration of program expenses and manipulation of accounting information. The presence of watchdog organisations is also found to increase pressure on management, whereas this effect is not noted for state regulator oversight or the relative reliance on donations by the organisations.

Turning to compliance encouraged by auditing and auditors, the story is similar to that for accounting standards. An early study on auditor reports of charities' financial reports in 1994/95

(Williams and Palmer, 1998) found that they rarely picked up variations, and were characterised by inertia and a lack of focus on user needs. As reported above, Van Staden and Heslop (2009) identify that the use of more than one approach to accounting for charitable distributions by charities was not noted by auditors.

Yetman and Yetman (2013) recommend compulsory audits of US charities' financial reports to improve the accuracy of their reporting. Their study of years 1998 – 2006 and 2008 concludes that stronger governance of charities would result in more accurately reported charitable ratios, with a particular focus on the charitable expenses to total expenses ratio.

Kitching (2009) examines what gives charities' financial reports credibility. Audit quality affects donor decisions, but more so for smaller rather than larger charities. Credibility can be signalled by a quality auditor or by reputation/size. Similarly, Connolly and Hyndman (2016) find that financial reports are viewed as significant to donors because their production and publication provide legitimacy, even if the relevance of what is disclosed is questionable. Large donors are able to demand individualised information.

Finally, one more recent paper that mentions the issue of threshold criteria for which charities should report and how much should be reported by Cordery et al. (2017) asks, "How can the population of registered charities be segmented to reduce the cost (and impost) of regulation as a step towards greater regulatory efficiency?"

Their Table 1 (pp. 139 – 141) provides a comparison of general charities regulators, number of charities and costs, in April 2014. Their conclusions on thresholds are reached by the use of cluster analysis. They find that not all charities require government oversight – some have primary resource providers who can exercise oversight independent of government regulation and attention. They identify the following types and resourcing of charities: Classic (by donations), Service Providers (by funders of goods and services including government and donations), Members Organisations (by membership), Infrastructure Providers (by rental) and Trust/Grantor (by investments). They propose differentiated regulation according to the main source of revenues and the spread of public contributors.

5.4 Non-government organisations

No studies have been identified that address how the financial reports of NGOs respond to regulatory oversight.

6. Conclusions and recommendations for future research

A thorough review of the academic literature on financial reporting by public sector entities, private sector SMEs, NFPs including charities, and non-government organisations has identified several key themes with related opportunities for more research:

1. The for-profit framework may not be directly applicable to reporting by non-corporates and smaller entities. Required information may be too technical for potential users, and additional non-financial metrics may be as useful or more useful. In addition, not all required information is uniformly provided. Future research could undertake:

   a. A theoretical analysis of the differences between entities in the non-corporate/SME sector, and differences between these entities and for-profit entities to guide future frameworks for reporting to meet users' needs.
   b. A survey of what types of non-financial metrics are most useful to users to guide additional mandated requirements. These requirements may differ between types of entity.
   c. A survey to identify the best performance metrics from a user perspective, including both financial and non-financial aspects of non-corporate/SME operations. These requirements may differ between types of entity.
   d. An empirical analysis across different jurisdictions to identify the best oversight and compliance strategies.
   e. An empirical analysis to determine which entities can bear the costs of complying with additional reporting requirements, and which cannot. The answer may vary between different types of entity, or different sizes, or spread of stakeholders, for example.
2. The reporting of some management-related information may be useful to some users. In addition, some entities may be unaware of the potential value in their financial reports for internal operational monitoring and improvement. Future research could identify:
   a. The current qualifications and need for future training in performance issues by managers.
   b. Executive changes between the for-profit and other sectors, to identify career pathways that maximise outcomes for the other sectors. This will inform selection panels for executive positions in those sectors.
   c. Experimental findings of reporting to stakeholders with different formats and different types of data, to determine the most effective reporting practices.
3. The academic literature highlights breaches in compliance and misrepresentation in the financial reporting in this sector. Future research could undertake:
   a. An analysis of the drivers of non-compliance and misreporting, and any governance mechanisms that are being used across different types and sizes of organisations. Are any organisations using incentives to motive more accurate reporting, for example?
   b. Auditor changes between the for-profit and other sectors, to identify career pathways that maximise outcomes for those sectors. This will educate the audit committee in the selection of the most appropriate auditor.

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Appendix 1: Annotated bibliography of academic literature

A1. What are the needs of users and stakeholders?

Type of entity	Reference	Abstract
Charity	Connolly, C. & Hyndman, N. (2004). "Performance reporting: a comparative study of British and Irish charities." The British Accounting Review **36**(2): 127-154.	The concept of accountability seems inextricably linked with the view that accounting should provide information to satisfy the information needs of users. The user-needs model is now well established as a useful basis for a conceptual framework for charity reporting, and annual reports are recognised as key documents in the discharge of accountability to external users. It has been suggested that both financial information and also performance information should be disclosed to aid the discharge of accountability. However, previous empirical work conducted in Britain found that while audited financial information was most frequently disclosed by charities, users viewed wider performance information as being of greater importance. No comparable work has been conducted in Ireland. This paper focuses on information outside the financial statements and seeks to identify the type and extent of the reporting of performance information by charities in both Britain and Ireland. The main findings of the research are performance reporting by British charities, although limited, is considerably better than that of their Irish counterparts; performance reporting by British charities has increased over time; and large charities (both in Britain and Ireland) provide more extensive performance information than small charities. These findings are discussed in both the context of accountability and in terms of conceivable economic incentives for disclosure. In addition, possible reasons for lower disclosure rates by Irish charities are explored.

Type of entity	Reference	Abstract
Charity	Connolly, C. & Hyndman, N. (2013). "Towards Charity Accountability: Narrowing the gap between provision and needs?" Public Management Review **15**(7): 945-968.	Although charities currently play a rich and varied role in modern society, their continued success is dependent upon the public's trust. With respect to charity accountability, two key questions emerge: to whom is a charity accountable; and what form should that account take? Despite the widespread acceptance that charities should discharge accountability, there is limited knowledge of the relative importance of different stakeholder groups and whether the information currently being disclosed meets their needs. Using extensive document analysis and a survey of stakeholders, this research explores these issues in the context of the top 100 UK fundraising charities. Furthermore, it compares the results with much earlier research to identify changes over time.
Charity	Connolly, C. & Hyndman, N. (2016). "Charity Accountability in the UK: Through the Eyes of the Donor." Qualitative Research in Accounting & Management **10**(3-4): 259-278.	Purpose – The purpose of this paper is to explore accountability from the perspective of charity donors. Design/methodology/approach – The research utilises semi-structured interviews with a range of donors. In addition, it summarises the main findings from key related research (that uses document content analysis and questionnaire surveys) as a basis for better appreciating donor engagement. Findings – This research offers evidence that while donors are viewed as the key stakeholder to whom a charity should be accountable, the relevance of the information commonly disclosed in formal charity communications is questionable. This is viewed as significant in terms of small dependent donors, although less critical in the case of non-dependent large donors who have power to demand individualised information. However, although all donors do not particularly engage with these formal communications, they are viewed by them as having significance and their production and publication serves as an important legitimising tool in the sector (enhancing trust and reputation).

Type of entity	Reference	Abstract
Charity	Cordery, C. J., Sim, D. & van Zijl, T. (2017) "Differentiated regulation: the case of charities." *Accounting & Finance* 57.1: 131-164.	The research reported in this paper asks: How can the population of registered charities be segmented to reduce the cost (and impost) of regulation as a step towards greater regulatory efficiency? They use cluster analysis, and find that not all charities require government oversight – some have primary resource providers who can exercise oversight independent of government regulation and attention. They identify the following types and resourcing of charities: Classic (by donations), Service Providers (by funders of goods and services including government and donations), Members organisations (by membership), Infrastructure providers (by rental) and Trust/Grantor (by investments). They propose differentiated regulation according to the main source of revenues and the spread of public contributors.
Charity	Cordery, C. J. & Baskerville, R. F. (2011). "Charity Transgressions, Trust and Accountability." VOLUNTAS: International Journal of Voluntary and Non-profit Organizations **22**(2): 197-213.	This research demonstrates how sustained charity fraud is supported when organisations do not develop strong accountability links to salient stakeholders. Whilst increased regulation is one response to reduce charity fraud and to increase organisational accountability, regulators seldom recognise the myriad heterogeneous needs of stakeholders. This research explores the tactics employed by beneficiaries and the donating public to escalate their accountability demands on such charities. By preferring the most powerful stakeholders, charities miss the opportunity to design effective processes to discharge accountability to meet their moral obligations to legitimate stakeholders. This article calls for increased 'stakeholder understanding' by charity governors as a policy to recognise the moral rights of these stakeholders and to reduce charity transgressions.
Charity	Harris, E., Petrovits, C. & Yetman, M. (2015). “The Effect of Non-profit Governance on Donations: Evidence from the Revised Form 990”, *The Accounting Review,* 90(2): 579-610.	This paper finds that donors reward non-profit organisations that report better governance. One of their measures for better governance is accessible financial information, which is a measure of how readily available is financial information on the charity’s website and whether there is a person to contact.

Type of entity	Reference	Abstract
Charity	Hyndman, N. (2010). "Debate: The challenge of calling charities to account." Public Money & Management **30**(6): 328-329.	The charity sector in many countries is significant and contributes considerably to social and economic well-being. In the UK a recent NCVO (2010NCVO. 2010. The UK Civil Society Almanac London [Google Scholar]) report estimated that there are over 171,000 registered general charities having a combined total income of £35.5 billion (this excludes exempt charities, mostly universities and national museums, and excepted charities, predominantly religious charities). The growth in the size and influence of the sector has led to increased visibility and public scrutiny by diverse stakeholders including government oversight agencies, private donors and foundations, clients, the media and the public at large.
Charity	Hyndman, N. (1990). "Charity accounting—an empirical study of the information needs of contributors to UK fund raising charities." *Financial Accountability & Management* 6.4: 295-307. Hyndman, N. (1991). "Contributors to charities—comparison of their information needs and the perceptions of such by the providers of information." *Financial Accountability & Management* 7.2: 69-82.	These two papers consider the information needs of contributors (1990), and the views of charity officials and auditors (1991) as to the importance of contributors as users and the information needs of contributors, with regards to UK charities. They surveyed 200 of the largest charities and 82 firms who audited these charities. The two sets of questionnaires were very similar. The 1990 paper found that there was a significant difference between the information needs of contributors and what was generally provided to them, which they call the "relevance gap". The 1991 paper found that the (legally required) annual report is a frequently disclosed and widely read document, and is perceived to be so by charity officials and auditors (and also perceived by them to be more important than by the contributors). But the contributors' six highest ranked information types that are useful in assessing performance are predominantly non-financial in nature, and this information is generally not disclosed by charities. The papers conclude that accountability to contributors in the charity sector is not discharged in the most effective manner, and there is general complacency among providers of information. The 1990 paper also concludes that if financial statements are disclosed, contributors would be better served by simplified (rather than traditional) audited financial statements.

Type of entity	**Reference**	**Abstract**
Charity	Jetty, J. & Beattie, V. (2008). "Factors Influencing Narrative Disclosure by Large UK Charities: Interview Evidence", University of Glasgow, UK. Unpublished manuscript.	This paper presents an analysis of a set of interviews that addresses the role of external disclosure from the perspective of the preparers of the charities examined. The prior literature that has examined charity disclosures have applied established theories – this paper uses grounded theory, interpreting the findings once the data has been observed. Preparers consider that disclosures are driven by legal requirements, and then saw disclosure as the provision of information to stakeholders, both internally and externally. Quoted: "*the key users, it is hard to say… there is a little bit of an unknown as to who is actually using your figures"* The annual report and accounts are seen as highly exclusive in terms of its target audience and not read by many – they are often perceived as financially unsophisticated. Such reporting to them is seen as a burden. "Taken together, the preparers' views imply the existence of an expectations gap between what regulators and preparers perceive as useful and transparent information and effective reporting documents." (p. 16)
Charity	Kitching, K. (2009). "Audit value and charitable organizations." Journal of Accounting and Public Policy **28**(6): 510-524.	I examine whether donors favor charities that use high quality auditors and whether the propensity to donate varies directly with audit quality. I find that audit quality affects donor decisions in the market for contributions. From a signaling perspective, charities benefit simply from engaging a higher quality auditor. From an information perspective, donors are more sensitive to changes in reported accounting information verified by a high quality auditor. I also find that, after conditioning on the charity's reputation, donors are still willing to give more to charities aligned with a quality auditor, but the effect of audit quality choice dissipates with the size of the charity. Thus, a charity's reputation and the choice of auditor are substitute mechanisms for signaling the credibility of financial information to donors.

Charity	McDowell, E. A. Li, W. & Smith, P. C. (2013). "An Experimental Examination of US Individual Donors' Information Needs and Use." Financial Accountability & Management **29**(3): 327-347.	This paper adopts an internet-based experiment to investigate whether and how individual donors use non-profit organizations' financial and non-financial information when making their donation decisions. Using undergraduate students in the United States (US) to proxy for individual donors, our results indicate that individual donors are more likely to acquire non-financial information, such as non-profit organizations' goals, outcomes, programs and missions, than financial information. Donors integrate non-financial information into their decisions as their actual donations are significantly correlated with such information. Our results also indicate that while individual donors acquire financial efficiency measures, including the program expense ratio and fundraising expense ratio, they do not seem to integrate such information into their decisions as their actual donations are not significantly correlated with the efficiency information. This study contributes to the non-profit literature and research domain focusing on charitable giving and donor preferences. The study is in response to continued concern that information provided by charities might not always meet the needs and use of individual donors. They cite literature (eg Hyndman 1990, 1991 and Hooper et al. 2008) who find that charities report financial data in order to meet the information needs of government regulators rather than contributors. They conduct an internet-based survey of students who make a real-world choice of how much to donate to either or both of two charities, or keep themselves, firstly tracking what information they source, and then how their decision lines up with the content of this information. It's a very nice study. Their results indicate that individual donors need and use non-financial information of non-profit organisations. Donors are much more likely to acquire non-financial information, and also integrate non-financial information into their decisions, as their actual donations are significantly correlated with such information. While they acquire financial efficiency measures, such as expense ratios, they do not seem to integrate such information into their decisions. This finding is consistent with Hyndman (1990) who suggests that individual donors would be primarily interested in a non-profit organisations' non-financial

Type of entity	Reference	Abstract
		information because these donors make donations for altruistic rather than economic reasons.
Charity	Szper, R. & Prakash, A. (2011). "Charity Watchdogs and the Limits of Information-Based Regulation." <u>VOLUNTAS: International Journal of Voluntary and Non-profit Organizations</u> **22**(1): 112-141.	Transparency concerns and the concomitant accountability challenges have motivated policy and legal scholars to explore information-based regulatory approaches. We examine their usefulness in the context of the non-profit sector which tends to show signs of governance failure. Although non-profits are required by law to disclose information on fund use, non-profit donors face difficulties in accessing and interpreting information about how non-profits are deploying resources. Charity watchdogs make this information available to donors in a convenient format. In theory, this should allow donors to reward non-profits that devote resources to service delivery and to punish those that are less careful about controlling overheads. To test the relationship between charity ratings and donations, we examine 90 non-profits in the state of Washington for the period 2004–2007. Drawing on ratings data provided by Charity Navigator, we find that changes in charity ratings tend not to affect donor support to these non-profits. We explore this statistical finding via interviews with 10 charities located in Washington State. Supporting the statistical results, we find that charities believe that donors tend not to systematically embed ratings in their donation decisions. Instead, they believe that donors assess non-profits' effectiveness and trustworthiness via other means such as familiarity, word-of-mouth, or the visibility of the non-profit in their community. In sum, the policy challenge is to provide information which users desire such as organizational effectiveness as opposed to basic fund allocation in the case of non-profits. What matters for policy efficacy is not how much information is provided but of what type.

Type of entity	Reference	Abstract
Charity	Yang, C., Northcott, D. & Sinclair, R. (2017). "The accountability information needs of key charity funders." Public Money & Management **37**(3): 173-180.	Government and philanthropic funders are key charity stakeholders, yet we know little about their accountability information needs. This New Zealand study captures these stakeholders' perceptions of the background, financial and non-financial performance information they need from charities. It also reveals how, in addition to imposing reporting requirements, these key funders engage in 'institutional work' to ensure they receive appropriate accountability information.
Charity	Yang, Y., Simnett, R. & Carson, E. (2015) "The Reporting Framework Choice and Auditor Characteristics and Value among Australian Large and Medium Sized Charities 2014-2015", unpublished manuscript	This paper contains some very useful statistics about charities reporting in Australia: • 54% of large charities produce GPFR, and 42% produce SPFR. Of the 54%, 26% produce Tier 1 and 29% produce Tier 2. • In 2014-15 there is a move towards Tier 2 from Tier 1. The paper empirically estimates charities' financial reporting choices using regression analysis, finding that the most significant determinants of GPFR are Assets, Donation income, Trading revenue and Liabilities.
Charity	Yetman M. & Yetman, R. (2013), "How Does the Incentive Effect of the Charitable Deduction Vary across Charities?", *The Accounting Review,* 88(3): 1069-1094.	This paper examines how taxes affect donations given to non-profit organisations and how this varies across non-profit types. They find significant variation across non-profit types (eg arts and culture, private education, environmental protection, animal welfare, primary health care, philanthropy). An implication of their findings is that changes to tax laws that affect the price of giving would likely lead to a reallocation of relative donations across different types of charities, creating relative winners and losers. This in an interesting study linking taxation rates (income levels) to giving but is not of relevance to the topic of this research report.

Government	Barnes, K. & Lord, B. (2017). "Intergenerational Equity: Treatment of Infrastructure in New Zealand Local Government Financial Planning." Financial Accountability & Management **33**(2): 127-145.	This paper examines how local government authorities plan and financially provide for infrastructure while considering the needs of current and future communities. In New Zealand the *Local Government Act 2002* provides a mandate for local authority planning through the requirement to publish Long Term Council Community Plans (LTCCPs). Our content analysis of the LTCCPs, annual plans and annual reports of five New Zealand local authorities reveals that these local authorities make conscious decisions about infrastructure that reflect concern for matters of intergenerational equity. They do so despite problems in relation to valuation, depreciation, deferred maintenance and financing of infrastructure assets.
Government	Brusca, I. & Montesinos, V. (2013). "From Rhetoric to Practice: The Case of Spanish Local Government Reforms." Financial Accountability & Management **29**(4): 354-377.	This paper aims to explore what performance management tools are implemented in practice in Spanish local governments and whether they have led to an improvement in public management and accountability. We also analyse the usefulness of performance reporting, comparing it with that of accrual financial reporting. The results show that most of the entities that have introduced performance indicators do not use them for decision-making or accountability. After two decades of reforms in financial and management systems, financial directors still consider that budgetary reporting is the most useful, basically because the control of expenditure is still based on the budget.
Government	Schoute, M. & Budding, T. (2017). "Stakeholders' Information Needs, Cost System Design, and Cost System Effectiveness in Dutch Local Government." Financial Accountability & Management **33**(1): 77-101.	This study examines the relationships between stakeholders' information needs, cost system design, and cost system effectiveness in local government, using a dataset of survey responses from 71 Dutch municipalities. Three cost system design characteristics are examined: (a) the complexity and (b) the inclusiveness of cost systems, and (c) their understandability for non-financial internal users. These characteristics are shown to be only partly related to each other, and to differ in the extent to which they are related to the information needs of internal and external stakeholders, as well as to three cost system effectiveness characteristics.

Multiple	Ehalaiye, D., Laswad, F., Botica Redmayne, N., Stent, W. & Cai, L. (2020). "Are Financial Reports Useful? The Views of New Zealand Public Versus Private Users." Australian Accounting Review 30 (1), 52-64.	This study reports on surveys conducted with users of financial reports in New Zealand. We compare findings for users of reports of two types of for-profit entities, namely those with public accountability (public entities) and those with no public accountability (private entities). The findings indicate that both types of users have similar perceptions regarding the usefulness of financial statements, with the income statement and balance sheet rated as the most useful components. Furthermore, both types of users, especially private users, perceive financial statements as the most important information source for decision making. Public users have a greater interest in supplementary information than private users. The findings of this study contribute to the debate around differential reporting for private companies and have policy implications with regard to the user-needs approach to accounting standard setting.
Multiple	Gilchrist, D. J. & Simnett, R. (2019). "Research horizons for public and private not-for-profit sector reporting: moving the bar in the right direction." Accounting & Finance **59**(1): 59-85.	The examination of public and private not-for-profit sector financial reporting has been a topic of interest on a cyclical basis in Australia over the last 30 years. Traditional topics have included examinations of the intended and unintended consequences of specific standards, the accountability value of financial reports, transaction neutrality, compliance with the accounting standards, and more recently, the prospective implications of new, differently focused reporting standards considering such issues as income measurement and outcomes reporting. With increased recent attention from standard setters and regulators, and greater data availability, the opportunities for undertaking impactful research in these and related areas are increasing. In this paper, we focus on research that has examined the following questions: (i) Which private and public NFPOs lodge financial reports and what is reported; (ii) Who are the users and what are their information needs? (iii) Which private and public NFPs should lodge financial reports and what should be included in them; and (iv) How should the accounting frameworks for NFP sector reporting be set? For each of these issues, we identify the research gaps and opportunities for further research.

NFP	Calabrese, T. D. (2011). "Public mandates, market monitoring, and non-profit financial disclosures." Journal of Accounting and Public Policy **30**(1): 71-88.	Public officials have recently sought increased regulation of financial disclosures from not-for-profit organizations as a means of improving accountability with the public. One objective of this study is to examine whether not-for-profit entities already subject to audit requirements submit financial reports in compliance with GAAP. Further, since the majority of not-for-profit organizations are not subject to public audit mandates, this study also ascertains whether other market actors such as donors monitor and demand accrual-based financial information. The empirical analyses indicate that not-for-profit organizations subject to public audit mandates are largely in compliance with GAAP, although a significant minority of organizations subject to state requirements is not; further analyses suggest that external oversight significantly influence the use of accrual reporting. Models are also tested on a subsample of not-for-profits that switched from cash to accrual reporting, with the results suggesting that increasing public and market oversight have a significant effect on the decision to switch methods. The overall results suggest that public and market actors demand accrual-based financial reporting from not-for-profit organizations.
NFP	Crawford, L., Morgan, G. G. & Cordery, C. J. (2018). "Accountability and not-for-profit organisations: Implications for developing international financial reporting standards." Financial Accountability & Management **34**(2): 181-205.	This paper provides empirical evidence which informs contemporary debates on developing international financial reporting standards for not-for-profit organisations (NPOs). Drawing on a global survey with respondents showing experience of NPO reporting in 179 countries, we explore: practice and beliefs about NPO financial reporting internationally; perceptions of accountability between NPOs and stakeholders; and implications for developing international financial reporting standards. Interpreting our research in the context of accountability, we find considerable support for developing international financial reporting standards for NPOs, recognising broad stewardship accountability to all stakeholders as important, but prioritising accountability upwards to external funders and regulators.

NFP	Gordon, T. P. & Khumawala, S. B. (1999). "The demand for not-for-profit financial statements: A model of individual giving." Journal of Accounting Literature **18**(1): 31-56.	A model is developed of donor and charity interactions that is firmly grounded in theory and consistent with empirical findings. Relatively little is known about how donors currently use financial statements in their decision-making process. This lack of knowledge means that standard setters and regulators have had little guidance with respect to changes that might make the content of financial reporting more useful to donors. The presented model, along with the propositions, indicates the conditions under which the use of financial statements by donors is more likely. Implications of particular interest to standard setters include the importance of comparability and the need to devote special attention to, and perhaps additional disclosure requirements for, the types of entities that solicit contributions from people who will not directly or indirectly benefit from their gifts. Standard setters should mandate disclosures that aid donors in evaluating the performance of the organizations. In addition, the involvement of independent auditors in the reporting process can provide a level of comfort to current and prospective donors.
NFP	Gordon, T. P. & Khumawala, S. B. (2010). “Five dimensions of effectiveness for non-profit annual reports.” Non-profit Management and Leadership Winter 2010 **21**(2): 209-228.	Annual reports are an important communication device through which non-profit entities can satisfy their duty to be accountable to donors and the public at large. The primary objective of this article is to identify best practices for annual reports based on five dimensions: completeness, accessibility, transparency, full disclosure, and relevance. This article reports on both the financial and non-financial content in voluntarily provided annual reports. Based on our survey, we include recommendations and examples to help non-profit leaders improve communication with stakeholders. While many of the recommendations can be adopted at little or no additional cost, achieving the most important criterion, relevance, will require non-profit leaders to substantially improve their reporting of organizational goals and accomplishments.

NFP	Hudack, L. R. & Tyler, M. L. (2004). "A survey of accounting and finance faculty about financial reporting at a NFP university." Journal of Accounting & Finance Research **12**(6): 94-105.	An effective financial report should communicate useful information about an entity to facilitate rational decisions by its important constituents, with respect to economic issues. For instance, the providers of intellectual capital should be able to formulate reasonable expectations with respect to their remuneration and office/classroom facilities at a not-for-profit (NFP) university. In accordance with the primary purpose of financial reporting, our survey seeks to obtain feedback from faculty about two financial report formats. First, respondents are asked to rate the usefulness of the GAAP-based statement of activities, along with related pie charts that illustrate expenditures by functional sectors. Second, a supplemental stakeholder statement and related "proverbial pie" charts are evaluated. The stakeholder report is designed to focus on resource allocations to major constituents and the entity itself. The survey results may provide potentially valuable information from arguably the most important but generally neglected, potential financial report users at not-for-profit colleges and universities. In sum, we have surveyed what potential users of a financial report might prefer so as to achieve the primary objective of financial reporting.
NFP	Lee, M. (2004). "Public Reporting A Neglected Aspect of Non-profit Accountability." Non-profit Management and Leadership **15**(2): 169-185.	Non-profit organizations have a compulsory external accountability (largely involving financial reporting) to government agencies such as the Internal Revenue Service and state regulators. They also have a pragmatic “must-do” accountability to their funders, clients, and other obvious stakeholders. But are non-profits also accountable to the public at large? If so, how can such accountability be implemented, given the diffuseness and breadth of the public as an audience? This article suggests that non-profits should consider the citizenry as a stakeholder, if only due to the substantial taxpayer subsidy of the sector. The theory of public reporting that emerged in public administration literature beginning in the 1920s and 1930s can be helpful. Using principles, templates, and examples from public administration, non-profit organizations can pursue more vigorous public reporting as one method to increase citizen confidence in their activities and in the sector as a whole.

NFP	Parsons, L. M. (2003). "Is accounting information from non-profit organizations useful to donors? A review of charitable giving and value relevance." Journal of Accounting Literature **22**: 104-129.	An important function of accounting and financial reporting is to assist in the analysis and evaluation of organizations. Currently, much is known about how investors and creditors use the financial statements of business entities. However, less is understood about how the financial statements of not-for-profit (NFP) organizations play a role in charitable giving. NFP value relevance research seeks to explore the association between donations and accounting numbers in order to assess whether NFP accounting is relevant to donors. The decision-makers are donors, and the decisions are whether to make a charitable contribution and how much to contribute. The dependent variable "donations" represents the capital that contributors invest in non-profits. Value-relevance research in the non-profit area seeks to demonstrate an association between accounting and donations. This paper summarizes the current accounting practices of NFP entities. A discussion is presented of how research addressing accounting issues is evolving. The debate about the proper accounting framework for entities and empirical research on NFP performance measures is summarized.
NFP	Parsons, L. M. (2003). "The Impact of Financial Information and Voluntary Disclosures on Contributions to Not-for-Profit Organizations: A Field-Based Experiment." Working Paper	The relationship between the management of and donors to a not-for-profit firm is an example of a situation with information asymmetry. This study examines whether it is possible for non-profit managers to increase donations received if they provide signals to convey the efficiency and effectiveness of their operations. A field-based experiment uses a real 501(c)3 organization to investigate whether accounting information reduces perceived uncertainty about non-profit operations. Potential donors were sent, via a direct mail campaign, fundraising appeals containing varying amounts of financial and non-financial information in order to determine whether individual donors 1) are more likely to contribute and 2) donate greater amounts when accounting information is provided. A logistic regression provides evidence that some donors use financial accounting information when making a donation decision. Donors who had previously contributed to the organizations are more likely to give when financial efficiency measures are provided to them directly.

NFP	Parsons, L. M. (2007). "The Impact of Financial Information and Voluntary Disclosures on Contributions to Not-For-Profit Organizations." Behavioral Research in Accounting **19**(1): 179-196.	This study uses a field-based experiment combined with a follow-up laboratory experiment to investigate whether accounting information reduces perceived uncertainty about non-profit operations. Potential donors were sent, via a direct mail campaign, fundraising appeals containing varying amounts of financial and non-financial information in order to determine whether individual donors are more likely to contribute when accounting information or voluntary disclosures are provided. Participants in a lab experiment were asked to assess the usefulness of the different versions of the fundraising appeals. A logistic regression provides evidence that some donors who have previously donated use financial accounting information when making a donation decision. The results are inconclusive regarding whether donors use non-financial service efforts and accomplishments disclosures to determine whether and how much to give, but participants in the lab experiment judged the non-financial disclosures to be useful for making a giving decision.
NFP	Parsons, L. M., Pryor, C. & Roberts, A. A. (2017). "Pressure to Manage Ratios and Willingness to Do So: Evidence From Non-profit Managers." Non-profit and Voluntary Sector Quarterly **46**(4): 705-724.	We survey 200 non-profit executives to investigate the pressure they experience to manage so-called efficiency ratios, and their reactions to that pressure. Specifically, we investigate whether managers' perceptions of donor pressure are influenced by (a) the degree to which they rely on contributions and government grants, (b) the existence of restricted gifts, (c) oversight by monitoring institutions that may affect donor giving decisions, and (d) the sophistication of management. We then examine factors that affect the likelihood that managers will engage in ratio management. Interestingly, we find no evidence that non-profits that rely more heavily on donor support feel greater donor pressure. Instead, we provide evidence that specific donors, such as those who make restricted gifts and government grantors, influence perceptions of pressure. Furthermore, more sophisticated managers perceive less pressure to manage ratios. When facing pressure to manage ratios, monitors and sophisticated managers reduce the likelihood of ratio management.

NFP	Tooley, S. & Guthrie, J. (2007). "Reporting performance by New Zealand secondary schools: An analysis of disclosures." Financial Accountability & Management **23**(4): 351-374.	Annual reports are an important component of the schools' public accountability framework. This longitudinal study applies a disclosure index to assess the annual reports of 17 New Zealand secondary schools (1997, 2001 and 2003) to determine the informational value of performance disclosure. Although the extent of disclosure complies with official requirements, the results indicate a deficiency in the informational value of disclosure. More amplification of what is currently reported and an expanded set of performance indicators and measures, both financial and non-financial, is required to provide users with increased comprehension of school performance, activities and relationships.
NFP	Van Peursem, K. A. & Pratt, M. J. (1998). "Are Private Sector Standards Enough? An Example From Public Sector Hospitals in New Zealand." Financial Accountability & Management **14**(2): 123-140.	The aim of this paper is to assess whether and to what extent public sector hospital reports in New Zealand disclose information which best support the public interest. We analyse the content of the annual reports of Crown Health Enterprises (CHEs) for 1994, 1995 and 1996. It is concluded that the developments in public sector accounting, with respect to the public interest, have not permeated these reports to any significant extent. The following changes would improve these reportings: Reports providing costs relative to non-financial accomplishments; removing the traditional ‘revenue’ disclosure; disclosing non-financial as well as financial resources and obligations; providing further disaggregation in the reports; disclosing budgetary information and valuing assets alternatively. Implications of the lens used for the analysis are also considered.

NGO	Assad, M. J. & Goddard, A. R. (2010). “Stakeholder salience and accounting practices in Tanzanian NGOs.” <u>International Journal of Public Sector Management</u> **23**(3): 276-299.	This paper seeks to investigate the influence of stakeholders on accountability relationships and the development of accounting practices and processes within two Tanzanian non–governmental organisations (NGOs). Design⁄methodology⁄approach – Stakeholder analysis is employed to evaluate the positions of stakeholder groups in terms of Mitchell et al.'s attributes of power, legitimacy and urgency. Data analysis was undertaken using a grounded theory approach. Findings – The research found that overseas donors were the stakeholders with the highest salience as a result of which they significantly influenced accountability relationships and accounting processes and practices within NGOs. Despite the often proclaimed NGOs' objective of improving welfare of beneficiary groups there appeared to be little accountability by NGOs to beneficiaries. Differences in the accounting functions in the NGOs were explained by the influence of dominant stakeholders, the credibility of the organisation and its managers and the varied ways through which the organisations negotiated and accounted for funding. Moreover, accounting was virtually unemployed in internal decision–making processes indicating that it was largely a tool for satisfying claims of the highly salient stakeholders. Research limitations⁄implications – This paper makes a contribution to the literatures of both stakeholder theory and NGO accounting. From the grounded theory analysis it is suggested that the stakeholder framework of Mitchell et al. could be usefully extended in the three areas of power asymmetries of definitive stakeholders, stakeholder salience asymmetries across organisational phenomena and asymmetries across time. Originality⁄value – The paper contributes to the empirical accounting literature by seeking a deeper understanding of how and why accounting and accountability relationships develop within NGOs. It sheds light on a type of organisation that has not been extensively studied in the public sector management literature.

NGO	Awio, G. (2011). "Social capital and accountability in grass-roots NGOs." Accounting, Auditing & Accountability Journal **24**(1): 63-92.	This paper aims to examine how small, grass-roots non-governmental organisations (NGOs) account for their actions and expenditures and how this accountability is discharged to, and benefits, the citizens they serve.
NGO	Murtaza, N. (2012). "Putting the Lasts First: The Case for Community-Focused and Peer-Managed NGO Accountability Mechanisms." VOLUNTAS: International Journal of Voluntary and Non-profit Organizations **23**(1): 109-125.	The calls for NGO accountability have grown louder in recent years, some based on genuine concerns to help improve their performance and others on a desire to muffle their advocacy activities. Using a comprehensive analytical framework, this article finds that current accountability approaches prioritize accountability to boards and donors and give weak accountability to communities despite strong NGO rhetoric to the contrary. The article recommends the development of accountability mechanisms managed by NGO coordination bodies and focused primarily on accountability to communities to improve NGO performance and protect them from politically motivated attacks.
NGO	Asia News Monitor (2018) "European Union: EU funding through NGOs must be more transparent, say Auditors" *Asia News Monitor*, Bangkok, 19 December 2018.	The way in which EU funding is channelled through NGOs (Non-Governmental Organisations) for humanitarian and development aid, environmental protection, culture and other purposes needs to be more transparent, according to a new report by the European Court of Auditors. The current system of classifying organisations as NGOs is not reliable, warn the auditors, and the European Commission does not have sufficiently detailed information on how the money is spent. There is a similar lack of clarity when EU money is paid to NGOs indirectly through United Nations bodies.
Public	Cohen, S. (2015). "Tracing the future of reporting in the public sector: introducing integrated popular reporting." International Journal of Public Sector Management **28**(6): 449-460.	The purpose of this paper is to debate the future form of reporting in the public sector by examining alternative forms of reporting, and more specifically the frameworks of integrated reporting and popular reporting. Moreover, the paper explores whether and how these reports could be related to each other in order for the needs of a pillar user group, that of the citizens, to be addressed.

Public	Kober, R., Lee, L. & Ng, J. (2010). "Mind your accruals: Perceived usefulness of financial information in the Australian public sector under different accounting systems." Financial Accountability & Management **26**(3): 267-298.	This study examines the usefulness of three accounting systems (cash, Generally Accepted Accounting Principles (GAAP) accrual, and Government Finance Statistics (GFS) accrual) for public sector decision-making. From a survey of internal users, external users, and preparers in Australia, we find that GAAP accrual information is perceived to be relatively more useful and understandable than the other two systems for most decisions examined. The relatively higher ratings for GAAP accrual information differ from earlier studies and may reflect an experience or familiarity effect whereby perceptions of usefulness are enhanced because respondents have become more used to the system. This effect might also explain the lower ratings for GFS accrual.

Public	Laswad, F. & Botica Redmayne, N. (2015). "IPSAS or IFRS as the Framework for Public Sector Financial Reporting? New Zealand Preparers' Perspectives." Australian Accounting Review **73**(25): 175-184.	The last 30 years have seen public sector accounting in many countries undergo considerable change. More recently, some governments adopted accrual accounting and International Public Sector Accounting Standards (IPSAS), some adopted modified International Financial Reporting Standards (IFRS) while others continued with cash-based accounting. New Zealand (NZ) has, for more than two decades, followed a sector neutral approach to financial reporting and standard setting where the same accounting standards were applied to all entities in all sectors: for-profit, not-for-profit and the public sector. This period included the adoption of IFRS by for-profit entities with minor modifications for the public sector. The suitability of IFRS for the public sector has been questioned and, recently, standard setters in NZ decided to adopt a sector-specific standard-setting approach with multiple tiers for each sector. The for-profit sector will continue to follow IFRS but reporting standards for the public sector will be based on IPSAS. In this period of change we sought the views of preparers of public sector financial reports regarding the users of such reports and their preferences for the public sector reporting framework. We also sought the views of the preparers regarding the usefulness of each financial statement for users, and whether the benefits of reporting by their organisations exceeds the costs. The findings indicate support for maintaining IFRS as a basis for reporting in the NZ public sector. However, IPSAS modified to NZ conditions is also perceived as an acceptable option by respondents in this study. The income statement is, in the opinion of the respondents in this study, the most useful statement while cash flows appear to hold little value. A high proportion of respondents believe that the benefits of reporting exceed the costs, which contradicts the view that such reports are mainly compliance documents that provide little value. This finding contributes to the continuing debate on costs versus benefits on the recent introduction of IPSAS as the reporting framework for the public sector and the perceived appropriateness of IPSAS in public sector reporting.

Public	Tooley, S., Hooks, J. & Basnan, N. (2010). "Performance reporting by Malaysian local authorities: Identifying stakeholder needs." Financial Accountability & Management **26**(2): 103-133.	The concept of public accountability promotes the need for a comprehensive set of performance-related information to satisfy the information needs of a diverse stakeholder interest group. However, literature concerned with the scope of information to be disclosed, and in particular within the context of a developing country, is limited. This paper identifies the information set which stakeholders of Malaysian local authorities consider relevant in the monitoring and assessment of local authority performance. Stakeholders indicated strong interest in performance information that is not traditionally disclosed in the financial statements: non-financial information particularly performance measurement of outputs, outcomes, efficiency and effectiveness. Disclosures in the Statement of Revenue and Expenditure and forward-looking information are generally regarded as the most important disclosures. The results of the study also indicate differences amongst stakeholders as to the level of importance that they place on certain items especially items related to internal policies and governance and financial position of the local authorities. The findings will be of significance to policy makers interested in improving the performance reporting of Malaysian public sector entities, particularly local authorities.

SME	Baldarelli, M. G., Demartini, P., Mosjna-Skare, L. & Paolini, P. (2012). "Accounting Harmonization for SME-S in Europe: Some Remarks on IFRS for SME-S and Empirical Evidences." Economic Research-Ekonomska Istraživanja **25**(sup1): 1-26.	The debate on accounting truth is an old problem (Briloff, 1979) and it is at present more and more important in harmonization process, especially involving small- and medium-sized enterprises (SMEs). Their users' needs regarding the extents and type of accounting information as well as the costs of their providing are widely discussed as the arguments for differential reporting for SMEs, although there is still more literature focusing on financial reporting of large enterprises. The standards setters try to decrease the reporting burden for SMEs, keeping the relevant information for their reports users, while considering harmonization goals in the same time. In such an attempt, the International Accounting Standards Board (IASB) issued an International Financial Reporting Standard (IFRS) designed for use by small and medium-sized entities (SMEs) the 9th of July 2009, however some national European standard-setters seem not to be keen to introduce them. The aim of our paper is to analyze, the attempts and difficulties to reach all these goals in the same time and to implement the IFRS for SMEs, such as drawn by the IASB, in the European countries. Croatian experiences presented, running from International Accounting Standards (IAS) implementation as obligatory for all the companies, towards Croatian Financial Reporting Standards (CFRS) introduction for SMEs, represent an interesting experiment in the European context.

SME	Białek-Jaworska, A. (2017). "Private SME accounting in Poland. Does bank lending influence their accounting and financial reporting practice?" Accounting & Management Information Systems **16**(2): 229-267.	Using data from private Polish Small and Medium-sized Entities (SMEs) for 2003-2013, I investigate in this paper the influence of bank borrowing on their book-tax conformity and accounting practices. In order to verify the importance of the link between tax law and the accounts of private firms, I created variables capturing the records according to local GAAP and I separated records in line with tax rules reflecting the impact of tax law on the accounting practices. Besides the book-tax differences measurement proposed by Watrin et al. (2014), I applied Tang's (2015) approach to estimate book-tax conformity that captures permanent and temporary book-tax differences. I find that bank lending increases the book-tax conformity of profitable firms. Tax avoidance applied by borrowers has a lower impact on book-tax differential than in the case of non-borrowers. Moreover, the findings indicate that monitoring by lenders force SMEs to adopt more advanced accounting practices by adhering to the prudence principle. This allows lenders to learn more about the ability of borrowers to repay loans thanks to more informative earnings. However, only 22.5% of borrowers applied accounting standards that are not recognized by tax law.
SME	Erdogan, A. I. (2018). "Factors affecting SME access to bank financing: an interview study with Turkish bankers." Small Enterprise Research **25**(1): 23-35.	This qualitative study sets out to determine from the perspective of bankers the factors that affect SME access to bank loans. Semi-structured interviews were conducted with 25 Turkish bank managers, and thematic analysis was used to analyse the interviews. The results revealed that the commitment of an SME to its credit obligations, combined with its financial data, affects its access to bank loans. Banks evaluate the adequacy of equity for the area of activity, the profitability of the firm, its debt ratio and current ratio, and the firm's ability to generate sufficient cash flow. Other factors that affect access to bank loans include the length of the firm's relationship with the bank, the industry in which the firm operates, the age of the firm and impressions gained from on-site visits. Firms that have a long-term relationship with the bank and older firms have better access to bank loans. Moreover, manufacturing sector SMEs have easier bank financing accessibility.

SME	Kılıç, M. & Uyar, A. (2017). "Adoption process of IFRS for SMEs in Turkey: Insights from academics and accountants." Accounting & Management Information Systems / Contabilitate si Informatica de Gestiune **16**(2): 313-339.	In 2009, the International Accounting Standards Board (IASB) issued International Financial Reporting Standards (IFRS) for Small and Medium-sized Entities (SMEs) as a simplified version of the full IFRS addressing the financial reporting needs of SMEs. Although IFRS for SMEs is still not required in this jurisdiction, Turkey was one of the first ones that have taken substantive steps towards adoption of IFRS for SMEs. The main purpose of this research is to investigate the perceptions of Turkish accountants, academicians, and auditors regarding the adoption process of IFRS for SMEs via in-depth interview methodology. The findings of the research confirmed the need for a stand-alone standard set for SMEs. The interviewees asserted that more simplification on IFRS for SMEs may hinder comparability of financial statements. While high-quality financial information will be the most important advantage of applying IFRS for SMEs, cost burdens on firms and lack of trained personnel will be the major obstacles for the implementation process.
SME	Palazuelos, E., Crespo, A. H. & del Corte, J. M. (2018). "Accounting information quality and trust as determinants of credit granting to SMEs: the role of external audit." Small Business Economics **51**(4): 861-877.	This study analyses whether loan officers' perception of the accounting information quality (AIQ) and the trustworthiness of SMEs are associated with a better willingness to grant them credit. Empirical evidence is obtained from a survey of 471 bank loan officers in Spain, who are asked to answer in relation to audited and not-audited firms. Using a Structural Equation Modeling (SEM) approach, the results obtained confirm that the loan officers' willingness to facilitate SMEs' access to credit is positively influenced by their general perception about the AIQ, but only if it is audited. In the case of not-audited firms, AIQ does not play a direct role in credit granting decision, but is relevant in trust formation. Besides, in the case of audited firms, only the "competence" dimension of trust is relevant, whereas in not-audited firms, both "competence" and "honesty" have an impact on credit granting. "Benevolence" does not have an influence in any case. The study has implications for SMEs, banks, policy makers and auditors.

SME	Quagli, A. & Paoloni, P. (2012). "How is the IFRS for SME accepted in the European context? An analysis of the homogeneity among European countries, users and preparers in the European commission questionnaire." Advances in Accounting **28**(1): 147-156.	In this paper we analyze the answers to the "Questionnaire on the public consultation of the IFRS for SMEs", promoted by the European Commission. Our aim is to evaluate the homogeneity among respondents, according to the different perspectives of analysis between both users, preparers and also in European Countries. Results show a substantial diversity among respondents. In particular, preparers demonstrate a strong opposition to the IFRS for SMEs, while users are more favorable. Concerning Country classification, German-speaking Countries and Latin Countries show much less appreciation for that standard with respect to Anglo − Nordic Countries. Relevant consequences for European public policy issues and for accounting studies on differential reporting arise from this result, concerning respectively the role of European accounting system and the acceptance of "user primacy" principle.

A2. What has been reported, especially, what are reporting criteria?

Code	Reference	Abstract
Charity	Anthony, R. N. (1995), "The non-profit accounting mess." *Accounting Horizons* 9.2: 44.	This paper critiques the application of accounting standards for charities in the US. It provides history and then examples of why it is a mess. For example, a major difference between non-profit organisations and businesses is the source of their equity capital.
Charity	Beattie, V. & Jones, M. (1994). "An empirical study of graphical format choices in charity annual reports." *Financial Accountability & Management* 10.3: 215-236.	These authors have a series of papers looking at graphical reporting by corporates in many countries, and here they examine charities in the UK. They find a prevalence of pie graphs that are not well reported and graphs. They detail the incentives for managers of charities to misrepresent some details in the annual report (p. 221). They also provide different results to Hyndman (1990 and 1991) who found that contributors and preparers of charity annual reports rated operating statements fairly lowly. Beattie and Jones found that more granular details on operations were frequently reported (p. 226).

Code	Reference	Abstract
Charity	Boateng, A. Akamavi, R. K. & Ndoro, G. (2016). "Measuring performance of non-profit organisations: evidence from large charities." Business Ethics: A European Review **25**(1): 59-74.	How to measure performance in charitable organisations continues to excite interest among academics and practitioners. Despite the intellectual interest, little consensus has emerged as to what are the best measures of performance in charities. This is against the backdrop of an increased demand by donors and other stakeholders on charities to provide information on their performance. Building on prior studies, this paper examines the measures of performance in charities using a hybrid methodological approach which consists of 14 exploratory interviews and a quantitative survey of 105 chief executive officers/board of trustees of large British charities. The results of factor analysis and internal reliability produced five broad measures of performance of charities: (1) financial measures; (2) client satisfaction; (3) management effectiveness; (4) stakeholder involvement; and (5) benchmarking, indicating that the overall performance of charities is best measured by a set of factors that reflect the multiple and diverse stakeholders associated with charities. Further analysis using structural equation modelling corroborates the results that non-financial measures such as management effectiveness, stakeholder involvement and benchmarking are important to the performance of charities.

Code	Reference	Abstract
Charity	Burks, J. J. (2015). "Accounting Errors in Non-profit Organizations." Accounting Horizons **29**(2): 341-361.	This study examines the accounting errors committed by public charities. Public charities report errors at a rate that is 60 percent higher than that of publicly-traded corporations, and almost twice as high as that of similar-sized corporations. The errors are commonly errors of omission (i.e., failing to recognize items that should be recognized). The error rate is not significantly associated with organization size, type, or portion of the budget devoted to administrative activities, but does have a strong positive association with internal control deficiencies and a strong negative association with Big 4 and second tier auditors. The error corrections often have low visibility in the financial reports issued by public charities; although they are reported in the footnotes of the audited financial statements, they often are not mentioned in auditor reports and in IRS Form 990s. The study improves understanding of the accounting challenges faced by non-profits, and may improve non-profit financial reporting by helping non-profit managers and auditors understand the common circumstances and types of errors, and thus what activities to monitor more closely. The study also contributes to the academic literature by comparing the errors of non-profits to those of corporations, by examining the outcomes of audits involving small auditors and small clients, and by advancing understanding of discrepancies between audited and unaudited financial reports.
Charity	Connolly, C. & Hyndman, N. (2000) "Charity accounting: An empirical analysis of the impact of recent changes." *The British Accounting Review* 32.1: 77-100.	This paper examines the impact of the introduction in England and Wales of two versions (1988 and the revised version in 1995) of the Statement of Recommended Practice for charity reporting, designed to reduce diversity in practice and improve quality. It examines the extent to which 151 charity reports comply with the new requirements. The study concludes that charity accounting improved significantly although not immediately following the introduction of the SORPs.

Code	Reference	Abstract
Charity	Connolly, C. Hyndman, N. & McConville, D. (2013). "Conversion Ratios, Efficiency and Obfuscation: A Study of the Impact of Changed UK Charity Accounting Requirements on External Stakeholders." VOLUNTAS: International Journal of Voluntary and Non-profit Organizations **24**(3): 785-804.	Key stakeholders in the UK charity sector have, in recent years, advocated greater accountability for charity performance. Part of that debate has focussed on the use of conversion ratios as indicators of efficiency, with importance to stakeholders being contrasted with charities' apparent reluctance to report such measures. Whilst, before 2005, conversion ratios could have been computed from financial statements, changes in the UK charity SORP have radically altered the ability of users to do this. This article explores the impact on the visibility of such information through an analysis of the financial statements of large UK charities before and after the 2005 changes. Overall, the findings suggest that, despite the stated intention of increasing transparency in respect of charity costs, the application of the changes has resulted in charities 'managing' the numbers and limiting their disclosures, possibly to the detriment of external stakeholders.
Charity	Derrick, P. L. D. (2013). "Accounting for promises: The impact of SFAS No. 116 on charities." Research in Accounting Regulation **25**(2): 208-219.	SFAS No. 116, Accounting for contributions made and contributions received, issued in 1993, requires that nongovernmental organizations, both proprietary and non-profit, recognize unconditional promises to give as current period revenue. This study examines whether charities—organizations that rely heavily upon contributions—are affected by SFAS No. 116 adoption along two dimensions: whether an accounting effect exists, and whether a subsequent economic, or behavioral impact is felt by charities reporting positive adjustments to net assets when adopting SFAS No. 116.

Code	Reference	Abstract
Charity	Dhanani, A, & Connolly, C. (2012). "Discharging not-for-profit accountability: UK charities and public discourse." *Accounting, Auditing & Accountability Journal* 25.7: 1140-1169.	This paper examines accountability practices of large UK charities through public discourse (statutory annual reports and voluntary annual reviews) and using the ethical model of stakeholder theory. The results suggest that contrary to this theory, the charities' accountability practices are motivated by a desire to legitimise their activities and present them in a positive light (contrary to their purposes and values). Legitimation strategies include changing stakeholder perceptions about the organisation without altering internal behavioural practices, amending shareholder expectations to reduce pressure on the organisation, and distraction tactics to divert attention away from contentious issues. This is consistent with the for-profit literature. By way of explanation, they find that charities face multiple accountability pressures, that can compete and conflict with one another. They have adopted pragmatic business practices in response to the corporate-like pressures that they are increasingly exposed to.
Charity	Hooper, K., et al. (2008) "Financial reporting by New Zealand charities: finding a way forward." *Managerial Auditing Journal* 23.1: 68-83.	The first half of this paper provides a balanced review of the literature, and a list of areas of ambiguity with respect to charity reporting: Fund accounting, Treatment of Fixed Assets, Accounting Basis and Fund- Raising Expenses.

Code	Reference	Abstract
Charity	Irvine, H. & Ryan, C. (2013). "Accounting regulation for charities: international responses to IFRS adoption." Pacific Accounting Review **25**(2): 124-144.	The purpose of this paper is to examine charity regulatory systems, including accounting standard setting, across five jurisdictions in varying stages of adoption of International Financial Reporting Standards, and identifies the challenges of this process. Design/methodology/approach – Using a regulatory space approach, this paper relies on publicly available archival evidence from charity regulators and accounting standard setters in five common-law jurisdictions in advanced capitalist economies, all with vibrant charity sectors: the UK, the US, Canada, Australia and New Zealand. Findings – The study reveals the importance of co-operative interdependence and dialogue between charity regulators and accounting standard setters, indicating that jurisdictions with such inter-relationships will better manage the transition to IFRS. It also highlights the need for those jurisdictions with not-for-profit or charity-specific accounting standards to re-configure those provisions as IFRSs are adopted. Research limitations/implications – The study is limited to five jurisdictions, concentrating specifically on key charity regulators and accounting standard setters. Future research could widen the scope to other jurisdictions, or track changes in the jurisdictions longitudinally. Practical implications – This paper provides a timely international perspective of charity regulation and accounting developments for regulators, accounting standard setters and charities, specifically of regulatory responses to IFRS adoption. Originality/value – The paper contributes fresh insights into the dynamics of charity accounting regulation in an international context by using regulatory space as an organising framework. While accounting regulation literature provides a rich interpretation of regulatory issues within the accounting arena, little attention has been paid to charity accounting regulation.

Code	Reference	Abstract
Charity	Krishnan R., Yetman, M. & Yetman, R. (2006), "Expense Misreporting in Non-profit Organisations", *The Accounting Review,* 81(2): 399-420.	This is the first in a series of four empirical papers by Michelle Yetman and various co-authors looking at financial reporting by charities in the US. They use IRS data as a source of data. They apply the agency problems inherent in any organisational structure in which management is separate from ownership (financial contributors), to charities. They report a surprisingly large proportion of non-profits report exactly zero fundraising expenses (which improves the charitable expense ratio). This paper examines the extent to which misreported expenses are the result of managerial incentives. They report that many non-profits that report zero fund-raising expenses do in fact undertake fund-raising activities and that this expense misreporting is "associated with managerial incentives to garner larger amounts of managerial pay and donations." (p. 418).

Code	Reference	Abstract
Charity	McConville, D. & Cordery, C. (2018). "Charity performance reporting, regulatory approaches and standard-setting." Journal of Accounting and Public Policy **37**(4): 300-314.	Internationally, there are strong calls for charities' formal annual reporting to include non-financial performance information. Without the international standards common in other sectors, national accounting standard-setters often regulate charities' reporting. Lacking evidence on approaches to encouraging/mandating charity performance reporting, and the effectiveness of these approaches, we ask: "How have different jurisdictions responded to calls for increasing performance reporting?" We conduct a benchmarking study that indicates differences in current reporting practices between Australia, New Zealand, the United Kingdom and the United States. By discussing both current regimes and proposed projects, we develop and illustrate a typology of regulatory approaches to performance reporting. These range from command and control, where standard-setters mandate specific performance reporting standards, through to market regulation, where charities and/or sector bodies acting as regulatory entrepreneurs determine what is to be reported. Between these extremes, the typology describes new governance approaches, with standard-setters partnering and collaborating with other actors. These approaches lead to different requirements with potentially significant implications for performance accountability in the respective jurisdictions. We argue that our regulatory typology contributes useful insights for the many jurisdictions grappling with how to regulate their charity sector and encourage performance reporting.
Charity	Miller, G. A. (1997). "Charity Accounting Rules and Annual Reports in Hong Kong: A Note." Financial Accountability & Management **13**(1): 71-79.	The perceived professionalism of charities is diminished when there is a great diversity in financial reporting practices. In addition, there may be additional regulatory pressure if present reporting practices continue. The purpose of this research was to gather information about the financial reporting practices for charitable organizations in Hong Kong. A brief review of international accounting practices for charities is also provided.

Code	Reference	Abstract
Charity	Newberry S. (1993), “Special Issues of Accounting for Charities in New Zealand”, Report for NZICA and Coopers and Lybrand.	This report was focused on reporting by NZ charities, comparing their reporting requirements to international requirements at the time, identifying problems of charities in complying with accounting standards, and evaluating whether a separate standard for charities was required. It identified accounting issues with the consistent treatment of revenue, reporting format and classifications, donations and restrictions, and subsidiaries and connected entities.
Charity	Nguyen, T. & Soobaroyen, T. (2019). "Earnings Management by Non-profit Organisations: Evidence from UK Charities." Australian Accounting Review **29**(1): 124-142.	Informed by stakeholder theory and resource dependence theory, this paper investigates whether UK charities are engaged in earnings management practices. Based on a sample of 1414 charities over a five-year period (2008–2012) the study firstly finds that UK charities use discretionary accruals to drive their financial results towards a zero surplus/deficit; this result also reveals that the distribution of reported earnings around zero is prevalent amongst UK charities. In addition, in contrast to prior findings, the empirical results point to a significant association between leverage and earnings management behaviour by charities. Lastly, this study finds that the practice of earnings management is influenced by non-profit organisational size.
Charity	Palmer, P., Isaacs, M. & D’Silva, K. (2001). "Charity SORP compliance–findings of a research study." *Managerial Auditing Journal* 16.5: 255-262.	This paper compared actual charity reporting to SORP and found considerable non-compliance.

Code	Reference	Abstract
Charity	Van Staden, C. & Heslop, J. (2009). "Implications of Applying a Private Sector Based Reporting Model to Not-for-Profit Entities: The Treatment of Charitable Distributions by Charities in New Zealand." *Australian Accounting Review* 19.1: 42-53.	The following is most of the abstract of this paper, which provides a summary of its findings: "In this paper, we investigate the practical and conceptual difficulties caused by applying a private sector based reporting model to the not for profit sector. [The focus is on charities in NZ 2003 – 2007.] We find a majority of the entities report charitable distributions in the Statement of Financial Performance (as expenses). This approach is conceptually justifiable, complies with international best practice, and is in line with the accountability argument made in this paper. A significant [but decreasing] minority of the entities report charitable distributions in the Statement of Movements in Equity (and therefore report higher surpluses). These two approaches lead to very different results, yet both are apparently seen as acceptable by the entities and their auditors. While this raises questions as to the understandability and comparability of the financial reporting by these entities, it also raises questions about the suitability of the for-profit sector reporting requirements for the not for profit sector."
Charity	Williams, S. & Palmer, P. (1998). "The state of charity accounting– developments, improvements and continuing problems." *Financial Accountability & Management* 14.4: 265-279.	This paper updates the state of charity reporting since the Bird report from the 1980's. It is UK focused. Although accounting had been improved, there were still considerable variations in 1994/95, and much inertia, with little consideration for the user beyond reporting the same way as the previous year. Such issues were rarely picked up in audit reports.

Code	Reference	Abstract
Government	Adam, B., Mussari, R. & Jones, R. (2011). "The diversity of accrual policies in local government financial reporting: An examination of infrastructure, art and heritage assets in Germany, Italy and the UK." Financial Accountability & Management **27**(2): 107-133.	This paper examines the norms and practices for infrastructure, art and heritage assets in six cities, across three European countries, to determine how the national norms of accrual accounting compared with each other, and with IPSAS, and how the practices in each city compared with the norms. We identify significant diversity between actual practices and the norms imposed by national policy-makers or set by IPSAS. Given that a longstanding concern of the literature has been on whether these kinds of assets should be included in governmental balance sheets and operating statements at all, it is striking how often the question was settled in practice by excluding art and heritage assets, even when this meant non-compliance with national norms. In our three countries, it is clear that comparability of the financial statements between countries was not a concern of policy-makers, and comparability between cities within each country not a concern of preparers.
Government	Barton, A. D. (2004). "How to Profit From Defence: A Study in the Misapplication of Business Accounting to the Public Sector in Australia." Financial Accountability & Management **20**(3): 281-304.	The financial statements of the Australian Department of Defence portray it as a highly profitable business which sells defence services to the Government, earns a large profit, pays a substantial dividend and is largely self-funding. It is argued that the statements seriously misrepresent the financial performance and position of the Department. It is funded from a budget appropriation to provide defence services to the nation, but it is required to report as if it were a commercial business under New Public Management reforms adopted by the Government. But Government accounting systems must be adapted to their unique operating environments if their financial statements are to faithfully represent their financial results.
Government	Bowerman, M. & Hutchinson, F. (1998). "The Role of Local Authority Accountants in Environmental Decision-Making." Financial Accountability & Management **14**(4): 299-317.	This research used case studies in decision-making for environmental issues as a means to observe the role of management accountants in English local government. We found that while environmental considerations are important in local authorities, there is a lack of available accounting techniques to address them. The decisions we examined were made through an informal, essentially party political, process in which the accountants' role was limited to legitimising decisions.

Code	Reference	Abstract
Government	McCrae, M. & Aiken, M. (2000). "Accounting for Infrastructure Service Delivery by Government: Generational Issues." Financial Accountability & Management **16**(3): 265-287.	Infrastructure service provision by government creates huge distributional issues about service availability and performance over time and the relative funding burdens borne by successive generations of consumers across time. But providing financial disclosure on these issues through inter-generational accounting pre-supposes that accounting measurement is both generationally neutral (temporal neutrality) and does not legitimate any particular pattern of distribution. At the very least, accounting measurements of service provision costs should possess the attribute of distributional fairness. They should not bias the inter-generational allocation of cost or funding burdens. We argue that the forced application of inappropriate commercial accounting concepts of asset valuation, depreciation and capital maintenance does produce significant generational bias. More flexibility is required to produce the necessary accounting measurement attributes for financial disclosure on whether government has discharged its continuing accountability for inter-generational equity in burden sharing. We discuss three conceptual issues and illustrate the need for flexibility by proposing an alternative 'flow of obligations' approach which does not require reference to valuations of community service resources or arbitrary cost allocations under depreciation.

Code	Reference	Abstract
Government	Ryan, C., Stanley, T. & Nelson, M. (2002). "Accountability Disclosures by Queensland Local Government Councils: 1997–1999." Financial Accountability & Management **18**(3): 261-289.	The annual report is promoted and regarded as the primary medium of accountability for government agencies. In Australia, anecdotal evidence suggests the quality of annual reports is variable. However, there is scant empirical evidence on the quality of reports. The aim of this research is to gauge the quality of annual reporting by local governments in Queensland, and to investigate the factors that may contribute to that level of quality. The results of the study indicate that although the quality of reporting by local governments has improved over time, councils generally do not report information on aspects of corporate governance, remuneration of executive staff, personnel, occupational health and safety, equal opportunity policies, and performance information. In addition, the results indicate there is a correlation between the size of the local government and the quality of reporting but the quality of disclosures is not correlated with the timeliness of reports. The study will be of interest to the accounting profession, public sector regulators who are responsible for the integrity of the accountability mechanisms and public sector accounting practitioners. It will form the basis for future longitudinal research, which will map changes in the quality of local government annual reporting.

Code	Reference	Abstract
Multiple	Gilchrist, D. J. & Simnett, R. (2019). "Research horizons for public and private not-for-profit sector reporting: moving the bar in the right direction." Accounting & Finance **59**(1): 59-85.	The examination of public and private not-for-profit sector financial reporting has been a topic of interest on a cyclical basis in Australia over the last 30 years. Traditional topics have included examinations of the intended and unintended consequences of specific standards, the accountability value of financial reports, transaction neutrality, compliance with the accounting standards, and more recently, the prospective implications of new, differently focused reporting standards considering such issues as income measurement and outcomes reporting. With increased recent attention from standard setters and regulators, and greater data availability, the opportunities for undertaking impactful research in these and related areas are increasing. In this paper, we focus on research that has examined the following questions: (i) Which private and public NFPOs lodge financial reports and what is reported; (ii) Who are the users and what are their information needs? (iii) Which private and public NFPs should lodge financial reports and what should be included in them; and (iv) How should the accounting frameworks for NFP sector reporting be set? For each of these issues, we identify the research gaps and opportunities for further research.
NFP	Behn, B. K., DeVries, D. D. & Lin, J. (2010). "The determinants of transparency in non-profit organizations: An exploratory study." Advances in Accounting **26**(1): 6-12.	This study provides descriptive evidence regarding the nature of voluntary financial disclosure in the non-profit sector. The ability of outside stakeholders to access organization-specific information concerning the operations of a non-profit organization is important for donation decisions. Members of the U. S. Senate, donors, and other stakeholders have expressed concern about the lack of transparency in the non-profit sector. This study identifies factors associated with greater transparency in the non-profit sector. Based on our study, a non-profit is more likely to allow us access to its audited financial statements if it is a larger organization, has more debt, a larger contribution ratio, an NTEE classification of Higher Education, or a higher compensation expense ratio.

Code	Reference	Abstract
NFP	Howieson, B. (2013). "Defining the Reporting Entity in the Not-for-profit Public Sector: Implementation Issues Associated with the Control Test." Australian Accounting Review **23**(1): 29-42.	This paper reports the main findings of a research project carried out on behalf of the Australian Accounting Standards Board (AASB) and the New Zealand Financial Reporting Standards Board. The purpose of the research is to inform standard setters about implementation issues that had been encountered in the not-for-profit (NFP) public sector when applying the control concept in AASB 127, Consolidated and Separate Financial Statements. The intention is to use the findings to inform proposed implementation guidance for AASB 10, Consolidated Financial Statements. Data were collected via a literature review and meetings with various NFP public sector constituents. Identified issues were either conceptual in nature (for example, who are the relevant users of NFP public sector general purpose financial statements and what are their needs?) or related to implementation concerns (for example, is the power exerted by one NFP public sector entity over another of an 'ownership' or a 'regulatory' form?). The findings give rise to several suggested actions that standard setters could take in providing useful guidance to NFP public sector constituents.
NFP	Kilcullen, L., Hancock, P. & Izan, H. Y. (2007). "User Requirements for Not-For-Profit Entity Financial Reporting: An International Comparison." Australian Accounting Review **17**(41): 26-37.	This study investigates the not-for-profit (NFP) external financial reporting regulatory environments of the US, the UK, Canada and New Zealand and compares them with that of Australia. It finds a lack of clarity in the definition of a NFP entity under Australian accounting standards. The study also identifies various types of information that earlier research and the guidance in other countries suggest are useful to the users of NFP entities' financial statements. This information is not currently required under Australian accounting standards.

Code	Reference	Abstract
NFP	Reheul, A.M., Van Caneghem, T. & Verbruggen, S. (2014). "Financial Reporting Lags in the Non-profit Sector: An Empirical Analysis." VOLUNTAS: International Journal of Voluntary and Non-profit Organizations **25**(2): 352-377.	We examine financial reporting lags among a large sample of Belgian non-profit organizations (NPOs). Doing so, we add to the literature on financial reporting and accountability in the non-profit sector. Next to drivers of the financial reporting lag that have been identified in prior studies based on private firms (e.g., delaying the disclosure of bad news), we find that the way of funding the NPO (i.e., reliance upon donations and/or grants) and its specific area of activity are significantly related to the financial reporting lag. Our results also suggest that important changes in accounting regulation significantly delay the financial reporting process. Importantly, we note that 17.2 % of the sample organizations do not file their financial statements within the legal time span.
NFP	Ryan, C., Mack, J., Tooley, S. & Irvine, H. (2014). "Do Not-For-Profits Need Their Own Conceptual Framework?" Financial Accountability & Management **30**(4): 383-402.	This paper raises the issue of whether not-for-profit (NFP) organisations require a conceptual framework that acknowledges their mission imperative and enables them to discharge their broader accountability. Relying on publicly available documentation and literature, it suggests the current Conceptual Frameworks for the for-profit and public sectors are inadequate in meeting the accountability needs of NFPs. A NFP-specific conceptual framework would allow the demonstration of broader NFP-specific accountability and the formulation of NFP-appropriate reporting practice, including the provision of financial and non-financial reporting. The paper thus theoretically challenges existing financial reporting arrangements and invites debate on their future direction.

Code	Reference	Abstract
NFP	Thornton, J. P. & Belski, W. H. (2010). "Financial reporting quality and price competition among non-profit firms." Applied Economics **42**(21): 2699-2713.	Donors increasingly rely on financial information reported by Internal Revenue Service (IRS) Form 990 to allocate donations among non-profit firms. However, competition among non-profits creates an incentive for managers to under-report management and fund-raising expenditures to make their firms appear relatively efficient. Increasingly, researchers suspect that information provided in the Form 990 may not accurately portray the true financial condition of non-profit firms. Inaccurate price information weakens the ability of donors to promote efficiency and discipline excess among non-profit managers. This article examines the reaction of donors to variation in Form 990 reporting quality. We find that donors reward non-profit firms for investments in more accurate financial reporting. Additionally, higher quality financial information sharpens the ability of donor markets to discipline non-profit firms by increasing price sensitivity. The primary implication of this study is that regulatory improvements in reporting quality could increase the ability of donor markets to serve as a viable governance mechanism for improving non-profit efficiency.

NFP	Travaglini, C. (2008). "Improving NPOs' Accountability in the Enlarged EU: Towards a Common Framework for Financial Reporting in European NPOs." Working Paper	Not for Profit Organizations (NPOs) are the subject of a relevant debate by scholars, politicians and public opinion. The European Commission issued ten years ago a Communication regarding the promotion of associations' and foundations' role, the problems and the challenges they have to face to improve their actions and to be able to better operate in a European context. Some efforts were done to measure economic dimensions of third sector by Research centres and international institutions while there is a remarkable lack of homogeneity concerning NPOs' accounting regulation in the European Union. Each country has its own accounting regulatory system, strongly depending by civil and tax laws; this reduces both NPO's disclosure and prevents scholars to comprehend the real state of social economy system at European level and their financial performance. Moreover it makes NPOs' chance to operate in a foreign country into the enlarged EU very difficult and make difficult an homogeneity in NPOs treatment at European level. A European agenda to support the accountability development in the third sector should define a minimum common framework for institutional and governance features, financial accounting and social accountability for different kinds of NPO, beginning starting from the different national regulations. In particular an hypothesis of European NPOs' framework for financial reporting (a first step to a better accountability) has to consider different regulations in order to: a) legal entities form in which NPOs have constituted instituted in EU countries end and their regulations (specific for NPOs or general for commercial entities); b) accounting and auditing obligations (keep accounting records, prepare annual accounts, provide financial reporting) and audit them; c) mandatory annual report provided by the NPOs (mission statement, asset and liability statement, statement of financial activities, explanatory notes, trustees report); d) disclosure of accounts disclosure (make the accounts available to the public on request or deposit it in a public register); e) accounting principles for NPOs (cash or accrual basis, light regulation for smaller entities, IFRs implementation); f) a model for NPOs financial performance evaluation based on financial statement (significant ratio in accounting aggregates).

Code	Reference	Abstract
		To define a common framework we start from a comparison matching between Spanish, Italian, and English regulations (law and practice) applied to NPOs to highlight similarities and differences. The paper is the first step of a wider research whose final goal is a meeting path to a common accounting framework for non profit organizations in European Union.
NFP	Yetman, R. J. (2001). "Tax-Motivated Expense Allocations by Non-profit Organizations." The Accounting Review **76**(3): 297-311.	Although non-profit organizations are generally exempt from income taxation, they pay taxes on profits from activities unrelated to their primary exempt purpose. Congress intended this tax on unrelated business activities to prevent unfair competition with for-profit businesses and to raise revenue. In the aggregate, non-profits report annual losses on their taxable activities of more than \$1 billion on \$4 billion of revenues. In contrast, they report aggregate profits of over \$50 billion on their tax-exempt activities. Analysis of a database of confidential tax returns suggests that medical and educational non-profits allocate expenses from their tax-exempt to their taxable activities to reduce their tax liabilities, although unfortunately it is not possible to determine the extent to which these allocations represent noncompliance with tax laws. In contrast, I find no evidence that charitable non-profits engage in tax-motivated allocation behavior.
NGO	Burger, R. & Owens, T. (2010). "Promoting Transparency in the NGO Sector: Examining the Availability and Reliability of Self-Reported Data." World Development **38**(9): 1263-1277.	Amid calls for NGOs to become more accountable, this work examines discrepancies between what NGOs say and do. Using a unique dataset of NGOs in Uganda it investigates the inaccuracies in reported financial transparency and community participation. We find that the threat of being caught reduces the likelihood of financial misrepresentation, while a desire to maintain a good reputation leads to misrepresentation of community consultation. Analysis provides indications that: NGOs with antagonistic relations with government may be more likely to hide information; and that unrealistic donor demands may be an obstacle to transparency. Findings caution against an overly naive view of NGOs and a reliance on self-reported information.

Code	Reference	Abstract
NGO	Goncharenko, G. (2019). "The accountability of advocacy NGOs: Insights from the online community of practice." Accounting Forum 43:1, 135-160.	Advocacy non-governmental organisations (NGOs) play an important role in society by keeping in check the power of corporations and governments and uncovering rights violations. They differ from other NGOs in terms of their agenda, funding structure and the stakeholders they serve, and operate in a context characterised by increasing demands for transparency, accountability and responsible advocacy. This study examines how the accountability agenda of advocacy NGOs is shaped by the need to maintain independence, preserve values and keep reputation unsullied when faced with financial and legitimacy pressures. A netnography method is employed to analyse the discussions taking place in the NGOs' online community of practice to understand the implications of the accountability challenges faced by advocacy NGOs through the perceptions of NGO professionals. The study reveals that the accountability agenda of advocacy NGOs is determined by the interrelated threats of financial vulnerability, potential loss of independence, legitimacy challenges and the high level of public scrutiny. The findings highlight that imperfect accountability mechanisms (e.g. financial reporting and performance management systems) hinder the ability of advocacy NGOs to demonstrate their accountability.
Private	Atkins, J. F. (2015). "The emergence of integrated private reporting." Meditari Accountancy Research **23**(1): 28-61.	This paper aims to provide evidence to suggest that private social and environmental reporting (i.e. one-on-one meetings between institutional investors and investees on social and environmental issues) is beginning to merge with private financial reporting and that, as a result, integrated private reporting is emerging

Code	Reference	Abstract
Private	Vanstraelen, A. & Schelleman, C. (2017). "Auditing Private Companies: What do we Know?" Accounting and Business Research **47**(5): 565-584.	The purpose of this article is to provide an overview of the literature on what we currently know about the costs and benefits of auditing private company accounts. Our main conclusions are the following. First, there is much heterogeneity in factors driving audit demand in private companies and the value derived from the audit. Second, research provides support for improved financial reporting quality due to, and real economic benefits from, private company audits. Third, the cost–benefit analysis for private company audits is firm-specific and mandating the audit does not seem to be cost-effective and thus economically optimal for all private companies. Alternative services may better meet the needs of especially smaller private companies. Furthermore, mandating the audit is not necessarily an optimal solution since private companies with low demand for a high-quality audit are able to find an auditor that meets their requirements even under a mandatory regime. Hence, having a mandatory audit in place is no guarantee for universally high-quality audits and this seems most salient for private companies where auditors may be more prone to independence issues. We conclude by providing a number of directions for future research.
Public	Lee, J. & Fisher, G. (2004). "Infrastructure assets disclosure in Australian public sector annual reports." Accounting Forum **28**(4): 349-368.	Recent Australian public sector reforms have raised concerns about the disclosure of infrastructure asset information as a basis for improved accountability. This paper examines whether specific infrastructure asset information identified in relevant literature is disclosed in practice. A cross-sectional, content analysis of 1999 annual report disclosures made by 73 Australian public sector entities operating in economic infrastructure industries revealed a low level of, and considerable diversity in, disclosures, particularly relating to the physical condition of infrastructure assets, their maintenance and performance measurement. Such disclosure was found to be driven by government reporting guidelines rather than the use of corporate form.

Code	Reference	Abstract
Public	Skærbæk, P. (2005). "Annual Reports as Interaction Devices: The Hidden Constructions of Mediated Communication." <u>Financial Accountability & Management</u> **21**(4): 385-411.	Based on a micro sociological examination of how an annual report is produced within a Danish business university, this study attempts to increase our understanding of the strategies used by the producers of an annual report intended for use by parliament and the government. The paper uses Erving Goffman's book Frame Analysis (Goffman, 1974) and conceptualises the production and reading of an annual report as a 'strip of interaction' and illustrates how a business university mobilises the primary framework of accounting to guide the interaction between those who produce the report and its potential readers. In addition, the paper examines and answers the questions of why the report seems to have very few users and to find explanations as to why the report ends up as it did. The findings suggest that the annual report can be seen as a passive production process which meets the role expectations of parliament and the government and yet avoids the publication of any critical information that may cause problems for the university, which is currently dependent upon maximizing both public and private financing. As such, the original meaning of the accounting framework is transformed into having different layers of meaning. The study demonstrates how the use of accounting is not the objectivist theoretical use of information for decision-making, but rather the use of information for impression management purposes. Thus the study shows us that annual reports have significant social effects on contributing to the purification of the State and even the democratic constitution.

Code	Reference	Abstract
SME	Baldarelli, M.G., Demartini, P., Mosjna-Skare, L. & Paolini, P. (2012). "Accounting Harmonization for SME-S in Europe: Some Remarks on IFRS for SME-S and Empirical Evidences." Economic Research-Ekonomska Istraživanja **25**(sup1): 1-26.	The debate on accounting truth is an old problem (Briloff, 1979) and it is at present more and more important in harmonization process, especially involving small- and medium-sized enterprises (SMEs). Their users' needs regarding the extents and type of accounting information as well as the costs of their providing are widely discussed as the arguments for differential reporting for SMEs, although there is still more literature focusing on financial reporting of large enterprises. The standards setters try to decrease the reporting burden for SMEs, keeping the relevant information for their report's users, while considering harmonization goals in the same time. In such an attempt, the International Accounting Standards Board (IASB) issued an International Financial Reporting Standard (IFRS) designed for use by small and medium-sized entities (SMEs) the 9th of July 2009, however some national European standard-setters seem not to be keen to introduce them. The aim of our paper is to analyze, the attempts and difficulties to reach all these goals in the same time and to implement the IFRS for SMEs, such as drawn by the IASB, in the European countries. Croatian experiences presented, running from International Accounting Standards (IAS) implementation as obligatory for all the companies, towards Croatian Financial Reporting Standards (CFRS) introduction for SMEs, represent an interesting experiment in the European context.

Code	Reference	Abstract
SME	Jerman, M. (2017). "Accounting by SMEs - Evidence from Slovenia." Accounting & Management Information Systems / Contabilitate si Informatica de Gestiune **16**(2): 268-290.	The paper aims to investigate the characteristics of financial reporting and management accounting by Slovenian Small and Medium-sized Entities (SMEs), which represent 99.8% of all Slovene enterprises. The paper examines the most important legal bases for external financial reporting of SMEs, rules in national accounting standards and their close linkage with taxation. The paper highlights how Slovenia adopted the relevant European Union (EU) Directives and emphasizes the particularities of the Slovenian environment that demonstrate diversity at the international level. The paper raises issues concerning lenient requirements on accounting practitioners' qualifications and a lack of supervision of financial statements. We then provide a literature review of relevant studies in the field of financial and management accounting. The financial accounting literature seems to be more developed than that of management accounting. Studies reviewed in this paper mainly focused on the link between financial accounting and taxation, indicating that the use of accounting discretion is motivated by the effort to minimize taxation.
SME	Singleton-Green, B. (2015). "SME Accounting Requirements: Basing Policy on Evidence." Working Paper, ICAEW.	The report looks at the costs and benefits of regulating SMEs' financial reporting, at why SMEs may require a different regime from other businesses, and at what research can tell us about these questions. It concludes that the evidence available to date is insufficient to develop policies that are soundly based, and that a substantial programme of research is needed.

A3. What should be reported, and should be reporting criteria?

Code	Reference	Abstract
Charity	Baskerville R., Cordery C. & Pells J., "Small Charities in New Zealand: responses to the new financial reporting changes", Victoria University of Wellington, New Zealand. Unpublished working paper.	The context for this study is the introduction of a new financial reporting regime in 2013, such that registered charities are required to comply with new financial reporting standards from 2015. From the executive summary: The purpose of this research is to analyse the levels of awareness and capability of Tier 3 and Tier 4 Charities to comply with the new financial reporting standards. Small charities with less than $NZ 2 million in annual expenditure are included for the first time. The overwhelming majority (92%) of respondents self-reported that they had used the new standards.
Charity	Cordery, C. (2013). "Regulating Small and Medium Charities: Does It Improve Transparency and Accountability?" VOLUNTAS: International Journal of Voluntary and Non-profit Organizations **24**(3): 831-851.	Internationally, there has been a steady increase in the number of countries instigating charity regulation. Public interest theory suggests that regulation increases organisational transparency through reducing information asymmetry, protects (or encourages) a competitive market, and leads to a distribution of resources which is in the public interest. While these arguments may explain charity regulation, the cost of compliance can be an issue for small- and medium-sized charities. Therefore, regulators tend to take a light-handed approach to small and medium charities' information provision. This paper ascertains the impact of a light-handed enforcement regime on small and medium charities' reporting, analysing the financial reporting practices of a selection of 300 small- and medium-sized charities registered with the former New Zealand Charities Commission against the Charities Act 2005 requirements and hence the rationale for this regulator. It uses this analysis to predict how the regulator's activities might impact future reporting practices of charities.

Code	Reference	Abstract
Charity	Cordery, C. & Baskerville, R. F. (2007). "Charity Financial Reporting Regulation: A Comparative Study of the UK and New Zealand." Accounting History **12**(1): 7-27.	This paper contrasts the two approaches to regulation of charity reporting in New Zealand and the UK: sector neutrality versus separate sets of standards. Charities are becoming more highly regulated worldwide and yet they are subject to diverse, country-specific, financial reporting standards. New Zealand is a jurisdiction that has treated all sectors alike in its approach to the financial regulation of charities, while the UK has, for some time, separated the regulation of charities from other entities. This article provides a comparison of the histories of the evolution of regulation for charity reporting in the UK and New Zealand. The current process of international harmonization in both jurisdictions is premised on the principle that accounting conceptual frameworks should not be jurisdiction-specific, but charities have proved to be an exception. We suggest in this study that this exception is attributed to different drivers resulting in regulatory distinctions in two otherwise similar jurisdictions. Without persisting in the maintenance of sector-neutrality, the inevitable divergence increases the load on preparers, attesters, and users and may lead to lower levels of accountability and transparency.
Charity	Cordery, C. J. & Sim, D. (2015). "Cash or Accrual: What basis for small and medium-sized charities' accounting?" Third Sector Review **20**(2): 79-105.	Charities regulators and standard setters mainly focus on large entities and the needs of sophisticated preparers and users; thus, they mandate accrual accounting. Regulators allow smaller charities to use cash-based reporting, as, despite its disadvantages, the alternative (accrual-based reporting) can be costly and consume smaller charities' few resources. Nevertheless, all charities receive tax exemptions, making them financially accountable to government; their other stakeholders also use financial reports to assess accountability and to make decisions about providing further resources. Should regulatory agencies require accrual-based reporting for all charities, or only for some? This research examines New Zealand charities' financial reporting practices and evaluates the drivers for cash and accrual reporting. The research finds that the absolute size of charities is not the only driver to charities reporting on a cash or accrual basis, but that resource dependency (especially on goods and services and on rental) and the assistance of qualified accountants are also factors.

Code	Reference	Abstract
Charity	Hines, A., & Jones, M. J. (1992). "The impact of SORP2 on the UK charitable sector: An empirical study." *Financial Accountability & Management* 8.1: 49-67.	SORP2 (Statement of Recommended Accounting Practice) is the (non-mandatory) regulatory guidance of charity reporting in the UK. The second edition was released in 1988 in response to a diversity of accounting practice and presentation in the sector. For example, it recommended the use of accrual accounting. This paper examines whether SORP2 did have a significant impact on accounting practices of UK charities in the period after its introduction. It generally found little impact. Again there seemed to be a preference for compliance only when they agreed with the practice. For example, charities were reluctant to implement recommendations relating to capitalisation and depreciation of fixed assets, and disclosure of details about publicity and fund-raising expenses. The article recommended either mandatory pronouncements or government legislation.
Charity	Peterson-Palmer, K. & Malthus, S. (2017). "Financial reporting by charities: the impact of recent changes to accounting standards and assurance requirements." New Zealand Journal of Applied Business Research (NZJABR) **15**(1): 41-57.	This study investigates the effects of recent statutory changes to the financial reporting and auditing requirements for small and medium sized registered charities in Nelson, New Zealand. Semi-structured interviews were conducted with five charities to explore the impact of the new accounting standards, financial reporting and auditing requirements, and implementation processes. The findings suggest that all the charities have experienced an increase in accounting and auditing cost, but the changes affect more to the smaller charities than the larger ones. Furthermore, while the charities believe that the new standards are confusing and time consuming, the changes in new reporting format would be beneficial due to its standardisation, improved readability and comparability.

Code	Reference	Abstract
Charity	Yetman, M. & Yetman, R. (2012). "The Effects of Governance on the Accuracy of Charitable Expenses Reported by Non-profit Organisations" *Contemporary Accounting Research* 29 (3): 738 – 767.	This paper examines the central hypothesis that stronger governance of charities results in more accurately reported charitable ratios. It empirically tests in the US 1998 – 2006 and in 2008 whether charities with better governance report more accurately, with a particular focus on the charitable expenses to total expenses ratio. They conclude "From a policy perspective, our results provide somewhat of a roadmap for regulators and non-profit boards seeking ways to improve the decision usefulness of non-profit organisations' financial reports. Our results suggest that requiring a financial statement audit … would significantly improve the accuracy … also that requiring non-profits to adopt some provisions of the SEC Acts … as well as some provisions of SOX would have a positive effect on reporting quality" (p762 – 763).
Government	Christiaens, J. & Rommel, J. (2008). "Accrual accounting reforms: Only for businesslike (parts of) governments." Financial Accountability & Management **24**(1): 59-75.	Based on governmental accounting experiences and on the rising criticism of accrual accounting, this paper proposes that accrual accounting in governments will only succeed in businesslike (parts of) governments in the coming years. This proposition leans on the inappropriate transfer of the accrual accounting framework from the profit sector, the underestimation of difficulties considering accrual budgeting and the lack of attention to the political dimension. This paper points out that the advocates of accrual accounting have neglected some important considerations.

Code	Reference	Abstract
Multiple	Gilchrist, D. J. & Simnett, R. (2019). "Research horizons for public and private not-for-profit sector reporting: moving the bar in the right direction." Accounting & Finance **59**(1): 59-85.	The examination of public and private not-for-profit sector financial reporting has been a topic of interest on a cyclical basis in Australia over the last 30 years. Traditional topics have included examinations of the intended and unintended consequences of specific standards, the accountability value of financial reports, transaction neutrality, compliance with the accounting standards, and more recently, the prospective implications of new, differently focused reporting standards considering such issues as income measurement and outcomes reporting. With increased recent attention from standard setters and regulators, and greater data availability, the opportunities for undertaking impactful research in these and related areas are increasing. In this paper, we focus on research that has examined the following questions: (i) Which private and public NFPOs lodge financial reports and what is reported; (ii) Who are the users and what are their information needs? (iii) Which private and public NFPs should lodge financial reports and what should be included in them; and (iv) How should the accounting frameworks for NFP sector reporting be set? For each of these issues, we identify the research gaps and opportunities for further research.
Multiple	Jones, R. (2000). "Public Versus Private: The Empty Definitions of National Accounting." Financial Accountability & Management **16**(2): 167-178.	The policy-making processes and the policies of the two international systems of national accounts are addressed, from the perspective of the accounting discipline. The particular measurement issue that determines which parts of an economy are public and which are private – the reporting entity – is discussed. The main conclusion is that the definition of the reporting entities is so vague as to be empty; in other words, national accounting's definition of what is public and what is private is empty.
NFP	Adams, S. & Simnett, R. (2011). "Integrated Reporting: An Opportunity for Australia's Not-for-Profit Sector." Australian Accounting Review **21**(3): 292-301.	Integrated Reporting is a new reporting paradigm that is holistic, strategic, responsive, material and relevant across multiple time frames. Emphasising enhanced disclosure of the value drivers for today's organisations, Integrated Reporting represents a journey to more meaningful reporting that can be instrumental for Australia's reporting organisations, including not-for-profits. With momentum behind the concept of Integrated Reporting building and contemporaneous local regulatory reform on the agenda, there are nascent opportunities for Integrated Reporting to guide the future of not-for-profit reporting in Australia.

Code	Reference	Abstract
NFP	Breen, O. B., Cordery, C. J., Crawford, L. & Morgan, G. G. (2018). "Should NPOs Follow International Standards for Financial Reporting? A Multinational Study of Views." VOLUNTAS: International Journal of Voluntary and Non-profit Organizations **29**(6): 1330-1346.	Financial reporting is an important aspect of not for-profit organisations' (NPOs') accountability. Globally, numerous and varying regimes exist by which jurisdictions regulate NPO financial reporting. This article explores whether NPOs should be required or expected to follow sector-specific international financial reporting standards. We investigate stakeholder perceptions on the nature and scope of any such developed standards, interpreting our findings through the lens of moral legitimacy. Using an international online survey of stakeholders involved in NPO financial reporting, we analyse 605 responses from 179 countries. Based on our findings, we argue that diverse stakeholder groups, especially those who are involved with NPO financial reporting in developing countries, are likely to grant moral legitimacy to developed NPO international accounting standards if the consequences are to enhance NPO accounting and accountability information, subject to agreement as to whether all or only NPOs of a certain size should comply and whether any such standards should be mandatory.
NFP	Carey, P. Knechel, W. R. & Tanewski, G. (2013). "Costs and Benefits of Mandatory Auditing of For-profit Private and Not-for-profit Companies in Australia." Australian Accounting Review **23**(1): 43-53.	This paper addresses the paucity of research surrounding the mandatory auditing of for-profit private and not-for-profit companies in Australia. We document the various mandatory auditing provisions under the Corporations Act and identify over 22 000 companies that lodge audited accounts with the regulator under federal law. In 2011, 6339 large proprietary companies, 186 small proprietary companies, 2797 foreign-owned companies, 3985 unlisted public companies and 8404 public companies limited by guarantee had an obligation under the Corporations Act to lodge audited accounts. While large proprietary and foreign-owned companies have an option to apply to the Australian Securities and Investment Commission for audit relief, we estimate that less than 10% are granted audit exemption. We document that since 1995 an additional 1500 large proprietary companies that should have lodged under the size provisions of the Corporations Act have been granted exemption from doing so (i.e., grandfathered), although these firms appear to be subject to an annual audit even though they do not lodge accounts. We estimate the costs and discuss the potential public interest and firm-level benefits associated with the mandatory auditing of for-profit private and not-for-profit companies in Australia.

Code	Reference	Abstract
NFP	Falk, H. (1992). "Towards a framework for not-for-profit accounting." Contemporary Accounting Research **8**(1): 468-499.	This paper analyses the theoretical explanations for the not-for-profit (NFP) organization phenomenon, distinguishes between those organizations and profit entities, clusters NFPs on two dimensions, and suggests an accounting framework that is consistent with both the economic nature of NFPs and the nature of the giving decision.
NFP	Palmer, P. D. (2013). "Exploring attitudes to financial reporting in the Australian not-for-profit sector." Accounting & Finance **53**(1): 217-241.	The current level of satisfaction among different stakeholders about the current approaches and practises of financial reporting of not-for-profit (NFP) entities is underexplored (Christensen and Mohr, 2003; Lee, 2004; Gray et al., 2006; Parker, 2007). This paper uses content analysis to examine submissions to the 2008 Australian Senate Economics Standing Committee for its inquiry into the disclosure regimes of charities and NFP organisations, which aimed to explore attitudes about financial reporting in the NFP sector. Financial reporting is viewed as an important part of accountability, but the sector identifies deficiencies in the current regime in terms of consistency, efficiency and transparency. Respondents to this inquiry believed that a sector-specific accounting standard was important. Financial reporting standards, regulations and legal structures should be uniform across the entire sector, but with some variation allowed for smaller NFPs. The cost of complying with standards was a significant issue for smaller NFPs.

Appendix 2: Annotated bibliography of professional reports (and related web sites)

1. Treasury (2020) Government response to Australian Charities and Not for profits Commission legislation review

Available at: https://treasury.gov.au/publication/p2020-61958 [accessed 03/02/2021]

This publication is the Government's response to the Australian Charities and Not-for-profits Commission legislation review and this publication forms part of the Review of Australian Charities and Not-for-profits Commission (ACNC) legislation. This response aims to ensure the sector meets community expectations when it comes to transparency, accountability and good governance.

2. AASB (2020) AASB Research Report 14: Literature Review: Service Performance Reporting for Not-for-profits

Available at: https://www.aasb.gov.au/admin/file/content102/c3/AASB_RR14_LitReviewOfSPR.pdf [accessed 03/02/2021]

This report provides a systematic review of both the Australian and international academic literatures regarding reporting of service performance information for private and public not-for-profits (NFPs), including charities. The objective of the review is to present, describe and synthesise existing research evidence so as to assist the Australian Accounting Standards Board (AASB) in their Management Commentary and Service Performance Reporting Project. The objective of the project is to determine whether the International Accounting Standards Board's (IASB) *Practice Statement 1: Management Commentary* currently being updated by the IASB can be adequately adapted to become a mandatory standard, that is capable of being assured to provide a base to achieve objectives of service performance reporting for NFP private and public entities, and whether it would provide better information to users than current requirements in ASIC Regulatory Guide 247 *Effective Disclosure in An Operating and Financial Review* (RG 247).

3. AASB (2019) AASB Research Report 11: Review of Special Purpose Financial Statements: Large and Medium-sized Australian Charities

Available at: https://www.aasb.gov.au/admin/file/content102/c3/AASB_RR11_ACNCreport.pdf [accessed 03/02/2021]

AASB commissioned this research into not-for-profit entities lodging public financial statements with the Australian Charities and Not-for-Profits Commission (ACNC) in 2016. The aim was to determine how extensively SPFS are used and whether the quality of those SPFS is meeting the information needs of their users. The results of the research indicate that the extent of stating compliance with recognition and measurement (R&M) requirements in Australian Accounting Standards (AAS) at 26% is significantly lower than in the for-profit sector at 76%, perhaps not unexpectedly. Of the other NFP entities, 30% state non-compliance and it is not clear for the remaining 44% whether or not they complied with R&M requirements. The results indicate a lack of comparability in financial reporting for the charity sector. The findings also highlight that proposals to remove SPFS in this sector are likely to have significantly greater costs than for the for-profit sector, as the starting base is very different for each charity.

4. AASB (2019) AASB Research Report 12: Financial Reporting Practices of For-Profit Entities Lodging Special Purpose Financial Statements

Available at: https://www.aasb.gov.au/admin/file/content102/c3/RR12_ASIC_08-19_1565850176017.pdf [accessed 03/02/2021]

The ability for directors of entities to self-assess their reporting requirements when required to publicly lodge financial statements is unique to Australia. This ability has been seen as a long-standing "right" and preparers, professional bodies and auditors have resisted many attempts at reform. Prior reform attempts have been further hampered by lack of evidence regarding the "harm" caused by special purpose financial statements (SPFS), where directors determine what information to provide to their users. Accordingly, the AASB commissioned this research into for-profit entities lodging public financial statements with the Australian Securities and Investment Commission (ASIC) in 2018, to determine how extensively SPFS are used and whether the quality of those SPFS is meeting the information needs of their users.

5. ACNC (2018) Strengthening for Purpose: Australian Charities and Not-for-profits Commission Legislative Review

Available at: https://treasury.gov.au/sites/default/files/2019-03/p2018-t318031.pdf [[accessed 03/02/2021]

The Report makes 30 recommendations for the charities and not-for-profits sector, based on an evaluation of the effectiveness of the *Australian Charities and Not-for-profits Commission Act 2012* (Cth) and the *Australian Charities and Not-for-profits Commission (Consequential and Transitional) Act 2012* (Cth) (ACNC Acts).

6. CAANZ (2019) Enhancing not-for-profit reporting, Part A: Enhancing performance reporting

Available at: https://www.charteredaccountantsanz.com/-/media/ea684b8046234328ac4163417c27c430.ashx [accessed 03/02/2021]

This tool is published by the Chartered Accountants Australia and New Zealand (CA ANZ) Charities and Not-for-Profit (CNFP) advisory committee to support organisations in the NFP and charity sector in their efforts to attain best practice in their annual, financial and performance reports.

7. CAANZ (2019) Enhancing not-for-profit reporting, Part A: Enhancing financial reporting

Available at: https://www.charteredaccountantsanz.com/tools-and-resources/client-service-essentials/reporting/enhancing-not-for-profit-reporting-part-b-enhancing-financial-reporting-australia [accessed 03/02/2021]

This part of the publication "Enhancing not-for-profit reporting" focusses on guidance and recommendations to enhance financial reporting for Australian Not-for-profits (NFPs). Although financial reporting is largely dictated by legislation and accounting standards, many opportunities exist to enhance the clarity and usefulness of financial reports. This part contains sections including recommendations to enhance NFP financial reporting, frequently asked questions and guidance when producing a financial report, and an example financial report.

8. CPA Australia (2019) Charities – A Guide to Financial Reporting and Assurance Requirements

Available at: https://www.cpaaustralia.com.au/~/media/corporate/allfiles/document/professional-resources/auditing-assurance/charities-a-guide-to-financial-reporting-and-assurance-requirements.pdf [accessed 03/02/2021]

"Charities – A guide to financial reporting and assurance requirements" was initially developed and published by CPA Australia in 2013 to inform charities and their advisors about their financial reporting and assurance obligations under the *Australian Charities and Not-for-profits Commission Act 2012* and other associated legislation. This updated version of the guide incorporates many of the statutory changes to reporting and assurance requirements since establishment of the ACNC. While many of these changes relate to the red tape reduction measures implemented, other statutory developments and forthcoming changes are also signposted in the guide.

9. CPA Australia (2013) Charities A guide to financial reporting and assurance requirements. 3rd edition.

Available at: https://www.cpaaustralia.com.au/~/media/Corporate/AllFiles/Document/professional-resources/auditing-assurance/charities-guide-report.pdf [accessed 07/09/2017]

This report is intended to inform charities and their advisers on their financial reporting and assurance obligations under the *Australian Charities and Not-for-profits Commission Act 2012* and other associated legislation and regulation. The guide aims to provide the key elements of regulation on financial reporting and assurance and give useful reference material to assist with compliance with new regulations.

10. Ernst & Young (2014) Research into Commonwealth Regulatory and Reporting Burdens on the Charity Sector A report prepared for the Australian Charities and Not-for-profits Commission 30 September 2014

Available at: https://www.acnc.gov.au/file/381/download?token=mEkyyhx4 [accessed 11/09/2017]

This report provides the ACNC with independent insight into the source and scale of government requirements on charities, and identifies which of these requirements constitute red tape. The report examines the experiences of 15 case study charities drawn from subsectors in which there was anecdotal evidence of significant red tape and where research on the burdens imposed was lacking: i.e. social welfare, other education (excluding schools and universities) and health/aged care. EY also surveyed nearly 400 charities and analysed publicly-available data.

11. Deloitte UKAccounting*Plus* 31 July 2014 Charities Alert - Which SORP to apply?

Available at: https://www.iasplus.com/en-gb/publications/uk/other/charities-alert-which-sorp-to-apply [accessed 07/09/2017]

This publication from Deloitte examines the choice small charities ('small' as per the Companies Act) will have from 2015, in deciding whether to report under FRS 102 the Financial Reporting Standard Applicable in the United Kingdom and Republic of Ireland or the Financial Reporting Standard for Smaller Entities. The Charity Commission and the Office of the Scottish Charity Regulator have also prepared two separate statements of recommended practice, depending on which underlying standard is adopted.

12. GOVUK Charity Commission for England and Wales published 27 March 2015 Charity reporting and accounting: the essentials March 2015

Available at: https://www.gov.uk/government/publications/charity-reporting-and-accounting-the-essentials-march-2015-cc15c/charity-reporting-and-accounting-the-essentials-march-2015 [accessed 11/09/2017]

This report summarises the main requirements for UK charities to produce an annual report, a set of accounts and an annual return effective for financial years (accounting periods) ending on or after

31 March 2015. It also details the deadline for submitting accounts and returns to the commission, and when independent examination or professional audit of a charity's accounts is required.

13. Deloitte UKAccountingPlus 1 November 2016

Charity Commission publishes guidance on charity reporting and accounting

Available at: https://www.iasplus.com/en-gb/news/2016/12/charity-commission-publishes-guidance-on-charity-reporting-and-accounting [accessed 07/09/2017]

The Charity Commission has published guidance outlining what charity trustees need to do when preparing annual reports, accounts and annual returns for accounting periods beginning on or after 1 November 2016. The guidance explains the different accounting and reporting requirements for different sizes and types of charity for financial years beginning on or after 1 November 2016.

14. Charities Services – New reporting standards

Available at: https://www.charities.govt.nz/new-reporting-standards/ [accessed 07/09/2017]

This report outlines the new reporting standards that came into effect in New Zealand on 1 April 2015. Registered charities will need to prepare financial statements in line with these new standards.

15. Charities Services – Financial reporting and control relationships

Available at: https://www.charities.govt.nz/new-reporting-standards/financial-reporting-and-control-relationships/ [accessed 07/09/2017]

This report gives advice if a registered charity has control relationships with other organisations. These organisations are considered part of the charity's reporting entity**.** Charities in this situation will need to include information about these organisations in their performance reports by providing consolidated financial statements and submitting these consolidated financial statements to Charities Services together with their annual returns.

16. Charities Services – About the new reporting standards

Available at: https://www.charities.govt.nz/new-reporting-standards/about/ [accessed 07/09/2017]

This report outlines the new reporting standards came into effect in New Zealand on 1 April 2015 and registered charities will need to prepare financial statements in line with these new standards.

17. Fund Raising Institute of New Zealand New Reporting Standards for New Zealand Charities

Available at: https://www.finz.org.nz/ethics [accessed 07/04/2021]

After 1 April 2015, new reporting standards come into effect for registered charities. These new standards will provide greater consistency and transparency across the sector, bringing New Zealand's Registered Charities in line with international standards. This information outlines these changes and how they will affect charities.

18. Deloitte Financial reporting by not-for-profit entities in New Zealand Your questions answered (May 2015)

Available at: https://www2.deloitte.com/content/dam/Deloitte/nz/Documents/audit/2015/nz-en-financial-reporting-by-not-for-profit-entities-in-nz-your-questions-answered-final.pdf [accessed 07/09/2017]

An overhaul of New Zealand's financial reporting legislation was completed in 2013 with the issue of the Financial Reporting Act 2013 and amendments to a number of other pieces of legislation. This

represents a significant change to the financial reporting landscape for many not-for-profit entities, and in particular registered charities which will have financial reporting obligations for the first time from periods beginning on or after 1 April 2015. Along with legislative changes as to 'who' has to provide financial statements, the External Reporting Board also changed 'what' the financial reporting requirements are, creating new challenges for preparers of financial statements. This publication seeks to bring some clarity to the changes.

19. Office **of the Scottish Charity Regulator (2014) Charities SORP (FRS 102)**

Available at: http://www.charitysorp.org/media/619101/frs102_complete.pdf [accessed 07/09/2017]

This report gives guidance about the Accounting and Reporting by Charities: Statement of Recommended Practice (SORP) applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) that is effective from 1 January 2015.

20. **GOVUK Charity Commission for England and Wales published 1 November 2016 Charity reporting and accounting: the essentials November 2016 (CC15d)**

Available at: https://www.gov.uk/government/publications/charity-reporting-and-accounting-the-essentials-november-2016-cc15d/charity-reporting-and-accounting-the-essentials-november-2016-cc15d--2 [accessed 07/09/2017]

This guidance is intended to help trustees and their advisers know what should be prepared in terms of an annual report and accounts, whether external scrutiny is needed for the accounts and the separate requirement to submit an annual return to the commission.

21. **Cortis, N., Young, A., Powell., Reeve, R., Simnett, R., Ho, K., and Ramia, I. (2016) *Australian Charities Report 2015*. Centre for Social Impact and Social Policy Research Centre, UNSW Australia**

This report profiles over 51,000 charities in Australia and provides estimates of changes from 2014 to 2015 and new indicators of charity sustainability. Sustainability is explored by analysing financial performance, financial position and using a *sustainability framework* combining data from both the income statement and balance sheet.

22. **Chartered Accountants Australia and New Zealand New Charity Reporting – One Year On (2017)**
Available at: https://www.charities.govt.nz/assets/Uploads/262-Charity-Reporting-Standards-One-year-on-FA-1.pdf [accessed 07/04/2021]

From accounting periods beginning on or after 1 April 2015, all registered charities in New Zealand are required to prepare annual financial statements using the new reporting standards issued by the External Reporting Board (XRB). The requirement to prepare financial statements in accordance with accounting standards is considered by many to be the most significant change in financial reporting for New Zealand's charities sector ever. As with any change, it takes time for awareness of the new requirements to grow and for those affected to understand and embrace the changes. The introduction of the new reporting standards for registered charities is no different. This report looks at the situation one year on.

23. **Australian Charities and not-for-profits Commission**

Report annually to the ACNC

Available at: https://www.acnc.gov.au/for-charities/manage-your-charity/obligations-acnc/reporting-annually-acnc#:~:text=The%20standard%20ACNC%20reporting%20period,about%20your%20different%20reporting%20period [accessed 07/04/2021]

This report gives guidance to charities about how to report annually.

24. **Australian Charities and not-for-profits Commission**

General and special purpose statements

Available at: https://www.acnc.gov.au/for-charities/manage-your-charity/obligations-acnc/reporting-annually-acnc/general-and-special [accessed 07/04/2021]

This report provides information about the types of financial reports that should be prepared.

25. **Justice connect Not-for-profit law – Reporting to the ACNC**

Available at: https://www.nfplaw.org.au/charityreporting [accessed 7/04/2021]

This report provides information about financial reporting under the ACNC requirements

26. **Not-for-profit law – Financial reporting for charities**

Available at: https://www.nfplaw.org.au/sites/default/files/media/Financial_reporting_for_charities_Cth.pdf [accessed 07/04/2021]

This fact sheet covers the financial reporting required by charities under the *Australian Charities and Not-for-profits Commission Act 2012* (Cth) (ACNC Act). This fact sheet sets out financial reporting requirements for charities under the ACNC Act. Charities registered with the ACNC have to submit an Annual Information Statement (AIS) and, depending on their size, may also have to submit an annual financial report.

27. **Deloitte UKAccounting*Plus* 24 April 2017**

Charity Commission publishes reviews into the quality of charity annual reports and accounts

Available at: https://www.iasplus.com/en-gb/news/2017/04/charity-commisson-quality-of-accounts [accessed 07/09/2017]

The Charity Commission has published the findings of three reviews which looked at whether charity annual reports and accounts meet user needs for both smaller (under £25,000) and larger (over £25,000) income brackets; and how well charities are meeting their public benefit reporting requirements.

28. **Deloitte UKAccounting*Plus* 31 March 2017**

Charity Commission publishes accounts templates pack for small charitable companies

Available at: https://www.iasplus.com/en-gb/news/2017/03/charity-commission-templates-small-charitable-companies [accessed 07/09/2017]

The Charity Commission has today published accounts templates for small charitable companies with income under £500,000 to help their trustees prepare accounts. The templates are applicable for reporting periods beginning or after 1 January 2015.

The Charity Commission indicates that around 77% of charitable companies on its register have income below £500,000 and highlights that the templates will "make it easier for charities to ensure their accounts are prepared in the correct format and to a good standard". Recent research undertaken by the Charity Commission highlighted that, when charities used templates provided by the Charity Commission, "they were much more likely to have followed the accounting standards".

29. Connolly, C. and Hyndman, N. (2017) *Charity Accounting and Reporting at a Time of Change*. Chartered Accountants Ireland.

This book:

- reviews the charity sector in the UK and the RoI – its size, its activity and its regulation;
- explores the key issues of accountability and governance in relation to accounting and reporting by charities;
- examines the development of charity accounting and reporting over time, from a period of light-touch – or perhaps no-touch – regulation and guidance, to one where guidance and regulation is much more pervasive;
- details the accounting requirements of the current Charity Statement of Recommend Practice (SORP);
- evaluates charities' reaction to the requirements of the SORP in terms of legitimation; and
- examines the importance (and practice) of performance and impact reporting by charities.

30. Deloitte UKAccounting*Plus* 5 September 2017

Charity Commission publishes updated guidance on the external scrutiny of charity accounts

Available at: https://www.iasplus.com/en-gb/news/2017/09/charity-commission-independent-examination-updated-guidance [accessed 07/09/2017]

The Charity Commission (CC) published updated guidance setting out how to carry out an independent examination of charity accounts. The updated guidance is mandatory for independent examiner reports signed and dated on or after 1 December 2017.The guidance has been published following feedback to a June 2016 consultation and updates the CC's previous publication that was published in June 2015.

Among other things, the updated guidance includes:

1. Three new Directions that must be followed by independent examiners about: examiner independence (Direction 2); conflicts of interest and disclosure of related party transactions (Direction 7); and financial sustainability and going concern (Direction 9) and
2. A framework for the independent examination of small charity group accounts. An expanded range of example examiner's reports. Advice on fund accounting. Guidance for examiners about helping charities with accounts preparation and book keeping.

US – not dated – as examples

31. America's charities Governance & Financials (nd)

Available at: https://www.charities.org/about/governance-financial-information [accessed 07/09/2017]

The web site outlines the requirements for Internal and External Oversight, and Organizational and Financial Information

32. California's Attorney General's Guide for Charities (nd)

Available at:
https://oag.ca.gov/sites/all/files/agweb/pdfs/charities/publications/guide_for_charities.pdf
[accessed 04/04/2021]

The Attorney General's Guide for Charities is intended to help volunteers and others who serve as directors, officers or fundraisers for non-profit charitable organizations. It provides practical information and answers to questions frequently asked about charities. In addition, the Guide summarizes some of the more important California laws affecting the creation and operation of non-profit charitable corporations. At the end of the Guide, there are two important listings. The "Directory of Services" lists government agencies, legal services and general resources that assist charities.

33. Internal Revenue Service (nd)

Available at: https://www.irs.gov/charities-non-profits [accessed 07/09/2017]

This site gives tax information for charities and other non-profits