

# International practices, beliefs and values in not-for-profit financial reporting.

CORDERY, C.J., CRAWFORD, L., BREEN, O.B., MORGAN, G.G.

2019

*This is an Accepted Manuscript of an article published by Taylor & Francis in Accounting Forum on 16/4/2019, available online: <http://www.tandfonline.com/10.1016/j.accfor.2018.05.001>.*

**Highlights:**

- The call for international standards for financial reporting for not-for-profit entities is strongly supported by the more than 600 respondents to this survey.
- Yet this project is beset by contested logics in respect of notions of the purpose of financial reporting, comparability, and how reports should be prepared.
- Beliefs that powerful regulators and legislators are likely influential agents for internationalising NPO financial reporting change, conflict with notions that individual nations can effect change.

# **International practices, beliefs and values in not-for-profit financial reporting**

**Carolyn J Cordery** – Aston University, England [c.cordery@aston.ac.uk](mailto:c.cordery@aston.ac.uk)

**Louise Crawford** – Robert Gordon University, Aberdeen, Scotland [l.crawford2@rgu.ac.uk](mailto:l.crawford2@rgu.ac.uk)

**Oonagh B Breen** – University College, Dublin, Ireland [oonagh.breen@ucd.ie](mailto:oonagh.breen@ucd.ie)

**Gareth G Morgan** – Sheffield Hallam University, England [gareth.morgan@shu.ac.uk](mailto:gareth.morgan@shu.ac.uk)

# International practices, beliefs and values in not-for-profit financial reporting

## 1. Introduction

Globalisation is a key force in financial reporting practices, with the institutionalisation of dominant beliefs and practices in the for-profit and public sectors being increasingly a subject of study (for example, Adhikari & Gårseth-Nesbakk, 2016; Irvine, 2008). The World Bank and the International Monetary Fund (IMF) are key drivers in developing countries and have endorsed internationally recognised standards and codes, including those produced by the International Accounting Standards Board (i.e. IAS and IFRS) (IMF, 2018). IAS and IFRS are seen as important for their work to drive capital market growth and integrity (Irvine, 2008). Additionally, International Public Sector Accounting Standards (IPSAS) are now adopted by several governments to evidence improved public sector governance (Adhikari & Gårseth-Nesbakk, 2016). Such globalisation has also generated a 'boom' in not-for-profit organisations (NPOs) serving developing countries. As conduits of aid, these NPOs are required to provide financial reports to discharge relevant accountability (Hopper, Lassou, & Soobaroyen, 2016). The globalisation of philanthropy also means transnational funders expect local NPOs to ensure their grant applications and accountability reports meet the practices, beliefs and values of donors from different countries (Aksartova, 2009). Funders rely on these reports to support good decision making in the use of their resources.

The NPO sector is defined and referred to in numerous ways, including 'non-governmental organisations' (NGOs), the 'third sector', 'community and voluntary sector', and 'civil society' (Salamon & Anheier, 1992). The NPO sector comprises organisations that are neither for-profit entities nor public sector entities. We use the term 'non-profit organisation' ('NPO') as a broader term than merely international aid NGOs to also include smaller community-based organisations. In particular, we consider whether there is a push for globalisation of financial reporting for those organisations that are established for public benefit or which would be seen as charitable organisations in jurisdictions where the term 'NPO' is used.<sup>1</sup> We focus on formal financial reports as mandated or recommended by NPO regulators or other powerful bodies. Often these regulators also demand that NPOs publish financial reports for a wide range of users.

The presence of such diverse users of published financial reports has led to calls for global

---

<sup>1</sup> The term 'charity' has a different meaning in different jurisdictions, and in many countries it has no formal meaning at all (Breen et al., 2009), but we examine organisations in any country which would probably meet the English definition of charity, given that these are the types of organisations that are frequently regulated and required to publish financial reports.

NPO reporting standards (Ashford & Charity Commission International Programme, 2007; Davies, 2012; IFRS Foundation, 2015; Ryan, Mack, Tooley, & Irvine, 2014). Our empirical data provides evidence of support for global financial reporting standards, but also of contested views between the preparers, auditors, users (internal and external) and the regulators and standard-setters. We utilise the theory of institutional logics as we expect NPO reporting practices to emanate from dominant or prevailing logics of action.<sup>2</sup> Key prevailing (accounting) logics for NPO reporting include beliefs about (i) who uses these reports; (ii) how financial reports should be prepared (what type of standards); and (iii) which users drive/decide the type of reporting demanded. There is a wide variation in NPO financial reporting requirements and practices across the globe (Crawford, Morgan, Cordery, & Breen, 2014). Accordingly, our analysis of the practices and beliefs (logics) regarding NPO reporting highlights prevailing and competing logics which may transform (or hinder the transformation of) NPO reporting. In addition, we question the likelihood of a single set of prevailing logics emerging to enable globalised NPO financial reporting standards to be readily adopted internationally by NPOs.

We add to the literature by analysing contested logics in the under-researched area of NPO reporting internationally. Secondly, this paper examines the negative effects of globalisation on issues such as beneficiary accountability and the manner in which less-powerful voices are unlikely to be heard in the standard-setting debates. Thirdly, we contribute to the sparse literature mobilising pattern matching as an analytical tool for research influenced by institutional logics.

Part 2 of this paper presents presenting the theoretical framework, followed by the methodology in Part 3. After the results are examined (in Part 4) and discussed (in Part 5), the paper concludes with limitations and areas for future research.

## **2. Theoretical framing**

### ***2.1 Institutional logics***

Arguably, a community of organisations will share institutional logics, that is: a set of socially constructed and context-bound taken-for-granted rules, practices, values, beliefs and social norms (Greenwood & Suddaby, 2006; Scott, 2001) “that provide meaning to their social reality” (Thornton & Ocasio, 1999, p. 804). We investigate the NPO community and the institutional logics surrounding NPO financial reporting; both the principles and rules promulgated by

---

<sup>2</sup> These “prevailing logics of action” (Greenwood & Suddaby, 2006) are also called “disclosure logics” and “business logics” (for example, Nicholls, 2009).

standard-setters and regulators, and the accounting practised by preparers and used by resource providers. Thornton and Ocasio (1999) explain that institutional logics can be bifurcated into those that are symbolic and those that are material. “Symbolic carriers are the rules, norms, and belief systems embedded in an institutional logic, and material carriers are the routines, relationship systems, and artifacts that materialise and reproduce them” (Lepoutre & Valente, 2012, p. 56). Primarily, we concentrate on the beliefs (symbolic carriers) underpinning NPO reporting, although we also report on practices (material carriers) through which these beliefs are expressed, and we explore conflicts therein.

As explained in the methodology below, the seven groups of key stakeholders surveyed in this research are NPO staff members, NPO board members/trustees, national and international standard-setters, NPO regulators, practitioners involved in preparation, audit or independent examination of NPO financial reports, professional accountancy bodies, academics with an interest in NPO financial reporting and users of NPO financial reports. We investigate these stakeholders’ perceptions about the logics which drive NPO financial reporting in different jurisdictions throughout the world.

Rather than a single logic relating to NPO financial reporting, multiple logics can compete or co-exist. Tension between different logics can create opportunities to shape adaptations, depending on the relative power and motivation of actors in the field (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011; van Gestel & Hillebrand, 2011). For example, Adhikari and Gårseth-Nesbakk (2016) present the different logics evident in the uptake of IPSAS in OECD countries, in particular extant material carriers that influence the way in which different jurisdictions implement IPSAS. Reay and Hinings (2009) suggest that co-existing and/or competing logics can be sustained, with changes occurring only when individuals and groups develop collaborative mechanisms to successfully and interactively negotiate incremental advances on specific issues. While many factors assist or delay change, Fontes, Lima and Craig (2016) argue that financial report preparers and auditors are key to localising the use of international standards.

Multiple logics are also evident in the globalisation of philanthropy. For example, Heydemann and Hammack (2009) state that aid and development NGOs appropriate global norms for survival, by developing hybrid global/local norms.<sup>3</sup> The operationalisation of global ideas results in a variety of regulation and practice locally and internationally (Breen, Ford, & Morgan, 2009; Heydemann & Hammack, 2009; Morgan, 2008, 2010). In this study, we analyse evidence of logics that may be competing and/or co-existing, and hypothesise

---

<sup>3</sup> Heydemann and Hammack (2009) analyse diffusion dynamics of global aid and development norms from the North (developed) to South (lesser developed) and from North to East. Strategies for diffusion of institutional logics are beyond the scope of the current paper.

whether these different logics could create an opportunity for change. The research sits within the contemporary debates that have mobilised calls for international NPO financial reporting standards (Ashford & Charity Commission International Programme, 2007; Consultative Committee of Accounting Bodies, 2013a (CCAB); Davies, 2012; IFRS Foundation, 2015).

In order to assess the likely success of calls for internationally converged NPO accounting practice, it is important to explore the extant institutional logics shaping stakeholders' beliefs, values and rules of NPO financial reporting. It is also important to examine diverse stakeholders' support or resistance towards developing such standards. Understanding which NPO stakeholders are perceived to influence national standards can provide insight into who might design and apply any new international standard. Accounting standard-setting is seen as a political process, as stakeholders (international accounting firms, users, multinational companies, standard-setters and other regulators) 'battle' for control to create new symbolic carriers of logics (Bengtsson, 2011; Crawford, Ferguson, Helliard, & Power, 2014). Specifically, international players push for harmonised standards within the global market, and local standard-setters may perceive such harmonised standards as a way to reduce standard-setting costs (see, for example, Cordery & Simpkins, 2016). However, standard-setters must retain legitimacy while negotiating and mediating between contesting and (often) resistant stakeholders (Crawford, Ferguson, et al., 2014; Irvine, 2008; Oulasvirta, 2014).<sup>4</sup> In an analysis of the development of the UK's Charities Statement of Recommended Practice (SORP) (for the latest version, see Charity Commission & OSCAR 2014), Hyndman and McMahon (2010) use the Mitchell, Agle and Wood (1997) stakeholder theorisation to argue that the most salient stakeholders in NPO standard-setting are the accounting profession (taken as preparers and auditors), resource providers, government and regulators, and interest groups and individuals. Our empirical analysis includes these stakeholder groups (albeit with some different titles) to ascertain to what extent an international globalised sets of standards would be welcome, and also to ascertain the predominant logics within NPO reporting.

## **2.2 Some key (accounting) logics derived from the literature**

We utilise the established literature to categorise the prevailing logics of NPO reporting and to address three questions. These are useful for considering change and its possible trajectory. The three questions selected for this analysis are summarised in Table 1 and discussed below.

- (i) *Do users of NPOs' financial reports expect them to be global or local (and do they*

---

<sup>4</sup> Recent literature shows a shift in the balance of power over accounting standard's development towards campaigning NPOs as powerful influencers of for-profit transparency reporting (Denedo et al., 2017; Crawford, 2018).

*seek comparability or not)?*

Inherently, it is important to know whether the users and preparers of NPO reporting are seeking a local rather than a global account. There is a variety of NPO financial reporting standards globally (Irvine & Ryan, 2013; Torres & Pina, 2003). For example, sector-specific accounting in the UK,<sup>5</sup> and the adaptation of international standards for NPOs in local jurisdictions (e.g. IFRSs to Australia and IPSASs to New Zealand) (Cordery & Simpkins, 2016) provide examples of a prevailing logic of action that NPO reporting is directed to local users. Indeed, even when the Prime Ministers of New Zealand and Australia agreed to harmonise NPO standards as part of a free-trade agreement (Accounting Standards Review Board, 2009), the national standard-setters noted that harmonisation would be a waste of standard-setting resources, as no NPOs could be found that reported in both countries and would benefit from such harmonisation. Country-specific 'rules' proliferate (for example, Irvine & Ryan, 2013; Torres & Pina, 2003; Verbruggen, Christiaens, & Milis, 2011) as symbolic carriers of a local logic. These local drivers are compounded by regulatory issues. Many countries lack any NPO-specific regulation, whilst others have complex interactions between systems of company law and NPO-specific accounting requirements which may cut across broader issues of accounting standard-setting and corporate reporting (Breen et al., 2009).

This question also includes the issue of whether such reporting needs to be comparable/uniform, which was found to be important in Young's (2006) historical analysis of for-profit accounting standards. As noted, NPO financial reporting is typically grounded in national regulatory frameworks (see Crawford, Morgan, et al., 2014). Yet, in many countries these national frameworks are based on global standards that ostensibly allow for comparability both within the same country and between countries.<sup>6</sup> Such global standards draw on beliefs underpinning IFRSs, that globalised capital markets best serve the interests of society, and therefore that investors require financial reporting that is comparable across different countries (Irvine, 2008). However, NPOs do not issue equities into capital markets. For example, Connolly, Hyndman and McConville (2013) show that, in harmonising the UK Charities SORP with IFRS, specific changes reduced users' ability to compare over time the percentage of donated funds actually spent on the cause for which funds were donated. The global logic of IFRS did not appear to meet these NPO users' needs.

---

<sup>5</sup> For example, in England and Wales, all but the smallest charities are required to prepare their financial reports in accordance with the SORP (Charity Commission, 2005), which was prepared by a SORP Committee with extensive representation from charities, auditors and regulators. The most recent SORP took effect for financial years starting 2015 onwards (Charity Commission & Office of the Scottish Charity Regulator, 2015).

<sup>6</sup> For example, large Australian charities must comply with adapted IFRSs and New Zealand charities with adapted IPSASs.



Nevertheless, we argue comparability is a prevailing logic as, despite the lack of a NPO ‘capital market’ equivalent, there are consistent calls for IFRS-based NPO financial reporting standards. These calls cite efficiency of standard-setting and ongoing understandability for readers who can familiarise themselves with uniform standards (for example, Jetty & Beattie, 2009; Ryan et al., 2014). This was evident in the inclusion of a general NPO Phase (‘Phase G’) in the IASB/ FASB 2004 Conceptual Framework project.<sup>7</sup> However, that project was delayed due to limited resources and abandoned along with the rest of that Conceptual Framework project (IASB & FASB, 2009). Recently, the IFRS Foundation (2015) consulted on whether the IASB should extend its mandate and develop IFRS for NPOs.<sup>8</sup> Hence, Table 1 summarises these arguments of prevailing logics: that users are global as well as local, and that comparability / uniformity is deemed to be important for users.

(ii) *On what basis are NPOs’ financial reports prepared (under cash or accrual standards, by professionals or volunteers)?*

A second logic (the basis for accounting) is contested in many countries (Cordery & Sim, 2014). Although many smaller NPOs seek to utilise simpler, cash accounting, regulators typically require all but the smallest NPOs to prepare accrual-based financial reports.<sup>9</sup> Even where standard-setters/ regulators make allowances for smaller NPOs to use cash accounting (Crawford, Morgan, et al., 2014), resource dependency can force NPOs to use accrual accounting. This often requires NPOs to use qualified accountants to produce their financial reports (Cordery & Sim, 2014). Such requirements prevail despite research findings that stakeholders who are unfamiliar with business practices prefer to read and act on cash-based financial statements (Irvine, 2011). In addition, voluntary treasurers are likely to find preparing cash-based statements is easier and less costly than accrual-based reporting – certainly, a majority of UK NPOs prepare cash-based reports (Morgan, 2008, 2011). Morgan (1999) finds that volunteer treasurers resign when they are forced to change from cash to accrual accounting. The push for accrual accounting links tightly to professional accounting firm’s dominance of financial reporting standard-setting (Hyndman & McMahon, 2010; Sinclair & Bolt, 2013) and reflects the accounting profession’s hegemony. Hence, Table 1 suggests the prevailing logic, that users expect accrual accounting as an underlying NPO logic.

---

<sup>7</sup> The acronyms stand for International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) respectively.

<sup>8</sup> The IFRS Foundation eventually decided against progressing this on resource grounds.

<sup>9</sup> For example, the US standard-setter requires NPOs with income of more than US\$25,000 to use accrual accounting, whereas in England & Wales and in Scotland non-company charities may report to the regulator using cash accounting if their revenue is no more than £250,000 (approximately USD385,000) (Crawford, Morgan, et al., 2014).

(iii) *Which users drive/ decide the type of financial reporting demanded?*

Charity financial reports have a wider set of users than for-profit and public sector entities, including “present and potential funders and financial supporters ... [and] recipients of goods and services and members” (Australian Accounting Standards Board, Canadian Accounting Standards Board, New Zealand Financial Reporting Standards Board, & United Kingdom Accounting Standards Board, 2008, p. 14). Salient stakeholder groups are noted by Ryan et al. (2014) as: trustees (board members), staff and volunteers, beneficiaries directly and the community indirectly (resource and product consumers), and regulatory agencies (for example, NPO regulators, national governments, tax authorities, and standard-setters). Crawford et al., 2018 present an accountability matrix for NPOs which locates stakeholder groups according to their internal or external relationship with the NPO and the nature of the accountability

The extent to which these users depend on financial reports for accountability and decision-making varies, with government and large funders (including lenders) demanding financial reporting more than public donors. Crawford, Morgan and Cordery (2018) found support amongst NPO stakeholders who were involved in NPO financial reporting for exercising broad stewardship accountability. Yet they also found that accountability upwards to external funders and regulators was prioritised.

It is likely that funders and donors of financial and operational resources use financial reports in different ways (Verbruggen et al., 2011). These stakeholder groups are extremely powerful, especially amongst resource-dependent NPOs (Ebrahim, 2005). Funders, who use NPO reports to inform their decision-making, will seek to ensure that the NPO standards shaping such reporting meets their decision-making and accountability needs. They may also be able to change NPO practice radically (Heydemann & Hammack, 2009; Quinn, Tompkins-Stange, & Meyerson, 2014).

In addition, many NPO regulators require financial reports to be filed and published and thus enhance accountability and decision-making (Crawford, Morgan, et al., 2014). In establishing NPO reporting standards to meet users’ needs, standard-setters must negotiate consensus amongst powerful stakeholders’ divergent views, to gain greater acceptance of the standards they develop (Sinclair & Bolt, 2013). A recent study examining accountability for NPOs operating across the globe, identified external regulators and funders as powerful ‘mission critical’ stakeholders (Crawford, Morgan, et al, 2018). Irvine’s (2008) developing country study found that professional accounting firms, multinationals and influential international actors (such as the World Bank and capital markets) were instrumental in the format of standards’

development and adoption. By contrast, traditional financial statement users' lack of participation in accounting standard-setting (Durocher, Fortin, & Cote, 2007), combines with political structures to restrict participation of certain non-typical user groups (Crawford, Ferguson, et al., 2014). This effectively marginalises such voices from the accounting standard-setting process. For example, in a longitudinal analysis of comment letters to the IASB, Larson and Herz (2013) find low engagement in the standard-setting process overall and a dominance from English-speaking (developed) countries, rather than developing countries who will just 'take' the new standards. A lack of geographical diversity of participants in the IASB process has also been remarked on by other researchers (Jorissen, Lybaert, Orens, & van der Tas, 2013; Larson, 2007). NPO financial reporting has similarities to the for-profit experience. In New Zealand, Sinclair and Bolt (2013) find that professional accounting firms, public and for-profit entities and individuals were more engaged with the standard-setter than NPOs, despite the significant changes in practice new NPO standards would bring. Thus, the standard-setter resorted to proactive engagement practices to gain the NPO sector's voice on financial reporting rules, and remedy NPOs' lack of engagement (Sinclair & Bolt, 2013). Similarly in the UK, Hyndman and McMahon (2010) find that, of the stakeholders involved in SORP re-development, the accounting profession (preparers and auditors), interest groups and individuals were more active than NPOs themselves. In addition, they note that government (as a resource provider) is an important contributor in that it 'steers' or facilitates the development of better NPO financial reporting (Hyndman & McMahon, 2010, 2011). Further, NPO beneficiaries are an important but difficult group to engage, both in reporting and in the standard-setting process (Connolly, Dhanani, & Hyndman, 2013; Sinclair & Bolt, 2013).

By engaging salient stakeholders in the standard-setting process, a standard-setter may also gain legitimacy, which should enable it to develop effective standards and increase standard quality (Adhikari & Gårseth-Nesbakk, 2016; Irvine, 2008; Sinclair & Bolt, 2013). Legitimacy is paramount if competing logics of action are to be resolved, particularly with respect to international NPO financial reporting standards.

Hence, Table 1 suggests the third prevailing logic analysed, that the accounting profession (particularly professional accounting firms), government and regulators, resource providers and interest groups drive NPO reporting standards' development. It also suggests that NPOs and their beneficiaries are less likely to participate, especially if they are from a developing country.

[INSERT TABLE 1 HERE]

We now turn to the empirical research and the views of stakeholders in NPO financial reporting, highlighting which groups hold different logics and which are dominant. These dominant stakeholders could work towards NPO international financial reporting standards, if they were inclined.

### **3. Outline of Empirical Methodology**

In this paper, we use the 'pattern matching' method of capturing institutional logics (Reay & Jones, 2016), where established theory about NPO financial reporting practices has informed category choices and the association of data with these categories.<sup>10</sup> Reay and Jones (2016, p. 442) describe 'patterns' as "a set of symbols and beliefs expressed in discourse (verbal, visual, or written), norms seen in behaviors and activities, and material practices that are ... associated with an institutional logic or logics". While the pattern matching method privileges existing theory, it does facilitate consistent analysis across different logics and also comparison to other studies (Reay & Jones, 2016). As a deductive study, we therefore formulated our research questions from analysis of the existing literature (see section 2 above). We compared the 'ideal type' logics (Thornton & Ocasio, 1999) so deduced, to our survey data (see below). In contrast to the purely qualitative work of Reay and Jones (2016), we use both quantitative and qualitative data to analyse the strength of the identified NPO logics, which in this case provides a form of triangulation.

To compare and contrast the competing logics held and the role and influence of stakeholders with respect to international NPO financial reporting standards, we explored the practices and beliefs regarding the logics of NPO financial reporting from the widest possible range of stakeholder groups, globally. The study was commissioned by a steering group of accountancy bodies and others with an interest in NPO accounting (deleted for blind review). The study's commissioners sought to assess the extent of consensus on developing international accounting standards for NPOs, and highlighted specific issues currently limiting accountability which would necessarily need to be included if such standards are to be developed and implemented. This paper analyses a subset of that data, much of which was not previously reported (reference omitted for blind review). The specific questions that were analysed (whether quantitatively or qualitatively) are outlined in Table 2.

The data was collected through an international online survey distributed widely through the NPO sector. Using a web-based questionnaire survey was an effective means to collect the information sought from across many different countries (Smith, 2003). It comprised a mixture

---

<sup>10</sup> This approach has been developed from Yin's (1994) exhortation to undertake pattern matching between a theoretical framework and case study findings.

of closed (multiple option) questions and open questions inviting narrative responses. Many of the closed questions investigated beliefs about NPO financial reporting, and respondents were invited to express their degree of agreement or disagreement using options in a five-point Likert scale. The findings from these questions, especially the differences between the views of different categories of respondents, give insight into stakeholders' beliefs about symbolic and material carriers of co-existing multiple logics underpinning NPO financial reporting across the globe. Our analysis here draws on the very detailed narrative comments which capture respondents' perceptions and opinions in their own words, and a small subset of the quantitative data.

Respondents were selected primarily by means of a snowball sampling approach. The survey was distributed by email to two contact lists of potential respondents involved in NPO financial reporting which we refer to as 'Individuals' and 'Gatekeepers'. The contact lists included NPO staff members, NPO board members/trustees, national and international standard-setters, NPO regulators, practitioners involved in preparation, audit or independent examination of NPO financial reports, professional accountancy bodies, academics with an interest in NPO financial reporting and users of NPO financial reports. These lists were generated from the research teams' professional networks and from the support of the project steering group. Some of the Gatekeepers' lists were very extensive, running to many thousands of contacts around the world who were involved in NPO financial reporting. Prior to the actual distribution of the survey link, messages were sent to all lists explaining the purpose of the survey, then the surveys links were sent, and reminders were also sent two weeks after the initial message.

Due to limited resources, the survey was made available in English only, which restricted respondents to those with at least some English language ability. We recognise that web access in some countries is limited, so the views are necessarily biased to participants in countries where internet facilities and email communication is more fully developed. However, no attempt was made to seek responses which were representative of a defined population: we simply sought the widest possible range of views from NPO stakeholders. Over 600 responses to the survey were received, but due to the method of distribution, no response rate can be calculated. The respondents report specific experience of NPO financial reporting from 179 countries.<sup>11</sup>

For this paper, the more than 63,000 words of narrative comments on specific questions (see

---

<sup>11</sup> There were 481 respondents identifying they were involved in NPO reporting in one country, 124 in more than one country of which 37 identify across-the-world involvement. Of these 44% were involved in European countries' NPOs (187 from the UK and 97 from continental Europe), 27% from African NPOs, 18% from Asia, 15% from Oceania and 13% from the Americas. As respondents could choose more than one country, the number of country responses (1,525 in Table 3) adds to more than the total 605 responses (Table 4).

Table 2) were examined in relation to the selected logics in respect of NPO financial reporting (see Table 1) and analysed alongside the quantitative results. Respondents were not forced to provide narrative comments and therefore not all respondents provided these. For each question (see Table 2), the narrative responses were placed in a table and sorted into those that supported and those that did not support the 'ideal types' or logics that had been developed from the literature review. Then, following careful reading, specific themes of these stakeholder beliefs were noted, and the responses were further sorted. The narrative comments were then analysed to ascertain whether there were particular biases towards specific stakeholders (e.g. auditors or preparers) or towards specific geographic regions. Representative comments are reported in the sections below.

[INSERT TABLE 2 HERE]

Table 2 also includes the quantitative questions analysed in this study. As the quantitative results were largely based on five-point Likert scales (and therefore not normally distributed) we used the non-parametric Kruskal-Wallis test for variance. To analyse where the differences lay between seven respondent groups (see Section 2.1), we undertook post hoc tests (Wilcoxon-ranked). The results are now presented and discussed.

#### **4. Results and analysis**

The data is presented under each of the beliefs underpinning the logics of NPO financial reporting.

##### ***4.1 Do users of NPOs' financial reports expect them to be global or local; and do they seek comparability or not?***

Respondents were asked on what basis current NPO reporting practice is based. As Table 3 (column 3) shows, 84% of current NPO reporting is based on local demands (local: corporate law, funder requirements, national GAAP (Generally Accepted Accounting Practice), NPO law, NPO Standards, regulatory requirements), only 13% based on global standards (such as IFRS or IPSAS), and 3% on other standards or requirements. However, when asked if an international (global) standard would be useful rather than rather than local standards, 72% of responses strongly agreed or agreed (14% disagreed; the mean was 3.876/5), indicating conflict between symbolic beliefs and material practice. Further analysis shows evidence of contested logics of NPO reporting, with significant differences between the respondent groups: board members were least in favour of a global standard and employees the most in favour (along with qualified preparers and regulators) ( $p = .020$ ). Further, when asked if NPOs should follow internationally converged standards, 64% continued to agree (mean 3.657/5) and it can be seen in Table 3 that again: employees, preparers (qualified) and regulators were significantly more in favour of this proposal than were users and nonqualified preparers ( $p \leq$

.001).

Examples of the call against global standards (i.e. the desire to stay local) from respondents were:

*There is NO NEED whatsoever for this. It is a waste of time and money. (R78, NPO Board member – capitals original)*

*Please don't force international standards on small NPOs! (R235, Accountant).*

*I think it's a piece of nonsense. Charity [financial reports] are tough enough and international reporting would worsen the interpretation and place high cost on the most vulnerable organisations with the fewest resources. (R224, NPO staff member)*

In particular, a number of respondents expressed their distaste and reasons against using the current international standards, for example:

*The IFRS, IAS and Australian Accounting Standard Board guidance lacks sufficient detail to allow the one-size-fits-all concepts to be applied in NPOs in ways that satisfy user requirements. (R84, NPO Board Member)*

*The challenge for my NPO (a school) is that, other than the Board and the bank, there are no other parties who seem to be interested in viewing our financial reports and therefore the requirement to provide IFRS compliant reports ... is time consuming and costly with no great benefit to users. (R81, Preparer)*

*The financial statements of an NPO produced under IFRS are not particularly useful for the users. NPO users' demands are very different from "normal" users of financial statements which is all that IFRS considers ... [It is] extremely demanding. Difficult for a NPO to apply because the scenarios they face on a day to day basis are often just not envisaged by IFRS... (R130, NPO Employee)*

However, some other respondents were in favour of using the current international standards, with one arguing that these standards are fully developed:

*IFRS are very helpful for preparing financial reports as [they] provide complete guidance to account for every nature [of] expense or income source easily... (R434, NPO Employee)*

Nevertheless, several respondents noted that “preparing these IFRS financial statements is very time consuming” (R308, NPO Employee), and “may satisfy the regulators ... [but is not] user friendly to its lay readers” (R91, NPO Board member). This situation therefore results in NPOs preparing two or more sets of financial reports for their different users. Users' requirements are generally not met, hence the calls for standards which will enable financial reporting to be meaningful to a greater range of users.

A new logic is called for by some respondents (in particular, employees, qualified preparers and regulators), who seek financial reporting that will meet a wide range of users' needs. Accordingly, respondents in favour of a new international (global) standard for NPOs noted:

*Thank you that you raise these questions - the matter is urgent. The donor domination in NPO-accounting is doing more harm than good. There is very little understanding on the donor side for this problem. "Alarmism" from the side of the auditors does not solve the problem, but makes it worse. (R287, Accountant)*

*Uganda is a developing country ... a single [international] standard would be easier to monitor and apply ... (R198, Accountant).*

These respondents state that globalised NPO reporting standards are "urgent" and that current (local) regimes are confusing and difficult. This could indicate a move towards an international (global) NPO financial reporting standard. Yet, whether this new logic will force for-profit standards onto NPOs or whether a new NPO standard-setter will emerge, is a question unanswered by our survey.

With respect to comparability (resulting from uniformity), two statements in the questionnaire received overall support – these were "it is important that financial reports allow comparability between NPOs in a given country" (74% agreed or strongly agreed, with a mean of 4.026/5)<sup>12</sup> and also "financial reports should allow comparability between NPOs in different countries" (56% agreed or strongly agreed, with a mean 3.586/5) (see bottom of Table 3). There were no statistically significant differences between categories of respondents. Narrative answers show that some sought comparability for all NPOs within a country, especially as it would assist preparers - for example:

*Having a one-stop accounting standard enables comparability across the whole sector. It also enables those with a lack of experience and professional knowledge to have a simple format that they can use to meet accountability requirements. (R19, Auditor)*

Yet others sought comparability across a range of entities (not only across NPOs), for example:

*Comparability, the more the NPO law is based on law of for-profit organisations' accounting [the better]. (R2, User)*

*Our approach has been to minimise differences in reporting between NPO and for-profit sectors to the bare essentials. Most users favour this approach. (R577, Regulator)*

If standards were not comparable one respondent noted that the:

---

<sup>12</sup> Each table includes a note as to how these means were calculated.



*Limitation is that users of for profit financial statements may not understand the [financial reports] of non for profit (sic) entities. (R80, NPO Employee)*

This notion of needing comparability across not just NPO financial reporting, but also comparability with other sectors within a country may also link to a perception that local influential users are those who predominantly utilise for-profit financial reports (see Section 4.3).

Unsurprisingly, several others sought comparability internationally, for example:

*... Standards should be complimentary to IFRS and not be in conflict. (R417, NPO Employee)*

*IFRS ensures good consistency with globally applied accounting standard. (R446, Auditor)*

However, equally there were those who felt that this would not work:

*The International standard may not be suitable to all countries due [to] different working conditions of NPOs. The international standard can be converged with the local standards. (R391, Regulator)*

It can be seen that there are respondents who favour IFRS and/or believe that NPOs should follow other for-profit financial reporting standards. However, whether this is due to the standards' ready availability or suitability is unclear. The responses reported above regarding the global vs. local debate show that several believe that for-profit global IFRS are 'superior' and that IFRS could solve the need for international standards for NPOs. In support of this logic preferring globalisation, such responses also echo calls for standard-setting efficiency, as a national standard-setter could utilise established financial reporting standards for NPOs.

On the contrary, a number of respondents are concerned that for-profit standards are not suitable and cause frustration, as also shown in the following statements:

*Generally [we are] expected to follow IFRS which just does not suit. We don't have any way of recording bequests [except] as huge flows of funds even when restricted. (R3, NPO Board Member)*

*In most regimes there is not a specific framework for NPOs. As a result there is a lack of comparability and clarity in reporting. Some NPOs operate across many different geographies and attempt to follow IFRS - they struggle with this as the standards were not drafted with NPOs in mind. (R5, Practitioner (nonqualified))*

*Accounting frameworks are established for for-profit organisations and when applied to Non-profit organisations do not reflect the real activities, budget accountability and other important issues of NPOs. (R11, NPO Board member)*

*[There is a] need to address issues relevant to NPOs and not [be] driven by concerns of for profit dominated standards boards with their own self-interest. (R215, NPO Employee)*

These comments are in line with literature highlighting difficulties with general and specific

aspects of IFRS (for example, Davies, 2012; Jetty & Beattie, 2009; Ryan et al., 2014). They provide further evidence of the possibility of a change in logics – to one where stakeholders continue to support the notion of comparability, but in an NPO-specific way. If these stakeholders become powerful, it would result in quite radical changes to current standards, although the survey was unable to determine whether this will occur.

[INSERT TABLE 3 HERE]

In summary, while similar numbers of respondents were in favour of international standards for NPO reporting, we note that certain respondent groups (i.e. employees, preparers (qualified) and regulators) were more strongly in favour. Yet, there is no clear picture about how this push for international standards can be balanced against the stronger preference for local comparability (74% in favour) when this may also mean that NPOs follow the same standards as for-profit and public sector entities. Such a move would reduce international comparability between NPOs.

#### **4.2 Is NPO financial reporting prepared under cash or accrual accounting?**

A contested logic is again evident, this time regarding the basis of financial reporting. It can be seen from Table 4, that prevailing practice (the material carrier of logic) prioritises accrual accounting, with 68% of respondents noting its use and only 24% of respondents noting cash accounting (a contesting logic) is used.<sup>13</sup> When asked about the form of NPO financial reporting with which they are most frequently involved, auditors and board members are unlikely to use cash (and more likely to use accrual), whereas preparers (qualified and nonqualified) are more likely to be involved in cash<sup>14</sup> as illustrated by the following quotes within the survey:

*Accrual accounting is fundamental to delivering to the Trustees and others a proper understanding of the financial position of their organisations. Compliance with [the] Charities SORP enables regulators to review [financial reports] for specific issues such as trustees' remuneration (which may be disguised [as a] profit distribution) or low levels of charitable expenditure v management costs. (R56, Auditor)*

*[The] main limitation is that most users, including trustees of small to medium sized NPOs, do not understand the "full" accruals, SORP based [financial reports]; but the simplified [financial reports] for very small/micro NPOs are inadequate to provide the information required to assess [an NPO's] financial position. We cannot seem to develop a fully comprehensible layout which can show a true and fair view. (R99, Auditor)*

---

<sup>13</sup> A further 8% noted 'other' or 'don't know'.

<sup>14</sup> Using chi-square analysis, this result is significant at .001 (Table 4 shows percentages only).

Nevertheless, while Table 4 indicates that a majority of respondents perceive accrual accounting is used most (68%), it shows that over 30% of 'preparers', both professionally qualified and nonqualified, were those most likely to prepare/ use NPO financial reports on a cash basis, compared to only between 15-25% of the other stakeholder groups, being employees, board members and auditors.<sup>15</sup> One preparer commented that:

*The existing frameworks, which are aimed at increasing transparency for users, actually only provide transparency for accountants trained and specialising in the sector. Otherwise they are completely opaque, even to other, qualified but non-specialist accountants. There are too many levels of analysis that merely bewilder most users.*  
(R534, Practitioner preparer)

Indeed, a user bemoaned the fact that:

*A lot of ritual is occurring, which places much knowledge/power in the hands of the high priests (i.e., accountants, others in position of formal authority over the "beneficiaries").*  
(R103, User)

Such tension was identified by a majority of stakeholders indicating that preparers' education/ qualifications and also cost constraints are perceived as the main influences of national NPO financial reporting practice (Table 4: mean 3.6/5 and 3.3/5, respectively). Professional preparers will have higher levels of accounting education and qualifications, but they are also likely to be more costly and this also influences current practice.

Indeed, narrative responses indicated that NPO financial reports prepared on a cash accounting basis would be cost effective compared to accrual accounting, where:

*... you do not have to have a registered accountant [to] comply or complete the books, a big saving when you are a small NPO.* (R184, NPO Employee)

*A simple cash account is prepared to record how the money is spent. This suits the donors because they are closely involved in the process. A more extensive reporting system is not carried out in order to save costs.* (R93, Regulator)

*For the vast majority of NPOs there is a real need to keep it simple.* (R13, NPO Board Member)

Such implicit calls to retain cash-based financial reporting as a material carrier of logics, as well as to change the principles and beliefs from accrual to cash accounting (arguably to be underpinned by symbolic carriers of logic) represent a contested logic of action in favour of simplicity and cost effectiveness. These views were expressed predominantly by those who are not qualified accountants or who are working in smaller NPOs. While those involved in small NPOs preferred cash over accrual accounting, the evidence of conflict is apparent -

---

<sup>15</sup> Regulators/ standard-setters were most likely to state 'other' and not be involved in these reports.

non-accountants also want the power to prepare and understand NPO financial reports rather than preserving these functions for qualified accountants, whom they believe do not provide useful/ understandable reports.

[INSERT TABLE 4 HERE]

#### **4.3 Which users might drive financial reporting practice and influence a new standard?**

There are obviously calls for change, as presented in this respondent's comment:

*I fully agree in the need of international standards for accounting by NPOs, and I'm really frustrated that they don't exist. Currently neither IPSAS nor IFRS cover the needs of NPOs and its stakeholders. The initial point is to serve organisations with different objectives as we do, and it creates a chaos mainly in comparability of international NPOs. (R310, NPO Employee)*

While this research is unable to predict exactly which stakeholders will move to develop collaborative mechanisms to drive change (along the lines argued by Reay & Hinings, 2009), the questionnaire enables us to infer the most likely stakeholders. In particular, Table 5 summarises the respondents' views regarding who influences NPO financial reporting. Taking the highest means, it can be seen that the four main influences on NPO financial reporting were: National legislation (mean 4.05), National GAAP (mean 3.95), Regulator demands (mean 3.87) and Funders' requirements (mean 3.84). These influences represent powerful and legitimate stakeholders in terms of the Mitchell et al. (1997) framework. However, unless funders demand it, these responses suggest that the needs of beneficiaries/ service users are least likely to significantly influence NPO financial reporting beliefs or practices. Concerns about this have been noted previously (for example, Cordery & Sinclair, 2013).

Survey respondents' perceptions about those 'most likely to influence' NPO accounting standard-setting also vary. Specifically, Table 5 shows significant differences between respondent groups in respect of the influence of National GAAP; in particular, NPO Board members were significantly more likely than nonqualified preparers to state National GAAP was influential ( $p = 0.049$ ). Instead, preparers (both those qualified and those not) stated that funder requirements were most influential in NPO financial reporting. This is more in line with prior research (especially in relation to globalisation) (Heydemann & Hammack, 2009). Nevertheless, preparers' views on funders' influence were significantly different from regulator/ standard-setter responses ( $p = 0.020$ ). Further, even though NPOs do not generally pay tax on their income (except in some cases for trading income outside their public benefit aims), those inside the NPO (Board members, preparers and employees) were more likely than auditors to believe that taxation authorities had a strong influence on NPO reports ( $p =$

0.007).

The final question displayed on Table 5, is whether the respondents believe that their country would be able to influence international standards. It can be seen that respondents were positive overall, and that no statistically significant difference existed between respondent groups. One respondent voices the beliefs held by many other respondents, and also showed willingness to be involved, stating:

*I hope this initiative will be able to set an International Standard on NPO financial reporting ... I'm very much interested to get involved in this process. (R171, Auditor)*

Yet others believed that their country should just accept what was produced elsewhere, as noted:

*There are currently two international standard-setting bodies, the IASB and the IPSASB. A third is not needed, and would be an impediment to preparers, auditors and users involved in more than one sector. Rather, if there is demand for an international standard, IFAC [International Federation of Accountants] and IPSASB should extend their mandate. (R193, Regulator)*

It is also necessary to ascertain which stakeholders are currently active and may create collaborative mechanisms to negotiate incremental advances. The survey from which this data is collected was commissioned by the CCAB and a number of stakeholders within that group are actively pursuing the development of an international standard.<sup>16</sup> These stakeholders may be able to develop collaborative mechanisms to negotiate incremental advances in specific standards that can be used globally. Typically accounting professional associations (such as the CCAB), are drivers of new standards (for example, Durocher et al., 2007; Hyndman & McMahon, 2011). However, it should be borne in mind that, as legislation and national GAAP are deemed to be the two most significant influences on current NPO financial reporting, these are likely to remain so in the future. Individual countries will need to support changes in the prevailing logics and symbolic and material carriers if new logics are to emerge. Further, without an overarching international body to drive change, it is unclear how these disparate groups will gain traction and legitimacy. Thus, those predominantly perceived as likely to influence NPO standard-setting, reflect Crawford et al.'s (2018) identification of priority stakeholders to whom accountability is owed. And although we find significant differences between some of our respondent groups, overall there is a positive perception that individual nations will be able to influence international accounting standard-setting change.

---

<sup>16</sup> For example, the Chartered Institute of Public Finance and Accountancy (CIPFA) – one of the CCAB members - has sponsored events to align with the International Forum of Standard-Setters and has also encouraged a working group to consider these issues.

[INSERT TABLE 5 HERE]

## 5. Discussion

This paper is motivated by the frequent calls for better NPO financial reporting, and recent calls for international NPO financial reporting standards (Ashford & Charity Commission International Programme, 2007; Davies, 2012; IFRS Foundation, 2015; Ryan et al., 2014). First, through a wide-ranging survey including narrative and Likert-scale responses, we highlighted three prevailing institutional logics of action, that is, the practices and beliefs about NPO financial reporting. Secondly, through pattern-matching, the theory and survey allowed us to illuminate the co-existing/ competing logics. Thirdly, our analysis enables us to infer which stakeholder groups currently influence financial reporting and which might be instrumental in developing an international NPO financial reporting standard. As such, we add to the sparse literature on international NPO financial reporting by analysing contested logics perceived by heterogeneous stakeholders involved in NPO financial reporting across the globe.

A number of taken-for-granted rules are symbolic carriers of dominant logics in NPO reporting. Specifically, the symbolic and material carriers of NPO financial reporting logic are perceived as locally derived, rather than international, despite increasing globalisation pushed by funders (Aksartova, 2009). Hopper et al (2016) suggest that to date, the programme to globalise financial reporting standards has focused on governments (as regulators rather than preparers) and for-profit entities (as preparers). Hence, when these powerful stakeholders seek globalisation, the dominant logic of comparability/ uniformity drives a transaction- or sector-neutral stance in the countries where IFRS is pushed as the superior answer, even though for-profit accounting is patently different from NPO accounting (Ryan et al., 2014).<sup>17</sup> The frustration with these differences is evident from many of our survey respondents, specifically given that globalisation could be used to empower NPOs to reduce compliance costs.

The power of regulatory bodies has already been noted by Greenwood et al. (2002). Such power means that NPO members, beneficiaries and other nonqualified users are often not considered in financial reporting standards-setting. This can be seen in the dominance of accrual accounting despite smaller NPOs needing ways to reduce costs and communicate with members. Nonqualified members, beneficiaries and donors seek accountability from

---

<sup>17</sup> In respect of NPO reporting, IFRS is used in Australia as part of their 'sector-neutral' accounting and the Charities SORP 2015 is based in the FRS102 standard in UK GAAP which is itself based on IFRS. Nevertheless, many consider that the IFRS Conceptual Framework is unsuitable for this use given it was developed for for-profit publicly accountable entities (for example, Australian Accounting Standards Board et al., 2008; Cordery & Simpkins, 2016; Ryan et al., 2014).

NPOs, but may lack the knowledge to understand accrual-based financial reporting or lack the power to demand reporting that suits their needs.

We find that, despite users' needs often being alluded to in the financial reporting framework (Young, 2006), our respondents highlight that the users (stakeholders) who appear to be prioritised are the regulators or standard-setters themselves. The survey results show that, similarly to other's findings (for example, Coule, 2015; Crawford et al., 2018; Ryan et al., 2014) beneficiaries' needs do not drive NPO reporting, as they are not seen as powerful influencers on NPO financial reporting. Yet beneficiaries need power to bring their needs to dominance (Mitchell et al., 1997), especially if those with power are unwilling to negotiate change (Reay & Hinings, 2009).

The literature warns about the lack of the users' 'voice' in the financial reporting standard-setting process (Durocher et al., 2007; Larson, 2007; Larson & Herz, 2013; Richardson & Eberlein, 2011). It is evident that legislators, standard-setters and regulators are the prime influencers of NPO reporting at present, and that funders also drive what and how reporting is undertaken (see Table 5). Nevertheless, our research shows diversity by respondent type. Specifically, NPO Board members appeared to be more concerned about National GAAP and tax authorities, rather than Funder requirements. Auditors attended least to taxation authorities but appeared to be more supportive than other stakeholders of the needs of beneficiaries/service users (this difference in stakeholders trended towards statistical significance:  $p = 0.071$ ). It is poignant that the reason for an NPO – its beneficiaries – are perceived to have the least influence on the manner in which financial reporting is undertaken. As funders may use NPO reports differently from other users (Verbruggen et al., 2011), this may lead to a less-than optimal solution, especially as funders' ability to advance and legitimate desired change (even in highly developed economies) by leveraging reporting mechanisms has been noted by others (for example, Quinn et al., 2014).

The existence of co-existing and/or competing logics suggests an institutional environment currently exists where change could be leveraged (Thornton, 2002) to reflect the dominant belief amongst respondents to our survey that international financial reporting for NPOs would be useful. Many stakeholders responding to our survey prize issues such as comparability across borders, NPO-standards that suit actual users' needs and are widely understandable. In this respect, if diverse stakeholder participation is enabled, a set of global standards would be a symbolic carrier of these characteristics. If these stakeholders are dominant, they may be able to encourage collaboration and broker change. Alternatively, as van Gestel and Hillebrand (2011) suggest, competing logics may be forced to co-exist, creating hybrid global/local norms and increased variety in practice (Breen et al., 2009; Heydemann & Hammack, 2009). A third option is that a strong actor from another sector (regulators such as

the IFRS Foundation<sup>18</sup> or IPSASB) will perceive the gap and seek to shore up their own legitimacy by reinforcing the (extant) prevailing logics of action in NPO reporting.

This research queries whether a new standard will emerge. The study evidences that more analysis and discussion will be needed between interested parties if there are to be operational developments leading in that direction. New standards would also need to gain a reasonable degree of acceptance and obtaining this will challenge old logics and likely unlock new logics to drive NFP financial reporting.

Evidence exists of an increasing interest in a ‘third set’ of standards, written especially for NPOs. This evidence suggests that many now deem international standards for for-profit reporting (IFRS) and public sector reporting (IPSAS) to be inadequate or inappropriate for NPOs. Nevertheless, when asked whether “my country would influence international standards”, the respondents agreeing most strongly were from English-speaking regions and developed countries (such as America, Europe or those preparing financial reports across the world) (reference omitted for blind review process). Prior research has shown that developing countries and where English is not the predominant language (such as Asia and Africa in this survey), are less likely to influence standard-setting change (Jorissen et al., 2013; Larson & Herz, 2013) and may be adversely affected by globalisation (Hopper et al., 2016). For example, the survey shows that cash accounting is more dominant in Asia and Africa than Europe and Oceania. It is the voice of the less-powerful that is critical to progress towards harmonisation. In order for new international NPO standards to be established, research (for example, Durocher et al., 2007; Larson & Herz, 2013; Sinclair & Bolt, 2013) shows that the instigators will need to use innovative methods to engage key stakeholders, ensure that the standards are followed and reduce global/local hybridity (as occurs in philanthropy - see Heydemann & Hammack, 2009).

## **6. Conclusion**

There is strong support for an international (global) standard for NPOs shown in this research. Yet there is also strong evidence of competing logics of action. Overall, local concerns and practices are preferred - seeking comparability at a local level. Nevertheless, the literature cites pressures from global funders that prefer international comparability. Our research highlights this tension between the local and global. Further, we note influential respondents (auditors, board members) who push for an accrual logic to underpin accounting whereas

---

<sup>18</sup> The IFRS Foundation consulted on whether the IASB should take on the role of producing international financial reporting standards for NPOs. The consultation responses influenced the Trustees decision that the IASB should not develop NPO standards (IFRS Foundation, 2016)



preparers also recognise the need for cash accounting (especially for smaller charities) so that users can understand the accounting provided.

Charities have a primary objective to achieve community good, yet they are caught in prevailing logics that hinder their ability to resolve the diverse and inconsistent demands for accountability. Legislation, regulators and standard-setters, as well as funders (who are increasingly global), operate as powerful bodies, who have the resources, time and skill to push the global comparability and accrual accounting logics,<sup>19</sup> but we also observe moves to bring about more relevant NPO reporting. It is likely that these logics will continue to co-exist but it is unknown as to whether the voices of those who prepare charity accountability documents or beneficiaries of their services will be heard, or whether powerful standard-setting stakeholders will prevail. The jury remains out as to whether concerned stakeholders can transcend national regulatory frameworks that are symbolic carriers within distinct jurisdictions and the diverse NPO stakeholders, in order to gain the necessary funding and legitimacy to develop international NPO financial reporting standards that can be usefully enforced.

---

<sup>19</sup> Evidence of this in the for-profit space can be seen in Chiapello and Medjad (2009), Bengtsson (2011) and Crawford et al. (2014).

## REFERENCES

Accounting Standards Review Board. (2009). Proposed Application of Accounting and Assurance Standards under the Proposed New Statutory Framework for Financial Reporting. Wellington: Accounting Standards Review Board.

Adhikari, P., & Gårseth-Nesbakk, L. (2016). Implementing public sector accruals in OECD member states: Major issues and challenges. *Accounting Forum*, 40(2), 125–142.  
<https://doi.org/10.1016/j.accfor.2016.02.001>

Aksartova, S. (2009). Promoting civil society or diffusing NGOs? U.S. donors in the former Soviet Union. In D. C. Hammack & S. Heydemann (Eds.), *Globalization, Philanthropy, and Civil Society* (pp. 137–150). Bloomington, IN: Indiana University Press.

Ashford, K., & Charity Commission International Programme. (2007). Accountability, reporting and ethics by NGOs: A UK perspective. In *African Conference* (p. 19).

Australian Accounting Standards Board, Canadian Accounting Standards Board, New Zealand Financial Reporting Standards Board, & United Kingdom Accounting Standards Board. (2008). A Report on the Application to Not-for-profit Entities in the Private and Public Sectors of The IASB/FASB Conceptual Framework Project's Exposure Draft of An Improved Conceptual Framework for Financial Reporting.

Bengtsson, E. (2011). Repoliticalization of accounting standard setting—The IASB, the EU and the global financial crisis. *Critical Perspectives on Accounting*, 22(6), 567–580.  
<https://doi.org/10.1016/j.cpa.2011.04.001>

Breen, O. B., Ford, P., & Morgan, G. G. (2009). Cross-Border issues in the regulation of charities: experiences from the UK and Ireland. *International Journal of Not-for-Profit Law*, 11(3), 5–41.

Charity Commission & Office of the Scottish Charity Regulator. (2014). Accounting and Reporting by Charities: Statement of Recommended Practice effective 1 January 2015 (FRS 102).

Chiapello, E., & Medjad, K. (2009). An unprecedented privatisation of mandatory standard-setting: The case of European accounting policy. *Critical Perspectives on Accounting*, 20(4), 448–468.  
<https://doi.org/10.1016/j.cpa.2008.09.002>

Connolly, C., Dhanani, A., & Hyndman, N. (2013). The Accountability Mechanisms and Needs of External Charity Stakeholders.

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 Nonprofit Organizations*, 24(3), 785–804.  
<https://doi.org/10.1007/s11266-013-9371-8>

Consultative Committee of Accounting Bodies. (2013a). CCAB invitation to tender. London, UK.

Consultative Committee of Accounting Bodies. (2013b). Research on international financial reporting for the not-for-profit sector - Terms of Reference for the project steering and advisory group. Retrieved from [http://www.ccab.org.uk/documents/CCAB\\_Notforprofit\\_Research\\_Release.pdf](http://www.ccab.org.uk/documents/CCAB_Notforprofit_Research_Release.pdf)

Cordery, C. J., & Sim, D. (2014). Cash or accrual: What basis for small and medium-sized charities' accounting? *Third Sector Review*, 20(2), 79–105.

Cordery, C. J., & Sim, D. (2018). Dominant stakeholders, activity and accountability discharge in the CSO sector. *Financial Accountability and Management*, 34(1), 77–96.

<https://doi.org/10.1111/faam.12144>

Cordery, C. J., & Simpkins, K. (2016). Financial reporting standards for the public sector: New Zealand's 21st-century experience. *Public Money & Management*, 36(3), 209–218.

Cordery, C. J., & Sinclair, R. (2013). Measuring performance in the Third Sector. *Qualitative Research in Accounting & Management*, 10(3/4), 196–212. <https://doi.org/http://dx.doi.org/10.1108/QRAM-03-2013-0014>

Coule, T. M. (2015). Nonprofit Governance and Accountability: Broadening the Theoretical Perspective. *Nonprofit and Voluntary Sector Quarterly*, 44(1), 75–97.  
<https://doi.org/10.1177/0899764013503906>

Crawford, L. (in press). Exploring the emancipatory dimensions of globalisation: the struggle over IFRS8 and country-by-country reporting. *Critical Perspectives on Accounting*, DOI: 10.1016/j.cpa.2017.10.005

Crawford, L., Ferguson, J., Helliard, C. V., & Power, D. M. (2014). Control over accounting standards within the European Union: The political controversy surrounding the adoption of IFRS 8. *Critical Perspectives on Accounting*, 25(4–5), 304–318. <https://doi.org/10.1016/j.cpa.2013.03.001>

Crawford, L., Morgan, G. G., Cordery, C. J., & Breen, O. B. (2014). International financial reporting for the not-for-profit sector: a study commissioned by the CCAB. London, UK.

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

Davies, N. (2012). Is there a need for an international accounting Paper 2 : How might international accounting frameworks change to accommodate not-for-profit ? In CFG Symposium (Ed.) (pp. 1–6).

Denedo, M., Thomson, I. and Yonekura, A. (2017) International Advocacy NGOs, Counter Accounting, Accountability and Engagement. *Accounting, Auditing & Accountability Journal*, in press - <https://doi.org/10.1108/AAAJ-03-2016-2468>

Durocher, S., Fortin, A., & Cote, L. (2007). Users' participation in the accounting standard setting process: a theory building study. *Accounting, Organizations and Society*, 32, 29–59.

Ebrahim, A. (2005). Accountability myopia: losing sight of organizational learning. *Nonprofit and Voluntary Sector Quarterly*, 34(1), 56–87.

Fontes, A., Lima, L., & Craig, R. (2016). A theoretical model of stakeholder perceptions of a new financial reporting system. *Accounting Forum*, 40(4), 300–315.  
<https://doi.org/10.1016/j.accfor.2016.10.002>

Greenwood, R., Raynard, M., Kodeih, F., Micelotta, E. R., & Lounsbury, M. (2011). Institutional Complexity and Organizational Responses. *The Academy of Management Annals*, 5(1), 317–371.  
<https://doi.org/10.1080/19416520.2011.590299>

Greenwood, R., & Suddaby, R. (2006). Institutional entrepreneurship in mature fields: The big five accounting firms. *Academy of Management Journal*, 49(1), 27–48.  
<https://doi.org/10.5465/AMJ.2006.20785498>

Greenwood, R., Suddaby, R., & Hinings, C. R. (2002). Theorizing Change: The role of Professional Associations in the Transformation of Institutionalized Fields. *Academy of Management Journal*, 45(1), 58–80.

- Heydemann, S., & Hammack, D. C. (2009). Philanthropic Projections: Sending International Logics Abroad. In D. C. Hammack & S. Heydemann (Eds.), *Globalization, Philanthropy, and Civil Society* (pp. 3–31). Bloomington, IN: Indiana University Press.
- Hopper, T., Lassou, P., & Soobaroyen, T. (2016). Globalisation, accounting and developing countries. *Critical Perspectives on Accounting*, 1–24. <https://doi.org/10.1016/j.cpa.2016.06.003>
- Hyndman, N., & McMahon, D. (2010). The evolution of the UK charity Statement of Recommended Practice: The influence of key stakeholders. *European Management Journal*, 28(6), 455–466. <https://doi.org/10.1016/j.emj.2010.06.004>
- Hyndman, N., & McMahon, D. (2011). The hand of government in shaping accounting and reporting in the UK charity sector. *Public Money and Management*, 31(3), 167–173.
- IFRS Foundation. (2015). Trustees' Review of Structure and Effectiveness: Issues for the Review. London, UK.
- International Accounting Standards Board, & Financial Accounting Standards Board. (2009). Conceptual Framework: Phase G Not-for Profit and GBEs Agenda Paper 2B. London, UK.
- International Monetary Fund IMF (2017). Standards & Codes. Available at: <http://www.imf.org/external/standards/index.htm>, accessed February 2018
- Irvine, H. (2008). The global institutionalization of financial reporting: The case of the United Arab Emirates. *Accounting Forum*, 32, 125–142. <https://doi.org/10.1016/j.accfor.2007.12.003>
- Irvine, H. (2011). From go to woe: How a not-for-profit managed the change to accrual accounting. *Accounting, Auditing & Accountability Journal*, 24(7), 824–847. <https://doi.org/10.1108/09513571111161611>
- Irvine, H., & Ryan, C. (2013). Accounting regulation for charities: international responses to IFRS adoption. *Pacific Accounting Review*, 25(2), 124–144. <https://doi.org/10.1108/PAR-03-2012-0009>
- Jetty, J., & Beattie, V. (2009). Disclosure Practices and Policies of UK Charities. London.
- Jorissen, A., Lybaert, N., Orens, R., & van der Tas, L. (2013). A geographic analysis of constituents' formal participation in the process of international accounting standard setting: Do we have a level playing field? *Journal of Accounting and Public Policy*, 32(4), 237–270. <https://doi.org/10.1016/j.jaccpubpol.2013.04.005>
- Larson, R. K. (2007). Constituent Participation and the IASB's International Financial Reporting Interpretations Committee. *Accounting in Europe* (Vol. 4). <https://doi.org/10.1080/17449480701727981>
- Larson, R. K., & Herz, P. J. (2013). A Multi-Issue/Multi-Period Analysis of the Geographic Diversity of IASB Comment Letter Participation. *Accounting in Europe*, 10(February 2015), 99–151. <https://doi.org/10.1080/17449480.2013.772716>
- Lepoutre, J. M. W. N., & Valente, M. (2012). Fools breaking out: The role of symbolic and material immunity in explaining institutional nonconformity. *Academy of Management Journal*, 55(2), 285–313. <https://doi.org/10.5465/amj.2008.0340>
- Mitchell, R. K., Agle, R. B., & Wood, D. J. (1997). Toward a theory of stakeholder identification and salience: defining the principle of who and what really counts. *Academy of Management Review*, 4, 853–886.

- Morgan, G. G. (1999). The Changing Face of the Charity Treasurer and Bookkeeper: Assessing the Impact of the Charities Act 1993. *Charity Law & Practice Review*, 6(2), 89–114.
- Morgan, G. G. (2008). The Use of Receipts and Payments Accounts for Financial Reporting by Smaller Charities: A study commissioned by the Association of Charity Independent Examiners. Sheffield: Sheffield Hallam University.
- Morgan, G. G. (2010). The use of charitable status as a basis for regulation of nonprofit accounting. *Voluntary Sector Review*, 1(2), 209–232.
- Morgan, G. G. (2011). The Use of Charity Accounts Data for Researching the Performance of Voluntary Organisations. *Voluntary Sector Review*, 2(2), 213–230.
- Nicholls, A. (2009). “We do good things, don’t we?”: “Blended Value Accounting” in social entrepreneurship. *Accounting, Organizations and Society*, 34(6–7), 755–769. <https://doi.org/10.1016/j.aos.2009.04.008>
- Oulasvirta, L. (2014). The reluctance of a developed country to choose International Public Sector Accounting Standards of the IFAC. A critical case study. *Critical Perspectives on Accounting*, 25(3), 272–285. <https://doi.org/10.1016/j.cpa.2012.12.001>
- Quinn, R., Tompkins-Stange, M., & Meyerson, D. (2014). Beyond Grantmaking: Philanthropic Foundations as Agents of Change and Institutional Entrepreneurs. *Nonprofit and Voluntary Sector Quarterly*, 43(6), 950–968. <https://doi.org/10.1177/0899764013488836>
- Reay, T., & Hinings, C. R. (2009). Managing the Rivalry of Competing Institutional Logics. *Organization Studies*, 30(6), 629–652. <https://doi.org/10.1177/0170840609104803>
- Reay, T., & Jones, C. (2016). Qualitatively capturing institutional logics. *Strategic Organization*, 14(4), 441–454. <https://doi.org/10.1177/1476127015589981>
- Richardson, A. J., & Eberlein, B. (2011). Legitimizing Transnational Standard-Setting: The Case of the International Accounting Standards Board. *Journal of Business Ethics*, 98, 217–245. <https://doi.org/10.1007/s10551-010-0543-9>
- 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.
- Salamon, L. M., & Anheier, H. K. (1992). In search of the non-profit sector. I: The question of definitions. *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, 3(2), 125–151. <https://doi.org/10.1007/BF01397770>
- Scott, W. R. (2001). Institutions and Organizations. (D. A. Whetten, Ed.), Foundations for Organizational Science (2nd ed.). Thousand Oaks, CA: Sage Publications.
- Sinclair, R., & Bolt, R. (2013). Third sector accounting standard setting: Do third sector stakeholders have voice? *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, 24(3), 760–784. <https://doi.org/10.1007/s11266-013-9356-7>
- Smith, M. (2003). Research Methods in Accounting. London: Sage Publications.
- Thornton, P. H. (2002). The rise of the corporation in a craft industry: Conflict and conformity in institutional logics. *Academy of Management Journal*, 45(1), 81–101. <https://doi.org/10.2307/3069286>
- Thornton, P. H., & Ocasio, W. (1999). Institutional Logics and the Historical Contingency of Power in Organizations: Executive Succession in the Higher Education Publishing Industry, 1958-1990.

*American Journal of Sociology*, 105(3), 801–843. <https://doi.org/10.1086/210361>

Torres, L., & Pina, V. (2003). Accounting for accountability and management in NPOs. A comparative study of four countries: Canada, the United Kingdom, the USA and Spain. *Financial Accountability & Management*, 19(3), 265–285.

van Gestel, N., & Hillebrand, B. (2011). Explaining Stability and Change: The Rise and Fall of Logics in Pluralistic Fields. *Organization Studies*, 32(2), 231–252.  
<https://doi.org/10.1177/0170840610397475>

Verbruggen, S., Christiaens, J., & Milis, K. (2011). Can Resource Dependence and Coercive Isomorphism Explain Nonprofit Organizations' Compliance With Reporting Standards? *Nonprofit and Voluntary Sector Quarterly*, 40(2), 5–32.

Yin, R. K. (1994). *Case study research: design and methods*. Thousand Oaks, CA: Sage Publications.

Young, J. J. (2006). Making up users. *Accounting, Organizations and Society*, 31, 579–600.

**Table 1: Beliefs underpinning prevailing logics of NPO financial reporting**

Contrasts between beliefs	Basis for beliefs; example 'pattern matching' (see section 2.2)
<p>(i) Do users of NPOs' financial reports:</p> <ul style="list-style-type: none"> <li>- <i>expect them to be global or local; and</i></li> <li>- <i>do they seek comparability or not?</i></li> </ul>	<p>Charities are based in a single country where users and preparers are local. Charity reports should comply with the regulator and/or local GAAP, rather than global (for example, Irvine &amp; Ryan, 2013; Torres &amp; Pina, 2003; Verbruggen et al., 2011).</p> <p>Transaction- (sector-) neutrality makes NPO reporting comparable with other NPOs and for-profit entities nationally and trans-nationally. It is also less resource intensive for standard-setters (for example, Jetty &amp; Beattie, 2009; Ryan et al., 2014).</p>
<p>(ii) On what basis is NPO financial reporting prepared:</p> <ul style="list-style-type: none"> <li>- <i>On a cash or accrual basis; and</i></li> <li>- <i>by professionals or volunteers?</i></li> </ul>	<p>Cash accounting is understandable to stakeholders who are unfamiliar with business practices, and thus volunteers may more easily prepare financial reports (Cordery &amp; Sim, 2018; Morgan, 1999, 2008).</p> <p>Accrual accounting is deemed to be best for all and the accounting profession is dominant as preparers, rather than less-qualified volunteer preparers (for example, Hyndman &amp; McMahon, 2010; Sinclair &amp; Bolt, 2013).</p>
<p>(iii) Which users decide/drive financial reporting practices:</p> <ul style="list-style-type: none"> <li>- <i>Who are the users?</i></li> <li>- <i>Who drives standard-setting?</i></li> </ul>	<p>There is a wide range of users with large funders seen as the dominant driver of the style of reporting delivered (Australian Accounting Standards Board et al., 2008; Ryan et al., 2014).</p> <p>These large funders are also likely to drive standard-setting. The accounting profession and government will also drive standards. The NPO sector is a weak voice in this process (especially if from a developing country) (for example, Heydemann &amp; Hammack, 2009; Jorissen et al., 2013; Larson &amp; Herz, 2013; Quinn et al., 2014; Verbruggen et al., 2011).</p>

**Table 2: Online Survey questions from which data was analysed quantitatively and qualitatively**

Data collected	Quantitative data analysed, derived from (presented in table <i>n</i> ):	Qualitative data (narrative responses) analysed, derived from:
Demographics	Respondent demographics enable identification as stakeholder types (these types are headers in Tables 3-5).	None
Prevailing regulation and stakeholder beliefs on Local vs. Global	Table 3: representing responses to questions 6 (prevailing regulation), 8a, and 8b (stakeholder belief: local vs. global)	Question 7: 'What do you see as the strengths or limitations of preparing financial reports on this basis?'
Stakeholder beliefs on comparability/ uniformity	Table 3: representing responses to questions 12f and 12g (stakeholder beliefs: comparability/ uniformity)	Question 11: 'Would you like to give reasons for your answers to the question [If an international standard were developed, do you feel it should be required to be used by all NPOs in your country or only those above a certain size?]
Prevailing practice and stakeholder beliefs on influences on NPO financial reporting	Table 4: representing responses to questions 5 (prevailing practice), 14c and 14i (stakeholder beliefs on education and qualification and cost constraints)	Question 15: 'Do you consider that there are any other significant influences on NPO financial reporting in your country?'  Question 16 'To what extent do you consider that those preparing financial reports for NPOs need to be professionally qualified?'
Stakeholder beliefs about what drives reporting practices	Table 5: representing responses to questions 14a- 14b, 14d-14h, 14j-14l (stakeholder beliefs on current drivers) and question 8f (stakeholder belief on influences on future NPO financial reporting.	Question 18 'Do you have any further comments on the need for international standards for accounting by NPOs and the issues they should cover?'



**Table 3: Beliefs about NPO financial reporting –prevailing practice, whether it should be local or global and notions of comparability**

Prevailing regulation: Standards for current NPO reporting	All		Employee		NPO Board member		Preparer (qualified)		Auditor		Nonqualified preparer		Regulator, standard-setter		User	
	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
Local*	1,277	84	512	82	179	90	120	80	219	84	50	86	87	80	109	86
Global **	207	13	91	15	17	9	21	7	35	13	8	14	18	16	12	10
Other	41	3	18	3	2	1	4	3	8	3	0	0	4	4	5	4
Total***	1,525	100	621	100	198	100	145	100	262	100	58	100	109	100	126	100
Stakeholder belief: Local vs. Global	Mean ****	SD	Group Mean													Sig. (KW)
International NPO standards would be useful	3.876	1.1940	4.02		3.60		3.97		3.67		3.83		3.93		3.81	0.018
International NPO standards should be followed	3.657	1.172	3.80		3.80		3.86		3.42		3.38		3.93		3.30	0.001
Stakeholder belief: Comparability/ uniformity	Mean ****	SD	Group Mean													Sig. (KW)
Financial reports should allow comparability between NPOs in a given country	4.026	0.998	4.06		3.81		4.03		4.04		4.03		4.16		4.06	0.538
Financial reports should allow comparability between NPOs in different countries	3.586	1.074	3.69		3.30		3.51		3.52		3.66		3.64		3.62	0.289

\*Includes Local: Corporate Law, Funder requirements, NPO Law, NPO Standards, National GAAP, Regulatory requirements.

\*\*Includes IFRS, IFRS for SME, IPSAS.

\*\*\* Each respondent may be involved in an NPO in more than one country with different reporting requirements

\*\*\*\* Means are calculated in respect of responses, where 1 = strongly disagree and 5 = strongly agree. The mid-point of 3 combines 'neither agree nor disagree' responses with 'don't know or no opinion' responses. Standard deviation (SD) is shown for the total of responses to each statement. Highlighted p-values show a Kruskal-Wallis (KW)

*result of less than 0.05 thus indicating that the perception of at least one of the stakeholder groups is significantly different from other stakeholder groups.*

**Table 4: How are NPO financial reporting prepared –on a cash or accrual basis**

Prevailing practice: On what basis are NPO financial reports prepared?	All		Employee		NPO Board member		Preparer (qualified)		Auditor		Nonqualifie d preparer		Regulator, std- setter		User	
	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
Cash	145	24	61	24	16	20	21	33	13	15	10	34	11	25	13	25
Accrual	412	68	175	69	59	74	41	65	67	80	15	52	26	59	29	55
Other**	48	8	16	6	5	6	1	2	4	5	4	14	7	6	11	21
Total	605	100	252	100	80	100	63	100	84	100	29	100	44	100	53	100
Stakeholder belief: Influences on NPO financial reporting	Mean	SD	Group Mean													Sig. (KW)
Education/ qualification of preparers (professionals) influence NPO financial reporting'	3.691	1.083	3.66		3.55		3.90		3.55		3.82		3.76		3.88	0.184
Paying for NPO financial reporting is a constraint	3.333	1.018	3.29		3.41		3.33		3.20		3.72		3.40		3.34	0.315

*Note: Means are calculated in respect of responses, where 1 = strongly disagree and 5 = strongly agree. The mid-point of 3 combines 'neither agree nor disagree' responses with 'don't know or no opinion' responses. Standard deviation (SD) is shown for the total of responses to each statement. Highlighted p-values show a Kruskal-Wallis (KW) result of less than 0.05 thus indicating that the perception of at least one of the stakeholder groups is significantly different from other stakeholder groups.*

Table 5: Beliefs about who or what drives NPO financial reporting practices by Respondent type

Drivers of NPO Financial Reporting	All		Group Mean							Sig. (KW)
	Mean	SD	Employee	NPO Board member	Preparer (qualified)	Auditor	Nonqualified preparer	Regulator, std-setter	User	
Legislation	4.058	0.875	4.02	4.26	4.06	4.12	4.07	3.84	4.00	0.356
National GAAP	3.956	0.920	4.02	4.18	3.90	3.78	3.63	3.95	3.81	<b>0.049</b>
Regulator demands	3.877	0.955	3.84	4.13	3.84	3.96	3.72	3.91	3.65	0.055
Funders' requirements	3.840	1.003	3.80	3.73	4.11	3.93	4.14	3.98	3.54	<b>0.020</b>
Charity size	3.740	0.951	3.74	3.89	3.47	3.83	3.52	3.98	3.65	0.125
Professional Bodies	3.722	1.044	3.75	3.95	3.66	3.75	3.62	3.47	3.53	0.303
Tax authorities	3.624	1.093	3.72	3.80	3.69	3.23	3.75	3.35	3.60	<b>0.007</b>
Charity preparers	3.609	1.003	3.64	3.37	3.71	3.54	3.55	3.91	3.58	0.170
The NPOs' mission	3.356	1.045	3.41	3.32	3.44	3.24	3.41	3.26	3.29	0.886
Needs of beneficiaries	2.993	1.097	2.94	3.06	3.10	3.19	3.14	3.02	2.60	0.071
<b>Who could influence future NPO financial reporting</b>										
My country would influence int'l standards	3.815	1.0264	3.84	3.69	3.86	3.88	3.48	4.15	3.65	0.122

Note: Means are calculated in respect of responses, where 1 = strongly disagree and 5 = strongly agree. The mid-point of 3 combines 'neither agree nor disagree' responses with 'don't know or no opinion' responses. Standard deviation (SD) is shown for the total of responses to each statement. Highlighted p-values show a Kruskal-Wallis (KW) result of less than 0.05 thus indicating that the perception of at least one of the stakeholder groups is significantly different from other stakeholder groups.