

**EFFECT OF ADOPTION OF ACCOUNTING PRINCIPLES ON FINANCIAL
ACCOUNTABILITY AMONG STATE CORPORATIONS IN NAKURU CITY**

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**A Project Presented to the Institute of Postgraduate Studies of Kabarak University
in Partial Fulfilment of the Requirements for the Award of the Master of Business
Administration (Accounting) Degree**

KABARAK UNIVERSITY

NOVEMBER, 2025

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The project entitled, **“Effects of Adoption of Accounting Principles on Financial Accountability Among State Corporations in Nakuru City,”** written by **Papa Nabwire Mercy**, is presented to the Institute of Postgraduate Studies of Kabarak University. We have reviewed the research project and recommend it be accepted in partial fulfillment of the requirement for the award of the degree of Master of Business Administration (Accounting).

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DEDICATION

I dedicate this research project to my loving parents, David Wasike Papa and Teresa Anyango, for your moral and financial support throughout this journey. Thank you for instilling in me the value of education, hard work, and perseverance. I could not have done it without constant encouragement and prayers from my loving family and friends, especially Geraldine Nyatta and John Raphah. Your support, no matter how small, is deeply appreciated.

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ABSTRACT

Financial Accountability remains a persistent challenge in Kenya despite the establishment of legal frameworks and the adoption of international accounting standards. Many state corporations continue to face audit queries, misstatements, and weak transparency in financial reporting, undermining the credibility of public financial management. The study, guided by Agency Theory and Stewardship Theory, examined the effect of adopting accounting principles on financial accountability among state corporations in Nakuru City. The specific objectives were to assess the effects of the historical cost, materiality, and consistency, conservatism principles on financial accountability. The study adopted a descriptive research design and targeted a population of 140 accounting, finance, and audit officers drawn from state corporations based in Nakuru City. A sample of 103 respondents was selected via stratified random sampling to ensure adequate representation across departments. Data were collected using a structured questionnaire and analyzed using both descriptive and inferential statistics with the Statistical Package for the Social Sciences (SPSS). Descriptive statistics, including means and standard deviations, were used to summarize the data, and multiple regression analysis tested the hypothesized relationships at the 5% significance level. The results indicated that adopting accounting principles had a significant positive effect on financial accountability ($R^2 = 0.618$; $F(4,98) = 39.62$; $p < 0.05$). Among the principles, the consistency principle ($\beta = 0.356$, $p < 0.001$) and the conservatism principle ($\beta = 0.334$, $p = 0.002$) had the strongest positive effects, suggesting that maintaining uniform reporting and exercising prudence in accounting practices significantly enhance accountability. The historical cost principle ($\beta = 0.241$, $p = 0.012$) and the materiality principle ($\beta = 0.198$, $p = 0.021$) also had positive though moderate influences on accountability. The study concluded that effective adoption of accounting principles enhances the accuracy, transparency, and reliability of financial reports in state corporations. It recommends continuous professional development for accounting personnel, automation of accounting systems to promote consistency, and strict enforcement of financial regulations to improve compliance and safeguard public resources. Strengthening adherence to accounting principles will enhance accountability and restore public confidence in Kenya's state corporations.

Keywords: *Accounting Principles, Financial Accountability, State Corporations, Public Sector Accounting, Nakuru City, Kenya*

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LIST OF ABBREVIATIONS AND ACRONYMS

AI	: Artificial Intelligence
ANOVA	: Analysis of Variance
IFAC	:International Federation of Accountants
IFRS	: International Financial Reporting Standards
IPSAS	: International Public Sector Accounting Standards
IPSAS	:International Public Sector Accounting Standards
IRB	: Institutional Review Board
KPLC	: Kenya Power and Limited Company
NACOSTI	: National Commission of Science, Technology and Innovation
NCPB	:National Cereals and Produce Board
PEFA	: Public Expenditure and Financial Accountability
PSASB	: Public Sector Accounting Standards Board
Q-Q plots	: Quantile-Quantile plots
SAGAs	: Semi-Autonomous Government Agencies
SPSS	: Statistical Package for the Social Sciences
STATA	: Statistical Software (proprietary name; no official expansion)
VIF	:Variance Inflation Factor

CONCEPTUAL AND OPERATIONAL DEFINITION OF TERMS

Accounting Principles: Accounting principles refer to the fundamental guidelines and assumptions that form the basis for preparing and presenting financial statements. They provide a standardized approach for recording, classifying, and summarizing financial data consistently and comparably (Weygandt, Kimmel, & Kieso, 2020). In this study, accounting principles were measured using Likert-scale items that captured the extent to which state corporations in Nakuru City implemented the historical cost, materiality, consistency, and conservatism principles in their financial reporting practices.

Historical Cost Principle: The historical cost principle states that assets and liabilities should be recorded at their original purchase cost without adjustments for changes in market value (Gibson, 2021). This principle was evaluated based on respondents' agreement on whether their corporation consistently recorded financial transactions at their original acquisition cost and maintained evaluation records without revaluation unless mandated by policy.

Materiality Principle: The materiality principle states that financial reporting should include all significant information that could influence users' decisions, while excluding trivial details that might obscure relevant information (Spiceland, Nelson, & Thomas, 2021). Materiality was assessed by examining organizational practices for minimizing errors, ensuring completeness of reporting, and setting thresholds for material misstatements, as reported by senior finance officers.

Consistency Principle: The consistency principle requires that an organization apply the same accounting methods and procedures across reporting periods to ensure comparability of financial statements (Heisinger & Hoyle, 2020). This principle was assessed by determining whether the state corporations used consistent accounting methods year after year and whether any changes in methods were disclosed and justified.

Conservatism Principle: The conservatism principle states that when multiple accounting methods are available, the method least likely to overstate assets or income should be selected, emphasizing prudence in uncertain financial environments (Wild, Shaw, & Chiappetta, 2020). Conservatism was measured by evaluating how cautiously corporations recognize revenues, estimate liabilities, and apply impairment policies.

Financial Accountability: Refers to the obligation of organizations to provide transparent, accurate, and timely reports on how financial resources are allocated and used, ensuring compliance with policies and regulations (Ebrahim, 2020). In this study, financial accountability was measured through Likert-scale assessments of transparency, auditability, adherence to reporting standards, and control mechanisms observed in state corporations.

CHAPTER ONE

INTRODUCTION

1.1 Chapter Overview

Chapter One outlines the study's focus on how adopting key accounting principles affects financial accountability in state corporations in Nakuru City. It describes the research problem, objectives, and the theoretical framework. It highlights the study's importance, scope, and limitations, and it lays the groundwork for exploring ways to improve financial transparency through sound accounting practices.

1.2 Background of the Study

Financial accountability is the foundation of public financial management, especially within public sector entities that manage taxpayer resources. It demonstrates how well public institutions adhere to laws, policies, and accounting standards when reporting on the use of public funds. Worldwide, financial accountability has gained more attention from governments, international agencies, and researchers, particularly as demands for transparency and responsible management of public finances grow. Implementing sound accounting principles like historical cost, materiality, consistency, and conservatism is crucial to ensuring accurate and trustworthy reports, which are key to strengthening the accountability of public institutions.

Recently, many public sector organizations globally have adopted accrual-based accounting frameworks, such as the International Public Sector Accounting Standards (IPSAS), to improve accountability by enhancing financial reporting quality. By 2023, more than 90% of jurisdictions participating in the International Federation of Accountants (IFAC) had adopted or planned to adopt international accounting standards and ethics codes (IFAC, 2024). These reforms aim to institutionalize essential accounting

principles to promote transparency, stewardship, and comparability in financial statements.

Empirical research has strengthened the global push for principled public sector reporting. For example, Amalia (2023) found that public sector institutions in countries adopting IPSAS reported higher transparency and accountability through accurate and complete financial disclosures. Similarly, Sari and Muslim (2023) observed in a review of public sector accounting practices that widespread use of accounting principles improved stakeholder confidence and promoted fiscal responsibility in government operations. Principles such as historical cost allow entities to value assets and liabilities at their original purchase costs, ensuring objectivity.

The principle of materiality helps preparers disclose information that could influence stakeholders' decisions. Consistency promotes comparability by ensuring the uniform application of accounting policies, while conservatism encourages prudent recognition of potential financial risks. These principles are vital for creating reliable, timely, and verifiable financial reports that enable stakeholders, including citizens, investors, and oversight bodies, to hold public institutions accountable for their financial actions (Sulaiman & Odunlade, 2025).

Across Africa, accountability in public finances continues to improve as reforms progress. Several countries have adopted IPSAS and accrual-based accounting frameworks to better manage public resources and strengthen accountability systems. A study in Nigeria, for example, showed that adopting IPSAS had a positive and significant impact on local governments' financial accountability, as reflected in audit results and stakeholder trust (Sulaiman & Odunlade, 2025). However, challenges to adoption and implementation persist, including limited technical skills, legacy systems, insufficient funding, and political interference (Antwi et al., 2025). In South Africa, despite

widespread formal adoption of performance-based accountability frameworks, the Auditor-General's reports continue to reveal high levels of irregular, fruitless, and wasteful expenditure among public sector entities (South African Auditor-General, 2024). This highlights ongoing gaps between policy objectives and operational realities in financial reporting and accountability. Antwi et al. (2025) further noted that while adopting accounting reforms in African states holds transformational potential, the impact largely depends on institutional readiness and effective enforcement mechanisms.

In Kenya, financial accountability in the public sector has become a focus over the past decade as a key measure of fiscal governance and public trust. Regulatory bodies like the Public Sector Accounting Standards Board (PSASB) have driven reforms by requiring the shift from cash basis to accrual accounting and the adoption of IPSAS by government agencies and state corporations (PSASB, 2025). These changes aim to enhance the reliability, consistency, and accuracy of financial reports in accordance with international standards.

However, empirical studies show mixed results from these reform efforts. Mbugua (2023), for example, found that although public universities in Kenya had officially adopted IPSAS reporting, adherence to core accounting principles, especially materiality and consistency, remained weak, leading to gaps in disclosure, documentation, and audit quality. Additionally, Ngahu and Waweru (2025) observed that while many public sector entities in Kenya have adopted IPSAS in theory, operational capacity challenges, including training gaps, reliance on legacy systems, and insufficient oversight, have hindered full compliance.

Audit outcomes further highlight the accountability issue. According to the Auditor-General's 2023/2024 report, only 50% of audited state corporations received unqualified audit opinions, while the other half received modified, adverse, or disclaimer opinions,

primarily due to misstatements, unsupported expenditures, and inconsistencies in applying accounting policies (Office of the Auditor-General, 2024). These findings directly point to weaknesses in the implementation of basic accounting principles, which erode public trust and undermine effective oversight. Although there is widespread recognition of the role accounting principles play in shaping financial accountability, the existing literature in Kenya and Africa offers limited analysis of how specific principles, such as historical cost, materiality, consistency, and conservatism, influence accountability outcomes at the entity level.

Most studies focus on the broader impact of IPSAS or the adoption of accrual accounting, leaving a gap in understanding the detailed influence of individual accounting principles on financial accountability, especially among state corporations in specific contexts, such as cities. Given these gaps and the vital role of accountability in public financial management, this study investigates how adopting specific accounting principles affects financial accountability among state corporations in Nakuru City. The research offers empirical insights to inform policy improvements and deepen academic understanding of how adherence to key accounting principles can result in better financial accountability outcomes in Kenya's public sector.

1.1.1 Financial Accountability

Financial accountability in the public sector refers to the obligation of public institutions and, by extension, state-owned or state-controlled corporations to justify their management and stewardship of public resources. This includes ensuring that funds are obtained, used, and reported in line with legal, ethical, and regulatory standards. Theoretically, such accountability is rooted in agency theory and stakeholder theory: agency theory emphasizes the need for agents (public managers) to act in the interests of principals (citizens and oversight bodies) and be accountable for results; stakeholder

theory expands this concept to include multiple parties with claims on the organization, such as governments, donors, employees, and the public (Igboke, 2023). Based on this foundation, financial accountability is demonstrated through specific mechanisms: accurate and timely financial statements, disclosures that accurately reflect the entity's financial position and performance, external audit reports, internal controls, and monitoring feedback loops. Notably, adopting accounting principles like historical cost, materiality, consistency, and conservatism is believed to improve reporting quality and strengthen accountability. For example, strict application of the materiality principle reduces the risk of significant omissions, allowing stakeholders to evaluate performance and stewardship based on financial statements. Similarly, the consistency principle facilitates comparability across reporting periods, which is essential for oversight bodies and investors in the public sector to monitor performance trends.

Empirical studies have shown the connection between financial accountability and institutional practices. In Kenya, Bett (2024) found that accountability, measured by clarity of mandate, feedback mechanisms, and monitoring and evaluation systems, had a significant positive effect on the financial performance of state-owned commercial enterprises (estimate = 0.261, $p < 0.001$). While this research focused on performance, the key accountability mechanisms were closely linked to financial reporting and resource management. Additionally, Igboke (2023), in a qualitative study, examined the core of public financial accountability in the public sector and concluded that accountability was the primary goal of public sector financial reporting and a vital element in maintaining public trust and legitimacy. More recently, Aldemir and Uçma Uysal (2025) explored how integrating artificial intelligence (AI) into public financial systems could enhance financial accountability and governance, highlighting that increased transparency, fewer errors, and greater auditability lead to stronger

accountability outcomes. Furthermore, Pratiwi, Haliah, and Kusumawati (2024) showed through a literature review that transparency, governance, and accountability together improve the quality of public sector financial reports, reaffirming accountability's crucial role in financial management frameworks. These findings suggest that financial accountability goes beyond mere compliance; it involves both reporting processes and improved governance and stakeholder oversight. In the context of state corporations, especially in Kenya, weak accountability was associated with misappropriations, limited disclosures, audit problems, and a decline in public trust. For example, a study of public financial reporting and regulation in Kenyan state-owned enterprises identified widespread issues with documentation, disclosures, and the implementation of controls, which weakened accountability (Deori & Poda, 2024).

Given this background, examining how adopting specific accounting principles influences financial accountability among state corporations in Nakuru City was both timely and necessary. Overall, the concept of financial accountability includes theoretical models of agency and stakeholder relationships, reporting and control mechanisms, and empirical evidence linking accountability with financial and operational performance. This study treated financial accountability as the dependent variable, assuming that greater adoption of accounting principles would improve accountability in areas such as reporting quality, transparency, stewardship, and stakeholder trust.

1.2 Statement of the Problem

Financial accountability in the public sector remains a crucial issue worldwide, including in Kenya, as shown by ongoing problems with compliance with sound financial reporting and accountability standards among state corporations. Public institutions are expected to ensure transparency, responsible management of public funds, and honesty in financial disclosures; however, recent audit reports and performance reviews highlight significant

gaps in meeting these objectives. In Kenya, the situation is especially concerning, with many state corporations often failing to meet established financial accountability standards. According to the Office of the Auditor-General's report for the 2022/2023 financial year, only 50% of state corporations and semi-autonomous government agencies (SAGAs) received unqualified audit opinions, indicating that the other half had major reporting problems, including misstatements, missing documentation, or non-compliance with existing accounting regulations (Office of the Auditor-General, 2023). Similarly, the 2022 Public Expenditure and Financial Accountability (PEFA) assessment revealed that only a small percentage of Kenya's public institutions met the highest standards for financial reporting and control, with serious weaknesses in transparency, accuracy of financial data, and adherence to internationally accepted accounting standards (PEFA Secretariat, 2023).

These recurring audit failures reveal issues not only with governance and internal controls but also with inadequate adherence to key accounting principles. Principles such as historical cost, materiality, consistency, and conservatism are vital for creating accurate, objective, and comparable financial statements. However, there is limited evidence on how well these principles are adopted or enforced in Kenyan state corporations and how such adoption or lack thereof affects financial accountability. While international studies show that implementing standardized public sector accounting frameworks like IPSAS can improve financial accountability and transparency (Amalia, 2023; Sari & Muslim, 2023), local research indicates that many Kenyan public entities still rely on outdated systems and inconsistent reporting practices that weaken accountability (Mbugua, 2023; Ngahu & Waweru, 2025).

Furthermore, although national policies and regulatory agencies have emphasized the importance of improved financial reporting, the gap between policy and actual practice

among state corporations, especially at the county or city level, such as Nakuru, remains significant. The limited number of empirical studies typically focuses on broader financial management issues rather than the specific influence of accounting principles on accountability outcomes. This gap prevents policymakers, auditors, and public finance managers from developing targeted interventions that address the root causes of poor accountability. Therefore, this study aims to fill these empirical and practical gaps by examining how adopting accounting principles, specifically historical cost, materiality, consistency, and conservatism, affects financial accountability among state corporations in Nakuru City. By focusing on these four core principles, the study contributes to the body of knowledge on public sector financial accountability. It provides evidence-based recommendations to improve reporting practices and accountability mechanisms in Kenya's public institutions.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of the study was to examine the effect of adopting accounting principles on financial accountability among state corporations in Nakuru City, Kenya.

1.3.2 Specific Objectives

The following specific objectives guided the study:

- i. To evaluate the effect of the historical cost principle adoption on financial accountability among state corporations in Nakuru City.
- ii. To determine the effect of the materiality principle adoption on financial accountability among state corporations in Nakuru City.
- iii. To examine the effect of the consistency principle adoption on financial accountability among state corporations in Nakuru City.

- iv. To assess the effect of the conservatism principle adoption on financial accountability among state corporations in Nakuru City.

1.4 Research Hypotheses

The study was based on the following research hypotheses;

H0₁: There is no statistically significant effect of historical cost principle adoption on financial accountability among state corporations in Nakuru city.

H0₂: There is no statistically significant effect of materiality principle adoption on financial accountability among state corporations in Nakuru city.

H0₃: There is no statistically significant effect of consistency principle adoption on financial accountability among state corporations in Nakuru city.

H0₄: There is no statistically significant effect of conservatism principle adoption on financial accountability among state corporations in Nakuru city.

1.5 Significance of the Study

This study was significant in many ways, providing both theoretical and practical contributions to the field of public financial management and accounting in Kenya and similar environments. First, it addressed an important gap in empirical research by exploring how adopting specific accounting principles, such as historical cost, materiality, consistency, and conservatism, affects financial accountability in state corporations. While existing research has examined accountability more generally across Kenya's public sector, few studies have focused on particular principles or assessed how specific accounting practices influence decentralized public entities like those in Nakuru City. As a result, this study improved academic understanding of how essential accounting principles support financial responsibility and transparency in public institutions.

The study provided practical insights for policymakers, regulators, and public sector managers. Since the Auditor-General's reports consistently identified weaknesses in financial reporting and internal controls among state corporations, the study's findings offered evidence-based recommendations to improve adherence to specific accounting principles, thereby enhancing audit results, transparency, and public trust. This was especially relevant for officials responsible for implementing accounting reforms, such as the National Treasury, the Public Sector Accounting Standards Board (PSASB), and internal auditors. Additionally, the study supported capacity-building and training efforts. By pinpointing gaps in the adoption of accounting principles, it guided government learning programs, professional accounting organizations, and universities on where to focus curriculum development and staff training to strengthen financial management skills in the public sector.

Finally, the study contributed to achieving national development and governance goals, including Vision 2030 and the Public Finance Management Act, by fostering accountability, fiscal discipline, and increased public value in state corporations. Strengthening financial accountability helped reduce waste and corruption, making sure that public resources were managed efficiently and fairly for the benefit of citizens.

1.6 Scope of the Study

The scope of this study was divided into four main areas: Geographical, conceptual, methodological, and temporal. The study was limited to Nakuru City, one of Kenya's rapidly growing urban centers and a key hub for government organizations operating in sectors such as agriculture, infrastructure, education, and standards regulation. The focus on Nakuru City was motivated by its strategic location as a devolved economic and administrative center, providing a suitable setting for examining public-sector financial management outside of Nairobi, Kenya's capital. The study included 10 government

corporations with active administrative and financial roles in the city. Conceptually, the research focused on the impact of adopting four accounting principles historical cost, materiality, consistency, and conservatism on financial accountability. Financial accountability was assessed using indicators such as the accuracy of financial reports, compliance with legal requirements, transparency in financial disclosures, and audit results. The emphasis on these principles stemmed from their essential role in shaping the quality and reliability of financial statements, especially in the public sector.

Methodologically, the study used a predictive correlational research design within a quantitative framework. The target population comprised senior administrative and finance officers from selected state corporations, from whom primary data were collected via structured Likert-scale questionnaires. The study also employed reliability and validity tests, descriptive statistics, correlation analyses, and regression analyses to examine the hypothesized relationships among the variables. Temporally, the study focused on the most recent three-year reporting period (2021–2023), aligning with the Auditor-General’s latest cycle of public sector audit reports. This ensured the findings remain relevant in reflecting current financial accountability challenges and the present state of accounting principle adoption in state corporations. By clearly defining its parameters, the study ensured feasibility, relevance, and alignment between its objectives and the observed realities of public financial management in Kenya.

1.7 Limitations of the Study

1.7.1 Limitations

This study faced several limitations that could have affected the generalizability or depth of some findings. First, it relied mainly on self-reported data collected through structured questionnaires administered to finance and administrative staff. Responses might have been influenced by social desirability bias, leading respondents to overreport compliance

with accounting principles to appear more responsible or professional. Although confidentiality was assured, the sensitive nature of financial accountability might have impacted the accuracy of disclosures. Secondly, the study's cross-sectional design, which collected data at a single point in time, limited the ability to establish causality or to observe changes and trends in accounting practices and their effects on accountability. A longitudinal approach could have provided more detailed insights into how institutions adopted accounting principles.

Thirdly, the study focused on four specific accounting principles: historical cost, materiality, consistency, and conservatism, and did not include others such as the accrual basis, the matching principle, or full disclosure. While these principles are essential and relevant, examining them in isolation may not have fully captured the variety of factors influencing financial accountability in state corporations. Finally, access to internal financial documents and audit reports was restricted by confidentiality and bureaucratic controls, which hindered the triangulation of primary data with institutional financial records. This reliance on respondents' perceptions and secondary reports may have limited the empirical scope of the analysis.

1.7.2 Delimitations

To maintain feasibility and focus, the study intentionally set boundaries for its scope. First, it was geographically limited to state corporations operating within Nakuru City. This urban-based focus excluded corporations based or operating exclusively in other regions or counties of Kenya, thereby limiting the applicability of the findings to similar urban settings. Second, the study was conceptually limited to examining the impact of four accounting principles on financial accountability. This focus aimed to deepen understanding of how these principles are applied, rather than exploring the broader area

of public financial management or related factors such as internal audit systems or financial literacy.

Third, the target population was limited to senior finance and administrative officers within the selected corporations. The viewpoints of lower-level staff, external auditors, policymakers, or the general public were not included, even though they might have provided additional insights into accountability. Finally, the study used a quantitative research approach, structured questionnaires, and statistical analysis methods. Qualitative techniques, such as interviews or document analysis, were not employed, which may have limited the ability to capture detailed interpretations or contextual factors affecting accountability practices. Overall, the limitations and delimitations were acknowledged to clarify the scope, guide the interpretation of results, and highlight areas for future research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviewed existing literature on how adopting accounting principles impacts financial accountability in state corporations. It covered the theoretical foundations of Agency and Stakeholder theories, followed by a conceptual framework that defines key variables. A review of recent empirical studies revealed a limited focus on individual accounting principles in Kenya's public sector, especially at the subnational level. These gaps justified and guided the focus of the current study.

2.2 Theoretical Framework

2.2.1 Agency Theory

Agency Theory was first introduced by Michael C. Jensen and William H. Meckling in 1976 to describe the relationship between principals (owners or stakeholders) and agents (managers or executives) within an organization. The theory holds that agents are authorized to act on behalf of principals. However, due to differing interests and asymmetric information, agents might act in ways that favor their own goals over those of the principals. This divergence leads to what is known as "agency conflict" or "agency problems," which can cause inefficiencies and reduce accountability in organizational operations (Jensen & Meckling, 1976).

In the context of public-sector organizations such as state corporations, Agency Theory explains the challenges of achieving financial accountability. Public officers (agents) oversee the management of public resources on behalf of citizens and government authorities (principals). However, due to limited oversight mechanisms and information gaps, there is a risk of financial mismanagement, underreporting, or misuse of resources. Applying accounting principles like consistency, materiality, conservatism, and historical

cost can help reduce agency problems by improving transparency, standardization, and comparability in financial reporting (Eisenhardt, 1989; Mutiso & Kamau, 2022). Despite its significance, Agency Theory has faced criticism for assuming that agents are mainly self-interested and opportunistic, while neglecting broader motivations such as professionalism, ethics, and a genuine dedication to public service (Davis, Schoorman & Donaldson, 1997). Additionally, critics argue that the theory focuses too heavily on financial incentives and contractual arrangements as means to align agent behavior with principal interests, while giving less attention to social, cultural, and institutional factors that influence behavior in the public sector (Mwaura, 2021).

2.2.2 Stewardship Theory

Stewardship Theory, first developed by Davis, Schoorman, and Donaldson in 1997, challenged the common Agency Theory view that managers are naturally self-interested and require strict supervision. Instead, it argued that executives act as responsible stewards whose motives align with the organization's goals (Davis et al., 1997). The theory proposed that managers are driven by internal factors such as achievement, recognition, and a sense of duty, rather than solely by financial rewards. This perspective highlights that managers are more likely to support organizational goals when they feel trusted and empowered, promoting governance models that encourage collaboration, autonomy, and shared leadership (Donaldson & Davis, 1991). In settings where long-term relationships and organizational identity matter, stewardship behavior tends to flourish, leading to better performance and greater stakeholder satisfaction.

Recent studies have expanded on this idea, showing that stewardship-oriented leadership and governance practices can significantly enhance organizational resilience and adaptability, especially in dynamic sectors such as non-profit organizations and public institutions (Akingbola, 2020). For instance, stewardship behavior has been linked to

increased transparency, stronger stakeholder engagement, and higher ethical accountability in social enterprises (Nguyen & Ngo, 2021). The theory also aligns well with modern concepts of transformational leadership, in which leaders serve as role models, inspiring teams to adopt organizational values and pursue shared success. Despite its advantages, Stewardship Theory has been criticized for its optimistic view of human behavior. Critics argue that not all managers will act in the organization's best interests, especially in environments with weak governance or high corruption risks (Kauppila, 2020).

Moreover, the theory does not fully address the complexities of power imbalances or conflicting interests within organizations, particularly in the public sector, where transparency and accountability are vital. Consequently, some scholars suggest that a hybrid approach combining stewardship and agency controls could provide a more balanced and practical governance model, especially in unpredictable or resource-limited settings (Ogbonnaya & Messersmith, 2019). Still, Stewardship Theory remains a valuable framework for understanding leadership behaviors rooted in trust, commitment, and organizational citizenship. Its significance continues to grow, especially in knowledge-based and mission-driven organizations where innovation, collaboration, and shared values are essential for sustainable success.

2.3 Empirical Literature

The empirical literature will review studies examining the influence of accounting principles on financial accountability.

2.3.1 Historical Cost Principle of Accounting and Financial Accountability

The historical cost principle is a fundamental accounting concept that requires assets and liabilities to be recorded at their original purchase price, without adjustments for inflation or market fluctuations. This principle provides a measurable, objective foundation for

financial reporting, thereby increasing the reliability of financial statements. Historical cost accounting is widely adopted in both private and public sectors, and its significance for financial accountability has been increasingly examined through empirical financial research. Several studies have investigated the relationship between adopting the historical cost principle and financial accountability in various contexts. For instance, Mohan and Ayoola (2022) conducted a study in Nigeria to assess how historical cost accounting influenced the credibility of financial reports in public institutions.

Using a descriptive survey design, the study involved 120 public sector accountants. Data collection was conducted through structured questionnaires, focusing on the extent of application of the historical cost principle and perceptions of financial accountability. The analysis, conducted with correlation and regression in SPSS, revealed a strong positive relationship between the use of historical cost and financial accountability. The study concluded that maintaining original cost records helps prevent asset misstatements and enhances audit trails, which in turn increases public trust in financial reports.

Similarly, in a Kenyan context, Kiprotich and Karia (2023) examined how historical cost accounting influences accountability in county governments. The study used secondary data from published financial statements of five counties over five years (2018–2022). Variables included adherence to the historical cost principle in asset valuation and measures of financial accountability, such as audit results and budget variance reports. The researchers employed panel regression models in STATA and found that counties that strictly adhered to the historical cost principle reported fewer audit questions and greater transparency in their spending. The findings indicated that historical cost accounting helps create verifiable financial records, thereby reducing the risk of assets being overstated or understated.

In contrast, studies in inflation-prone economies have raised concerns about the limitations of the historical cost principle. Almeida (2021) analyzed financial accountability in Brazilian municipalities, using time-series data from 2010 to 2020. The study showed that although historical cost accounting maintained consistency, it also distorted the real value of assets during periods of high inflation. The data were analyzed through variance decomposition and inflation-adjusted models, which indicated that relying on unadjusted historical costs reduced the relevance of financial statements for decision-making.

The study recommended including fair value adjustments in high-inflation environments to improve the usefulness of public-sector financial reports. Overall, the empirical literature offers a mixed but insightful picture of the relationship between historical cost accounting and financial accountability. While the principle supports reliability and transparency by grounding asset values in verifiable acquisition costs, its relevance can diminish in dynamic economic contexts where inflation decreases the informational value of unadjusted cost figures. These gaps highlight the need for ongoing assessment of historical cost practices within public sector organizations, especially in emerging economies like Kenya, where inflation and public finance reforms continuously reshape reporting priorities.

2.3.2 Materiality Principle of Accounting and Financial Accountability

The materiality principle of accounting states that financial information should be included in financial statements only if its omission or misstatement could affect users' economic decisions. This principle ensures that financial reports focus on essential information and omit trivial details, thereby improving the clarity, relevance, and usefulness of financial statements for decision-making and accountability. In the public sector, following the materiality principle is vital for transparent resource allocation,

detecting fraud, and accurate financial disclosure. Studies have explored how applying this principle influences financial accountability in both developed and developing countries. For example, in South Africa, Mthethwa and Ngcobo (2022) examined the link between materiality thresholds and accountability in municipal financial reports. They used a mixed-methods approach, analyzing audited financial reports from 52 municipalities and conducting interviews with municipal accountants. The main measure of financial accountability was audit opinions and disclosure quality, while adherence to the materiality threshold served as the key independent variable. Their analysis included descriptive statistics and thematic analysis. Results showed a strong positive link between clear materiality thresholds and better audit outcomes, with municipalities that maintained consistent materiality levels delivering fewer qualified audits. The study concluded that materiality helps financial managers focus on significant transactions, reducing errors and boosting accountability.

Similarly, Wanjiku and Ng'ang'a (2023) conducted a quantitative study among Kenyan state corporations to assess how applying the materiality principle affected financial reporting accountability. A structured survey was sent to 80 finance officers across 15 state corporations, and the data collected were analyzed using SPSS regression. The study looked at variables such as documentation completeness, error reduction, and compliance with materiality thresholds. Results showed that corporations with well-established materiality frameworks produced more accurate financial reports and responded better to both internal and external audits. The study pointed out that a lack of training and clarity in defining materiality led to inconsistencies in reporting standards across several corporations.

From a different perspective, Zhou and Norman (2021) conducted a longitudinal study examining how materiality misjudgment impacts financial accountability in Chinese

public sector organizations. Using secondary data from government audit reports from 2015 to 2020, the study employed logistic regression to examine how omitted material information affected audit outcomes. The dependent variable was financial accountability, measured by the frequency of adverse audit opinions, while key independent variables included reporting accuracy and errors in materiality assessments. The findings revealed that misjudged materiality thresholds were a main cause of adverse audit results and diminished public trust in financial reports.

The authors recommended stricter audit standards and improved financial literacy among public officials. Overall, the literature emphasizes that applying the materiality principle enhances financial accountability by promoting transparency, reducing misstatements, and enabling more informed decisions. However, challenges such as subjective judgment, inadequate training, and lack of standardization continue to hinder its effective implementation, especially in developing economies.

2.3.3 Consistency Principle of Accounting and Financial Accountability

The consistency principle of accounting emphasizes the use of uniform methods and procedures across periods to ensure comparability, reliability, and transparency in financial reporting. By consistently applying accounting policies, organizations help stakeholders identify trends, evaluate performance, and hold management accountable for financial results. In the public sector, adhering to this principle is essential to promote accountability and ensure that financial information remains stable, transparent, and comparable over time. Empirical studies have examined the connection between the consistency principle and financial accountability in various settings. Mensah and Boateng (2022) conducted a study in Ghana to assess how consistent accounting practices influence public sector financial accountability. Using a cross-sectional survey, data were collected from 135 finance officers in ministries and government agencies.

The independent variable was adherence to consistent accounting policies, while the dependent variable was financial accountability, measured through audit results and budget compliance. Data analysis included Pearson correlation and multiple regression analysis. The findings revealed a strong positive relationship between consistent accounting practices and improved financial accountability, indicating that organizations that maintain consistent reporting methods are more transparent and less prone to audit issues.

In Kenya, Otieno and Njoroge (2023) examined how accounting consistency influences accountability in public corporations. The study employed a descriptive research design and administered structured questionnaires to 100 senior finance officers across 20 state corporations. Data analyzed using regression in SPSS showed that consistent application of accounting policies significantly enhanced the transparency, comparability, and credibility of financial statements. The researchers found that inconsistent use of accounting standards often led to distorted performance trends, misinterpretation of financial results, and diminished stakeholder trust.

They recommended regular training and audits to encourage consistent application of accounting principles throughout reporting periods. Similarly, Adebayo and Bello (2021) conducted an empirical study in Nigeria to explore the relationship between accounting consistency and accountability in government-owned enterprises. The study analyzed secondary data from financial statements covering 2016–2020. Using time-series regression analysis, the study assessed the link between accounting consistency, measured by changes in accounting methods, and accountability, indicated by the number of qualified audit opinions. The findings revealed that frequent changes in accounting policies negatively affected financial accountability and comparability, while stable policy implementation improved reliability and stakeholder confidence.

Additionally, Mwangi and Kiptoo (2022) examined how consistency adherence affects financial accountability in public universities in Kenya. The study used mixed methods, combining surveys and document analysis of university financial reports. Variables included consistency in accounting policy use (independent variable) and financial accountability, measured by internal control effectiveness and audit results (dependent variable). The researchers employed thematic and regression analysis and found that consistent accounting practices reduced financial misreporting and improved institutional accountability. Overall, these studies suggest that the principle of consistency plays a key role in promoting financial accountability by ensuring the comparability and reliability of financial data across reporting periods.

However, the literature also highlights challenges, such as changes in accounting standards, weak regulatory enforcement, and limited technical capacity, that can hinder consistent application across public sector organizations. Therefore, strengthening institutional controls, capacity building, and policy standardization are recommended as essential steps to support consistent accounting practices and maintain financial accountability.

2.3.4 Conservatism Principle of Accounting and Financial Accountability

The conservatism principle is a long-standing accounting doctrine that emphasizes caution in financial reporting by recognizing expenses and liabilities as soon as possible, while recognizing revenue and assets only when they are certain. This principle aims to prevent overstating financial health by ensuring that uncertainties and risks are acknowledged promptly, thereby encouraging prudence and accountability in financial management. In public sector entities, especially in developing countries, adherence to the conservatism principle is vital for protecting public resources, increasing

transparency, and building stakeholder trust. Through careful reporting, state agencies can avoid unrealistic projections and manage fiscal risks more responsibly.

Empirical research has examined how the conservatism principle affects financial accountability across different sectors. In Nigeria, Adedoyin and Olatunji (2022) investigated the connection between conservative financial reporting and accountability in government-owned enterprises. The study used a descriptive research design and surveyed 140 senior accountants and auditors from 25 public enterprises. Variables included the adoption of conservative reporting practices (independent variable) and financial accountability indicators such as audit performance and compliance levels (dependent variables). Using regression analysis in STATA, the researchers found that greater conservatism in accounting significantly decreased financial misstatements and improved audit results. The study concluded that conservative financial reporting boosts public trust and enhances oversight mechanisms.

In South Africa, Nkosi and Sebeho (2023) conducted a longitudinal study to assess the impact of conservatism on accountability in provincial government departments. The study analyzed secondary financial data from 2015 to 2022 using panel data regression models. The dependent variable was accountability, measured through audit opinions and budget adherence, while conservatism was evaluated based on asset valuation practices and the early recognition of contingent liabilities. The results showed that departments following conservative accounting practices avoided overstated financial positions and demonstrated better budget discipline and transparency. The authors emphasized conservatism as a key safeguard against fiscal mismanagement in the public sector.

In Kenya, Wekesa and Kilonzo (2024) evaluated the impact of conservative accounting practices on financial accountability in state corporations in Nairobi. The study

employed a mixed-methods approach that included structured questionnaires and document analysis of financial statements from 20 state corporations. Data were analyzed using multiple regression and thematic content analysis. Results indicated that entities practicing conservatism, especially in recognizing potential losses and avoiding premature revenue recognition, maintained more reliable, audit-ready financial records. In contrast, corporations that ignored conservative principles experienced more financial discrepancies and audit reservations. The study recommended policy enforcement and training to improve adherence to conservatism in public reporting.

Another study by Omondi and Kariuki (2021) examined conservatism and accountability in public health institutions in Kenya. Using secondary financial data from 2017 to 2020, the study applied a time-series analysis to explore how conservative assumptions affected reported fund utilization and compliance with donor requirements. The results showed that conservative accounting led to more accurate budget forecasts and fewer audit flags for misappropriated funds. However, the authors noted that excessive conservatism could unintentionally underestimate institutional performance and discourage stakeholder support. Overall, the reviewed literature indicates that the conservatism principle is important for promoting financial accountability by emphasizing prudence, reducing fiscal risks, and enhancing the credibility of financial statements. Nonetheless, challenges such as subjective judgment, the lack of standardized guidelines, and potential bias toward understatement highlight the need for a balanced application of the principle in public sector financial reporting.

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quickly, thereby promoting prudence and responsibility in financial management. In public sector entities, especially in developing countries, adhering to the conservatism principle is essential for protecting public resources, enhancing transparency, and building trust among stakeholders. By carefully reporting, state corporations can avoid unrealistic forecasts and manage fiscal risks more effectively.

Empirical research has explored how the conservatism principle affects financial accountability across various sectors. In Nigeria, Adedoyin and Olatunji (2022) examined the relationship between conservative financial reporting and accountability in government-owned enterprises. Their study utilized a descriptive research design and surveyed 140 senior accountants and auditors from 25 public enterprises. Key variables included the adoption of conservative reporting practices (independent variable) and financial accountability measures such as audit performance and compliance levels (dependent variable). Using regression analysis in STATA, the researchers discovered that greater conservatism in accounting significantly reduced financial misstatements and enhanced audit outcomes. The study concluded that conservative financial reporting increases public trust and strengthens oversight mechanisms.

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emphasized conservatism as a crucial safeguard against fiscal mismanagement in the public sector.

In Kenya, Wekesa and Kilonzo (2024) examined the impact of conservative accounting practices on financial accountability in Nairobi's state corporations. The study employed a mixed-methods approach, combining structured questionnaires and document analysis of financial statements from 20 state corporations. Data were analyzed through multiple regression and thematic content analysis. Results indicated that organizations practicing conservatism, especially in recognizing potential losses and avoiding premature revenue recognition, maintained more dependable, audit-ready financial records. Conversely, companies that ignored conservative principles experienced more financial discrepancies and audit concerns. The study recommended policy enforcement and training to strengthen adherence to conservatism in public reporting.

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The conservatism principle of accounting is characterized by delaying revenue recognition during periods of financial uncertainty and promptly recognizing potential losses (Al-Hroot et al., 2017). The relationship between the conservatism principle and financial accountability is a topic explored by various accounting scholars, including Pawsey (2016), Pirveli (2019), Claudia and Georgescu (2018), Balakrishnan et al. (2016), and Zaki (2016), among others.

In a study focusing on the impact of IFRS adoption in Australia, Pawsey (2016) examined the influence of the conservatism principle in public finance accounting. The study was based on analyzing and synthesizing academic research conducted in Australia to draw its conclusions. The study viewed the conservatism principle as implying the recognition of bad news in earnings in a timely manner compared to good news. Pawsey (2016) concluded that the conservatism principle of accounting enhanced financial accountability through the prompt recognition of losses in the financial statements.

The conservatism principle of accounting plays a significant role in financial accountability, as Pirveli (2019) found in a study based on data from the Georgian stock exchange. The study viewed conservatism as the rule of not anticipating profits but anticipating all losses. Accounting conservatism was measured using accrual-based measures, earnings-based measures, and market-to-book ratios. The study found that the conservatism principle improves financial accountability by ensuring that, during periods of uncertainty, there is no overstatement of income or understatement of liabilities. Claudia and Georgescu (2018) also asserted that the conservatism principle is used optimally in situations involving difficult-to-verify accounting information. Further discussing the role of the conservatism principle in uncertain business environments, Evana and Dewi (2017) aligned with Pirveli (2019) and Claudia and Georgescu (2018) emphasized the importance of conservatism in reducing financial risk. In this context,

Evana and Dewi (2017) assert that the conservatism principle helps mitigate the financial risks associated with uncertain business conditions.

The conservatism principle of accounting has been examined in relation to the global financial crisis. In this context, Balakrishnan et al. (2016) conducted a study that aimed to analyze the influence of accounting conservatism on corporate investment during the global financial crisis. Consistent with Pirveli's (2019) findings, Balakrishnan et al. (2016) also found that conservatism is the optimal financial accounting method for financially constrained organizations. Therefore, the findings of Balakrishnan et al. (2016) and Pirveli (2019) align. The study further revealed that during times of uncertainty, firms employing conservative accounting principles are likely to have experienced less underinvestment, thereby enhancing the financial accountability of their operations. To achieve its results, the study used review methods similar to those employed by both Pawsey (2016) and Pirveli (2019) in their research.

Financial accountability in the public sector involves justifying how public assets are used and for what purposes (Ali & Jalal, 2019). The views of Ali and Jalal (2019) are similar to those of Agwor (2017), who regarded financial accounting as holding financial stewards responsible for whether they have used entrusted financial resources in a way that aligns with expectations and is acceptable to the owners, namely, taxpayers. Conversely, Ogoja and Osadi (2019) define financial accountability as relating to the accounting system, internal control systems, and audited financial systems. Contrary to the views of Ali and Jalal (2019), Ogoja and Osadi (2019), and Salle (2020), financial accountability is seen as linked to financial reports. Additionally, Salle (2020) showed in his study that financial accountability involves financial professionals complying with the preparation and presentation of financial statements for stakeholder use. Salle (2020) also notes that financial accountability can be understood as adherence to government

accounting standards in financial statements. Key elements that demonstrate financial accountability in the public sector include implementing separation of duties in financial management, maintaining thorough documentation of financial transactions, ensuring proper authorization of financial expenditures, and keeping accurate financial records that properly reflect the transactions (Ali & Jalal, 2019; Cherepanova, 2017; Ogoja & Osadi, 2019). The alignment of financial statements with accepted public sector accounting standards is also a measure of financial accountability (Salle, 2020).

Conservatism affects financial accountability by shaping audit quality. Zaki (2016) conducted a study on the Egyptian Stock Exchange, exploring how the conservatism principle in accounting impacts financial audits. Using an empirical approach, the study collected data from firms listed on the Egyptian Stock Exchange. It found that higher levels of conservatism are associated with greater trust in a company's financial reporting among stakeholders. Zaki (2016) also found that increased unconditional conservatism is associated with better financial audit quality and an enhanced ability of auditors to detect fraud. In a study of commercial banks in Jordan during the global financial crisis, Al-Hroot et al. (2017) examined the role of the conservatism principle in such a context. The study used a quantitative research method, employing a structured questionnaire for data collection. It concluded that conservatism influences financial accountability by impacting the accuracy and consistency of financial information.

2.4 Conceptual Framework

The conceptual framework for this study shows the connection between core accounting principles and financial accountability in public sector entities. In accounting, a conceptual framework serves as a guide that identifies the main concepts under study and their expected relationships. This framework not only helps shape the study design but also explains how independent and dependent variables relate within the research. In this

study, the independent variables include key accounting principles, specifically the Historical Cost Principle, Materiality Principle, Consistency Principle, and Conservatism Principle. These principles are essential for the accurate and trustworthy creation, presentation, and analysis of financial reports. They form the foundation of ethical financial reporting by promoting comparability, transparency, verifiability, and prudence in financial activities. The dependent variable, financial accountability, refers to the obligation of public sector entities to responsibly manage, report, and disclose their financial resources and transactions. Financial accountability encompasses multiple aspects, including adherence to budgets, transparency in financial statements, timely reporting, and compliance with regulatory frameworks.

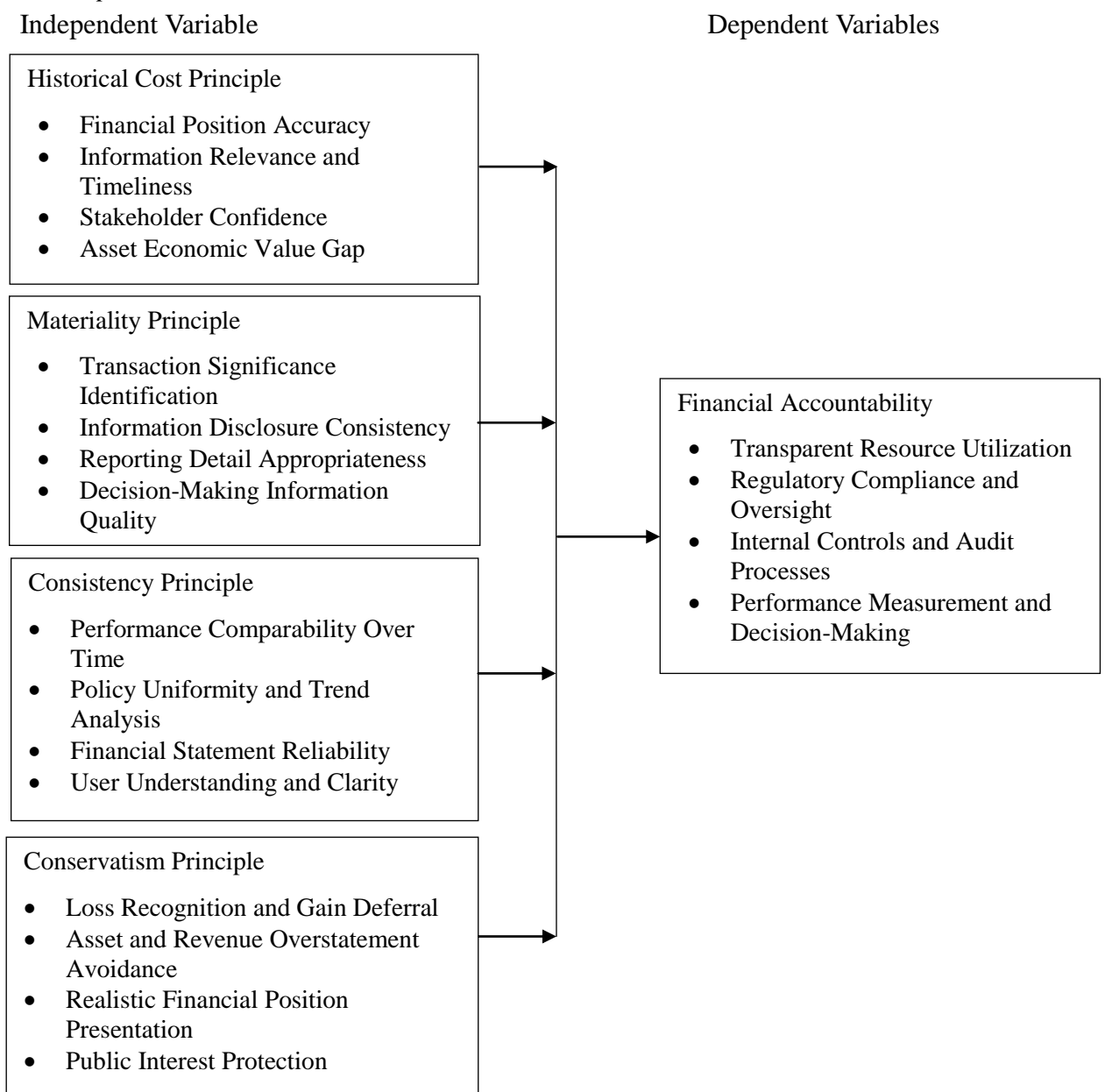
These aspects ensure that public institutions utilize resources efficiently and ethically, building trust among stakeholders, including government agencies, development partners, and the public. The framework assumes that following sound accounting principles positively influences the level of financial accountability within public entities. For example, the Historical Cost Principle promotes transparency by anchoring asset valuations in actual transaction values, reducing opportunities for manipulation. Similarly, the Consistency Principle encourages comparability across reporting periods, helping stakeholders monitor changes in resource management. The Materiality Principle guarantees that all significant financial information is disclosed, reducing information gaps. Lastly, the Conservatism Principle supports fiscal responsibility by preventing the overstatement of assets or revenues.

Furthermore, the conceptual framework recognizes the moderating influence of organizational policies and regulatory compliance. These external factors can either reinforce or undermine the effect of accounting principles on financial accountability. For example, weak enforcement mechanisms may undermine the effectiveness of

accounting principles, whereas strong internal controls and regulatory oversight can strengthen them. The relationships described in this framework not only provide a basis for developing hypotheses but also help in operationalizing variables in later chapters. By showing how accounting principles impact financial accountability, the framework establishes a foundation for empirical research and offers targeted suggestions for improving public financial management.

Figure 1

Conceptual Framework



Source: Researcher (2025)

2.5 Summary of Literature and Research Gaps

The reviewed literature offered insights into the link between adopting accounting principles and financial accountability among state corporations. Previous studies generally indicated that good accounting practices improved accountability, though differences in context and methodology resulted in inconsistent findings. Most research has focused on national institutions or private organizations, with limited attention to state corporations in decentralized urban areas like Nakuru City. Consequently, gaps existed regarding how adopting accounting principles affected financial accountability in this setting. This section summarizes the literature reviewed and the research gaps the current study aims to address. These are presented in Table 1 below.

Table 1

Summary of Literature and Research Gaps

Author(s) & Year	Title of the Study	Key Findings	Research Gaps Identified	How the Current Study Addresses the Gap
Macharia & Ronald (2023)	<i>Analysing the Influence of Accounting Conventions on the Financial Performance of Commercial Banks in Kenya</i>	Established that materiality and consistency principles have moderate positive effects on financial performance in commercial banks.	- Focused on profit-oriented organizations. - Ignored public sector accountability context. - Did not examine historical cost or conservatism.	Shifts context to government-owned entities and expands the scope to include all four accounting principles related to accountability.
Omondi & Kiptoo (2022)	<i>Effect of Accounting Consistency on Financial Accountability in Kenyan Public Universities</i>	Found inconsistency in financial records leads to weak financial accountability.	- Focused on a single accounting principle. - Study limited to universities. - Did not address combined effect of multiple principles.	Investigates multiple principles and expands analysis to state corporations in Nakuru City.
Antwi, O. & Oppong (2025)	<i>Public Sector Accounting and Fiscal</i>	Found that IPSAS adoption supports better	- No primary data. - Did not analyze specific	Uses primary empirical data, focuses on state

	<i>Governance: A Systematic Literature Review</i>	fiscal governance but lacks consistency in implementation.	accounting principles. - Focus not narrowed to specific cities or corporations.	corporations, and assesses specific principles' influence on accountability.
Mutiso & Kilonzo (2021)	<i>Challenges of Applying Conservatism Principle in Kenya's Public Sector Financial Reporting</i>	Found conservatism limited transparency in reporting liabilities in public hospitals.	- Examined only conservatism. - Study isolated to healthcare sector. - No link to overall accountability.	Includes conservatism and other accounting principles and focuses directly on financial accountability.
Kamau & Njeru (2024)	<i>Role of Historical Cost Accounting in Reporting Accuracy in Nairobi County Government</i>	Found that reliance on historical cost resulted in undervaluation of assets and impaired decision-making.	- Focused only on asset valuation. - Did not evaluate accountability dimensions. - Single county context.	Assesses how historical cost influences accountability in broader settings involving public corporations.
Adjei & Mensah (2022)	<i>Materiality and Public Financial Disclosure in Ghana's State-Owned Enterprises</i>	Found weak materiality thresholds led to the omission of key disclosures in financial statements.	- Focused mainly on disclosure quality. - Did not link to accountability outcomes. - Study location is different.	Links materiality principle to direct measures of accountability in Kenya, addressing sector-specific knowledge gap.
Nyambura & Waweru (2024)	<i>Consistency Principle and Budget Control in Kenyan Water Regulatory Agencies</i>	Showed positive impact of consistency in budgeting on expenditure tracking.	- Examined only consistency. - Did not explore accountability holistically. - Narrowly focused on regulatory entities.	Uses expenditures, reporting quality, and corruption perception as broader accountability indicators in state corporations.
Chukwu & Eze (2021)	<i>Impact of Accounting Principles on Transparency in Nigerian State Corporations</i>	Concluded that multiple accounting principles collectively enhance financial transparency.	- No principle-specific findings. - Comparative study lacked focus on individual principles. - Nigeria not Kenya.	Addresses principle-specific impacts using focused variables in Kenyan context, adding localized empirical evidence.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter was designed to explore the methodological approaches used in the study. Therefore, the chapter explored the research design, target population, sampling size and procedure, and instrumentation. Other methodological choices that were explored include a pilot study, the validity and reliability of the instrument, data collection procedures, data analysis procedures, and ethical considerations.

3.2 Research Design

The study used a correlational research design. Data was collected from various individuals or groups at one point in time. The goal was to identify correlations between variables and make predictions. The correlational research design is a quantitative method used in social sciences and statistics. This approach aims to identify and understand potential relationships among two or more variables, with the added goal of predicting future outcomes from these observed correlations (Bryman, 2015). It offers valuable insights into patterns and trends, helping researchers make informed predictions about future events.

The reason for choosing this design is that the study is quantitative. This study seeks to determine whether adherence to certain accounting principles (historical cost, materiality, consistency, and conservatism) in public corporations predicts financial accountability in state corporations. The research design is the plan the researcher uses to achieve the study's objectives. It helps ensure that appropriate methodological choices are made during the research. Therefore, the study aims to examine the predictive effect of these accounting principles on financial accountability. The research employed a predictive correlational design to forecast how independent variables influence the dependent

variable ex post facto. Gathii et al. (2019) describe the predictive correlational research design as suitable for quantitative studies exploring the influence of independent variables on dependent variables, which aligns with the goals of this study.

3.3 Target Population

The study's target population comprised senior administrative and finance staff working in state corporations in Nakuru City, Kenya. These individuals were directly involved in financial reporting, internal control, budgeting, and oversight, making them suitable informants for evaluating the adoption of accounting principles like historical cost, materiality, consistency, and conservatism, and their impact on financial accountability. As Mugenda and Mugenda (2020) noted, selecting a population with direct involvement in the variables under study increased the credibility and relevance of the findings. The population was drawn from ten state corporations operating within Nakuru City, and a total of 58 officers met the criteria for holding senior financial or administrative responsibilities. Given the manageable size of this population, the study employed a census approach, ensuring that every eligible participant was included. This method reduced sampling bias and enhanced the generalizability of the results within the organizational context, aligning with Kothari's (2019) recommendations.

The study used clear inclusion criteria: Respondents had to hold senior roles such as Finance Managers, Accountants, Internal Auditors, and Senior Administrators; have served at least 6 months in their roles; and agree to participate. Those in junior clerical positions, temporary contract workers not involved in key financial duties, and external consultants were excluded to ensure data came from experienced, knowledgeable individuals, as recommended by Creswell and Creswell (2018). The unit of analysis was the state corporation itself, as the research aimed to draw conclusions at the organizational level regarding how adopting specific accounting principles affected

overall financial accountability. Meanwhile, the unit of observation was the individual senior officer within each corporation, providing data through structured questionnaires. This approach followed Sekaran and Bougie’s (2020) guidance for gathering perceptual data from organizational staff. The study achieved a high response rate of 96.5%, with 56 out of 58 questionnaires completed and returned. Such a high response rate reflected respondents’ engagement and significantly enhanced the reliability of the data collected (Mugenda, 2020). This level of participation was particularly valuable in a census-based study, where non-response could have threatened the validity of the results.

Table 2 indicates the number of finance officers from the selected state corporations in Nakuru County, Kenya.

Table 2

Target Population

State Corporation	Senior Administrative Staff	Finance Staff	Total
Kenya Pipeline Company Ltd	3	3	6
Kenya Seed	3	4	7
National Cereals and Produce Board	3	3	6
Geothermal Development Company	4	5	9
Kenya Medical Training College	3	2	5
Kenya Power and Lighting Company	3	3	6
Kenya Plant Health Inspectorate Services (KEPHIS)	2	2	4
Kenya National Bureau of Statistics	3	2	5
Central Rift Valley Water Service Board	3	2	5
Pyrethrum Processing Company of Kenya	3	2	5
Total	30	28	58

Source: Institution Administration Records (2023)

3.4 Sampling Size and Procedure

The sampling process involves selecting a smaller subset of the population to represent the larger group from which it is drawn (Ravi & Naga, 2011). The study used purposive sampling to choose 10 corporations. Mugenda and Mugenda (2008) noted that selecting 10% of the population as a sample is an adequate representation for the study. Therefore, the study selected 24% of the 41 listed state corporations in Nakuru city. In other words, it aims to gather information from every member of the entire population under study. This method is often used when the population size is relatively small or manageable, making it feasible to collect data from everyone. According to Bacon-Shone (2013), purposive sampling is used when all members of the population are accessible and when it is both time-efficient and logistically practical to do so. The study employed this method with all 58 members of the population in the final sample.

3.5 Instrumentation

To address the research objectives, the researcher used a structured questionnaire to collect data from participants. The questionnaire consisted of written questions with predefined response options, allowing respondents to select from the provided answers. It was divided into five sections: Section I (Demographic Questions), Section II (Historical Cost Principle of Accounting), Section III (Materiality Principle), Section IV (Consistency Principle), Section V (Conservatism Principle), and Section VI (Financial Accountability). Section I, containing demographic questions, featured categorical-based questions, while Sections II to VI used Likert-scale questions. According to Sloan and Quan-Haase (2017), categorical questions are often used to gather factual data and can be either ordinal or nominal. Henly (2015), on the other hand, states that the Likert scale is used to measure respondents' opinions on the variables they are asked to evaluate. The independent and dependent variables were measured using summated scales, with

several questions averaged to assess each variable. The structured questionnaire was chosen for this study due to its advantages over other data collection methods, including cost and time efficiency, higher response rates, and easier data analysis with IBM SPSS software.

3.5.1 Pilot Study

The researcher conducted a pilot study before collecting final data. According to Pandey and Pandey (2015), a pilot study is a small-scale version of the main study. This small-scale version aims to achieve various objectives, including ensuring the reliability and validity of the instruments, checking logistical arrangements for data collection, and pre-testing the questionnaires. The study took place at the Kenya Postal Corporation in Nakuru County. It used 6 members, representing 10% of the sample size, as advised by Nayak and Singh (2016) for the pilot study sample size. The results of the pilot study were used to improve the research questionnaire but were not included in the final analysis.

3.5.2 Validity of the Instrument

Among the aspects that was checked during the pilot study is the validity of the instrument. The validity of the instrument is related to its capacity to precisely assess the targeted parameters, as Liamputtong (2019) says. In this study, the validity of the structured questionnaire lies in its capacity to accurately measure the accounting principles and their impact on the financial accountability of state corporations. In this study, the validity of the instrument was assessed using content validity. As defined by Bryman (2015), content validity refers to the degree to which the test items adequately represent the entire domain the test aimed to measure. To measure content validity, the research supervisors and pilot study members were involved. The results obtained from

the content validity assessment were used to further improve the structured questionnaires.

3.5.3 Reliability of the Instrument

During the pilot study, the researchers assessed the instrument's validity and reliability. The instrument's reliability was examined using Cronbach's alpha, a measure of internal consistency. Internal consistency refers to the extent to which questions measuring a latent variable correlate with one another, indicating that they are a reliable measure of the variable. According to Upagade and Shende (2012), an internal reliability coefficient of 0.7 is considered sufficient for determining the study's reliability. Therefore, this study used a Cronbach's alpha coefficient threshold of 0.7.

3.6 Pilot Study Results

Reliability and validity analyses ensure that the research instruments used in data collection provide consistent and accurate measurements of the study variables. This section examines both the internal consistency reliability and content validity of the measurement scales used to assess accounting principles and financial accountability constructs.

3.6.1 Reliability and Validity of Instruments

Reliability and validity analyses ensure that the research instruments used in data collection consistently and accurately measure the study variables. This section examines both the internal consistency reliability and content validity of the measurement scales employed to evaluate accounting principles and financial accountability constructs.

3.6.2 Reliability Analysis of Instruments

The reliability analysis examines the internal consistency of the measurement scales using Cronbach's alpha coefficients. Table 3 presents the reliability statistics for each

variable measured in the study, including the number of items and corresponding Cronbach's alpha values.

Table 3

Reliability Analysis

Construct	Number of Items	Cronbach's Alpha	Acceptable (≥ 0.7)?
Historical Cost Principle	5	0.798	Yes
Materiality Principle	5	0.743	Yes
Consistency Principle	5	0.782	Yes
Conservatism Principle	5	0.821	Yes
Financial Accountability	5	0.756	Yes

The reliability analysis results indicate that the Historical Cost Principle ($\alpha=0.798$), Materiality Principle ($\alpha=0.743$), Consistency Principle ($\alpha=0.782$), Conservatism Principle ($\alpha=0.821$), and Financial Accountability ($\alpha=0.756$) all achieved acceptable reliability levels. According to Taber (2018), Cronbach's alpha values of 0.7 and above indicate acceptable internal consistency reliability for research instruments. All constructs exceeded the minimum threshold of 0.7, demonstrating that the measurement scales reliably measure their intended constructs. The reliability coefficients, ranging from 0.743 to 0.821, indicate good to excellent internal consistency, supporting the accuracy and consistency of the measurement instruments used in the study (Peterson & Kim, 2023). These reliability levels confirm that the research findings are based on consistent and trustworthy measurements of accounting principles and financial accountability constructs.

3.6.3 Validity of Instruments

The content validity analysis examines the extent to which the measurement items comprehensively and appropriately represent the intended constructs. Table 4 presents the Scale-level Content Validity Index (S-CVI) results for each variable, indicating the proportion of items judged as relevant by expert reviewers.

Table 4

Content Validity Index (CVI) Results

Construct	Number of Items	S-CVI	Acceptable (≥ 0.8)?
Historical Cost Principle	5	0.867	Yes
Materiality Principle	5	0.833	Yes
Consistency Principle	5	0.900	Yes
Conservatism Principle	5	0.889	Yes
Financial Accountability	5	0.844	Yes

The content validity analysis indicates that all constructs achieved acceptable validity levels, with S-CVI values ranging from 0.833 to 0.900. According to Polit and Beck (2022), S-CVI values of 0.8 or higher indicate excellent content validity, indicating that the measurement items adequately represent their intended constructs. The Historical Cost Principle achieved an S-CVI of 0.867, the Materiality Principle 0.833, the Consistency Principle 0.900, the Conservatism Principle 0.889, and Financial Accountability 0.844. These results confirm that expert reviewers considered the measurement items highly relevant and representative of their respective constructs, providing evidence of the research instruments' content validity (Almanasreh et al., 2019). The strong content validity indices ensure that the study findings are based on

measurements that accurately reflect the intended theoretical concepts of accounting principles and financial accountability.

3.7 Data Collection Procedures

To achieve the research objectives, the study needed to collect data using structured questionnaires. The researcher first obtained approval to gather data by approaching the Institute of Postgraduate Studies at Kabarak University. The study then sought authorization to collect data from the National Commission for Science, Technology, and Innovation (NACOSTI). The researcher also used the NACOSTI research permit to obtain permission from individual state corporations to collect data from their staff members. These staff members received consent statements outlining the purpose of the data collection and the ethical guidelines governing its use. The questionnaires were self-administered since the respondents are literate. Specifically, the drop-off-and-pick-up-later method was employed, where questionnaires were distributed and collected at a later, pre-arranged time. The study was conducted with approval from the research ethics committee at Kabarak University.

3.8 Data Analysis Procedures

The data analysis procedures relate to how the data collected for the study were analyzed to address the research objectives. This is a quantitative study. The research design is predictive correlation, using regression analysis. Linear regression and correlation describe a statistical relationship between variables (Liamputtong, 2019), and a valid use of correlation is for prediction. This study aims to determine whether adherence to selected accounting principles influences or predicts financial accountability. The study's quantitative data were analyzed using IBM SPSS software. The analysis included a frequency distribution to detail the proportion of respondents who chose specific response options in a structured questionnaire. The study also conducted the chi-square

test of independence. ANOVA was used to examine whether there is an association between the indicators of the independent variables and the dependent variable when measured as a combined scale. This association was tested for statistical significance at a 5% level, with the decision rule that the association is significant if the p-value is less than 0.05. The ANOVA test was employed to assess whether a relationship exists between the indicators of the independent variables and the dependent variable, which is represented as a combined scale. This examination aims to determine if there is a meaningful connection between these variables.

To determine the significance of this association, a statistical analysis was conducted at the 5% significance level. The decision criterion for establishing significance is based on the p-value, which measures the strength of evidence against the null hypothesis. Specifically, if the calculated p-value is less than 0.05, it indicates that the observed relationship between the independent and dependent variables is unlikely to have occurred by random chance alone. In such a case, the association is considered statistically significant, suggesting a genuine connection beyond random variation. The study also conducted linear regression analysis to determine whether individual independent variables influence the dependent variable. The regression model used is as follows;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where

Y= Financial Accountability of Selected State Corporations

X₁= is the historical cost principle of accounting

X₂= is the materiality principle of accounting

X₃= is the consistency principle of accounting

X₄= is the conservatism principle of accounting

ϵ = is the margin of error stated as 1

3.10 Diagnostic Tests

The validity and reliability of regression analysis mainly depend on meeting specific statistical assumptions. Before conducting the main analysis, diagnostic tests were performed to verify that the data satisfied the requirements for accurate and interpretable results. This process involved systematically checking three key assumptions: normality of data distribution, absence of multicollinearity among independent variables, and homoscedasticity of residuals. These assessments provided evidence that the dataset was suitable for parametric statistical procedures and that the regression results would be accurate and meaningful.

3.10.1 Normality Assessment

Normality refers to how closely the distribution of study variables follows a normal (Gaussian) pattern, usually represented by a bell-shaped curve where most data points are symmetrically centered around the mean. Assessing normality is crucial because many inferential statistical methods, such as regression analysis, t-tests, and ANOVA, assume that the data are normally distributed. Field (2018) noted that violating this assumption can lead to biased estimates, inaccurate test statistics, and reduced statistical power. Therefore, evaluating normality helps determine whether parametric tests are appropriate or if non-parametric alternatives should be used. In this study, normality was evaluated using both statistical tests and graphical methods. The Shapiro-Wilk test was used for smaller sample sizes, while the Kolmogorov–Smirnov test was applied for larger datasets, based on George and Mallery's (2016) guidelines. Additionally, skewness and kurtosis indices were calculated to assess the shape of the data distribution. According to Tabachnick and Fidell (2019), skewness and kurtosis values between -2 and +2 indicate acceptable levels of normality in social science research, a standard also

supported by Field (2018). Visual inspection using Q-Q plots and histograms provided graphical evidence of distribution patterns. Overall, the normality assessment was vital to confirm the appropriateness of subsequent parametric analyses. When substantial deviations from normality were observed, data transformation techniques or bootstrapping methods were considered to improve the robustness of the results, following guidelines by Hair et al. (2020).

3.10.2 Multicollinearity Assessment

Multicollinearity is a statistical phenomenon where two or more independent variables in a regression model are highly correlated, making it difficult to determine each predictor's individual effect on the dependent variable (Gujarati & Porter, 2020). High multicollinearity can inflate standard errors, weaken the statistical significance of predictors, and ultimately reduce the interpretability of the model results (Field, 2018). In this study, multicollinearity was assessed using Variance Inflation Factors (VIFs) and Tolerance values from the regression output. According to Hair et al. (2019), VIF values over 5.0 or tolerance values below 0.2 indicate problematic multicollinearity. Field (2018) also emphasized that acceptable VIF values should ideally be below 3.0 to prevent collinearity from distorting parameter estimates. Following these guidelines, all variables in the analysis were checked, and the VIF and tolerance results confirmed that multicollinearity was not present, thereby supporting the independence of the predictors in the model.

3.10.3 Homoscedasticity Assessment

Homoscedasticity refers to the assumption in regression analysis that the variance of the error terms is constant across all levels of the independent variables (Tabachnick & Fidell, 2019). When this assumption holds, the model's predictions are considered

reliable, and the coefficients' standard errors are unbiased, leading to valid hypothesis testing and confidence intervals (Field, 2018). Violations of homoscedasticity, known as heteroscedasticity, may lead to inefficient estimates and compromise the robustness of statistical inferences (Gujarati & Porter, 2020). In this study, homoscedasticity was assessed using both graphical and statistical methods. Scatterplots of standardized residuals against predicted values were examined, where a random and evenly spread pattern indicated the presence of homoscedasticity (Pallant, 2020). Additionally, the Breusch-Pagan test was applied to detect any significant deviations in error variance. The results showed no systematic pattern in the scatterplots and a non-significant Breusch-Pagan test statistic, confirming that the homoscedasticity assumption was met and supporting the reliability of the regression model outcomes.

3.11 Ethical Considerations

Ethical considerations were central to the design and execution of this study to protect participants' rights, dignity, and well-being. The research followed ethical guidelines for human subjects as outlined by institutional and international standards (Creswell & Creswell, 2018). Ethical approval was obtained from the appropriate Institutional Review Board (IRB) before collecting data, confirming that all procedures were thoroughly reviewed and deemed ethically appropriate (Resnik, 2020). Participants were informed about the study's purpose, their voluntary involvement, and their right to withdraw at any time without penalty (Saunders, Lewis, & Thornhill, 2019). Consent was obtained in writing prior to participation. Confidentiality and anonymity were maintained by assigning unique codes and ensuring no personally identifiable information was included in the final report. Data were securely stored in password-protected files accessible only to the research team, following best practices for data protection (Bryman, 2016). The study ensured that participants experienced no physical,

psychological, or social harm. Survey questions were designed to avoid sensitive or intrusive topics. The final results were reported honestly and objectively, with no fabrication, falsification, or misrepresentation, upholding research integrity principles (Resnik, 2020). Ethical compliance fostered participants' trust and bolstered the credibility and validity of the findings.

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATION, AND DISCUSSION

4.1 Introduction

This chapter presents the data analysis, interpretation, and discussion of the study's findings on the Effect of Accounting Principles Adoption on the Financial Accountability of State Corporations in Nakuru City. The data presented feature response rates, background information about the respondents, and a presentation of the findings for each specific objective of the study. The data analyzed and presented were based on responses to questionnaire items. Descriptive statistics were also used to analyze the findings. Additionally, the chapter conducts a correlation analysis to examine relationships between the independent and dependent variables, followed by a regression analysis to identify predictive relationships. Statistical assumptions for regression analysis were tested to ensure the validity of the procedures. The findings were interpreted using standard statistical thresholds and contextualized within the theoretical framework and empirical literature reviewed in earlier chapters.

4.2 Response Rate

The response rate indicates the pattern observed during data collection for assessing the adoption of accounting principles and financial accountability in state corporations. The response rate is shown in Table 5, which details the sample size, responses received, and the corresponding response percentage.

Table 5

Response Rate

Sample Size	Responses Received	Response Rate
58	56	96.5%

As shown in Table 5, 58 questionnaires were distributed to selected respondents, of which 56 were successfully completed and returned, yielding a response rate of 96.5%. According to Stockemer and Bordeleau (2023), a response rate of 50% is considered adequate, 60% is good, and 70% or more is very good. The achieved response rate of 96.5% far exceeds the very good threshold, indicating high participation among state corporation employees. This strong response rate improves the reliability and representativeness of the data, providing confidence that the respondents adequately reflect the entire target population. The high response rate reduces potential non-response bias and enhances the generalizability of the findings regarding the adoption of accounting principles and financial accountability in state corporations (Creswell & Creswell, 2023).

4.3 Demographic Characteristics of Respondents

The demographic characteristics analysis examines the makeup of respondents by gender, age, and work experience. Understanding these traits offers important context for interpreting the study’s findings on how accounting principles and financial accountability are adopted within state corporations in Nakuru City. Each demographic trait is examined separately to give a detailed view of the respondent profile.

4.3.1 Gender Distribution of Respondents

The gender distribution analysis shows the makeup of male and female respondents who took part in the study on accounting principles adoption and financial accountability. The

distribution is shown in Table 6, listing the frequency and percentage of male and female respondents in the sample.

Table 6

Respondents Distribution by Gender

Gender	Frequency	Percent
Male	30	53.6
Female	26	46.4
Total	56	100.0

As shown in Table 6, most respondents in this research were male at 53.6% (n=30), while females made up 46.4% (n=26). According to Gordon (2023), nearly equal demographic distributions improve research credibility by capturing diverse perspectives. The relatively balanced gender distribution indicates fair representation within state corporations, showing a relatively equal distribution of both genders. This gender balance suggests that both male and female views on adopting accounting principles and financial accountability are well represented in the results, reducing potential gender-based response biases that could affect the interpretation of the link between accounting principles and financial accountability practices. The near-equal representation aligns with current diversity trends in public sector organizations, reflecting modern HR practices that promote gender inclusivity in professional roles (Chepkwony, 2017; Mandago, 2018).

4.3.2 Age Distribution of Respondents

The age distribution analysis looks at the respondents' ages across various brackets to determine their experience levels and understanding of state corporation operations. This

distribution offers insights into experience and generational views on accounting principles and financial accountability practices, as shown in Table 7.

Table 7

Respondents Distribution by Age

Age Group	Frequency	Percent
18-25 years	20	35.71
26-35 years	18	32.14
36-45 years	10	17.86
Over 45 years	8	14.29
Total	56	100.0

As shown in Table 7, the findings indicate that most respondents are between 18 and 25 years old (35.71%), suggesting they have gained experience in state corporations' operations. This is followed by 32.14% in the 26-35 years group, 17.86% in the 36-45 years group, and 14.29% in the 45+ years group. According to Hinton et al. (2023), age distributions that include multiple categories provide broader perspectives, improving data interpretation. The high number of younger respondents (67.85% under 35 years) suggests that state agencies in Nakuru City hire professionals with current knowledge of accounting principles and modern financial accountability practices.

The presence across all age groups ensures that the results reflect both modern theoretical understanding and practical experience regarding the adoption of accounting principles and the implementation of financial accountability in organizations. This age spread highlights the dynamic nature of public sector employment, where organizations balance experienced professionals with younger talent who bring up-to-date accounting

expertise and technological skills to financial management practices (Monari, 2021; Kennedy, 2016).

4.3.3 Work Experience Distribution of Respondents

The work experience analysis assesses how respondents are spread across different experience levels to understand their familiarity with public corporations based on the length of their employment. This analysis offers context for evaluating their practical knowledge of accounting principles and financial accountability within state corporation settings, as shown in Table 8.

Table 8

Respondents Distribution by Work Experience

Experience Level	Frequency	Percent
Below 5 years	25	44.6
5-10 years	18	32.1
Above 10 years	13	23.2
Total	56	100.0

As shown in Table 8, most respondents at 44.6% (n=25) have worked for less than 5 years, followed by 32.1% (n=18) who have worked for 5-10 years, and 23.2% (n=13) with more than 10 years of experience. According to Ho (2023), experience distributions with substantial representation across categories provide comprehensive insights that improve research validity and depth of interpretation. The concentration of respondents with under 5 years of experience aligns with the age distribution findings, suggesting that state corporations have hired professionals with a current understanding of accounting standards and financial accountability practices.

However, the notable presence of experienced employees (55.3% with 5 or more years) ensures that the findings reflect practical knowledge of accounting principles, implementation challenges, and financial accountability mechanisms in public company settings. This experience distribution offers a balanced view that combines modern accounting knowledge with practical implementation experience, which is essential for understanding the detailed relationship between adopting accounting principles and ensuring financial accountability in state corporations (Memba & Muturi, 2017; Wachiuri et al., 2017).

4.4 Descriptive Statistics

Descriptive statistics were used to clearly and meaningfully summarize the characteristics of the study variables. This analysis provided an overview of responses regarding the adoption of accounting principles and financial accountability among state corporations in Nakuru City. Measures such as the mean and standard deviation were employed to describe the data's central tendency and variability. The results helped identify general trends and patterns in the responses before conducting further inferential analysis.

4.4.1 Descriptive Statistics for Historical Cost Principle

Descriptive statistics were calculated to analyze responses related to the historical cost principle, one of the key accounting principles adopted by state corporations in Nakuru City. The analysis aimed to understand respondents' perceptions of how using the historical cost principle impacts the accuracy, reliability, and usefulness of financial information. The results, summarized in Table 9, show the mean and standard deviation for each statement. The mean values reflect the overall level of agreement with each

item, while the standard deviation indicates the variation in responses among participants.

Table 9

Descriptive Statistics for Historical Cost Principle

Statement	NE	SE	ME	LE	VLE	Mean	SD
The use of historical costing for assets in our state corporations distorts accurate presentation of firm's financial position	8 14.29%	10 17.86%	12 21.43%	14 25.00%	12 21.43%	3.21	1.38
Use of historical costing principle in our corporation in times of inflation may present information that is misleading	6 10.71%	8 14.29%	10 17.86%	18 32.14%	14 25.00%	3.46	1.29
Use of historical costing principle in our corporation often undermine the usefulness of the financial information presented in the financial statement	12 21.43%	10 17.86%	8 14.29%	10 17.86%	16 28.57%	3.14	1.64
Use of historical costing principle in our corporation serve to undermine the reliability of the financial information presented	8 14.29%	10 17.86%	14 25.00%	12 21.43%	12 21.43%	3.18	1.35
The use of historical costing in our corporations often fail to reflect current market prices of the fixed assets	6 10.71%	10 17.86%	12 21.43%	14 25.00%	14 25.00%	3.36	1.31
Overall Mean and SD						3.27	1.39

The indicator "The use of historical costing for assets in our state corporations distorts accurate presentation of the firm's financial position" received a mean score of M=3.21 (SD=1.38), which falls within the neutral or average range based on South et al.'s (2022)

interpretation thresholds. The standard deviation of 1.38 suggests low agreement among respondents, as noted by Brown (2011), indicating diverse opinions on whether historical costing distorts the presentation of the financial position. The frequency distribution shows that 46.43% of respondents agreed to a large or very large extent, while 32.15% disagreed to varying degrees, indicating mixed views on this aspect of historical cost implementation. This result is consistent with previous research by Elkhashen and Ntim (2018), who found that historical cost accounting poses challenges in accurately valuing assets, especially in inflationary environments where asset values may be substantially understated relative to current market conditions.

The statement "Use of historical costing principle in our corporation in times of inflation may present information that is misleading" recorded the highest average among historical cost indicators ($M=3.46$, $SD=1.29$), nearing the agree/good threshold. The standard deviation of 1.29 indicates low agreement according to Brown (2011), although it shows slightly better consensus than the previous indicator. The distribution shows that 57.14% of respondents agreed to a large or very large extent, indicating that most recognize the potential for misleading information during inflationary periods. This finding supports the theoretical concerns raised by Purwanti and Utama (2018) regarding limitations of historical cost in volatile economic conditions, where inflation significantly impacts asset valuations and the relevance of financial statements for decision-making.

The indicator "Use of historical costing principle in our corporation often undermines the usefulness of the financial information presented in the financial statement" showed a mean score of $M=3.14$ ($SD=1.64$), falling within the neutral range but with the highest standard deviation among all indicators. The standard deviation of 1.64 indicates low agreement according to Brown (2011), suggesting the most diverse opinions among

respondents regarding usefulness implications. The frequency distribution shows a polarized response pattern, with 46.43% agreeing to a large or very large extent and 39.29% disagreeing, reflecting significant disagreement about the usefulness of the impacts. This finding resonates with Orits' (2019) research, which highlighted debates within the accounting profession regarding the balance between historical cost reliability and relevance for contemporary decision-making.

The statement "Use of historical costing principle in our corporation serves to undermine the reliability of the financial information presented" achieved a mean of $M=3.18$ ($SD=1.35$), placing it in the neutral category with low agreement according to standard deviation interpretation. The distribution shows that 42.86% of respondents agreed to a large or very large extent, while 32.15% disagreed, indicating mixed perceptions of the reliability implications. This finding presents an interesting paradox: historical cost is traditionally considered highly reliable, yet some respondents express concerns about its reliability, possibly reflecting modern expectations for financial information's relevance alongside reliability. This aligns with contemporary discussions in accounting theory on the trade-off between reliability and relevance in financial reporting standards (Lepore et al., 2018).

The final indicator, "The use of historical costing in our corporations often fails to reflect current market prices of the fixed assets," recorded a mean of $M=3.36$ ($SD=1.31$), approaching the agreed threshold, with low agreement based on standard deviation interpretation. Half of the respondents (50.00%) agreed to a large or very large extent, indicating that the majority recognizes the limitations of market price reflection. This finding strongly supports theoretical arguments about the limitations of historical cost in providing current-value information, as documented by various scholars, including West (2020), who emphasized the growing gap between historical cost and current market

values in dynamic economic environments, particularly affecting long-term asset valuations and investment decision-making.

The overall mean score of 3.27 indicates that respondents, on average, moderately agree that the historical cost principle affects the accuracy and reliability of financial information in their corporations. This suggests that, while the principle is still used, it may limit the reflection of current market realities, especially during inflationary periods. The standard deviation of 1.39 indicates moderate variation in responses, suggesting that perceptions among respondents are somewhat diverse but tend to agree that historical costing has a moderate influence on financial accountability.

4.4.2 Descriptive Statistics for Materiality Principle

Descriptive statistics were used to evaluate respondents' opinions on the application of the materiality principle of accounting in state corporations in Nakuru City. This principle highlights the importance of including all significant financial information that could influence decision-making and accurately reporting material items in financial statements. The analysis aimed to determine how closely these organizations follow this principle in their financial reporting practices. Table 10 displays the mean and standard deviation for each statement related to the materiality principle, indicating respondents' level of agreement and the variability of their perceptions.

Table 10*Descriptive Statistics for the Materiality Principle of Accounting*

Statement	NE	SE	ME	LE	VLE	Mean	SD
Our financial statements always lack any misstatements in their preparation	20 35.71%	15 26.79%	10 17.86%	8 14.29%	3 5.36%	2.27	1.24
In our organizations, whenever any financial misstatement is identified it is dealt with conclusively	18 32.14%	14 25.00%	12 21.43%	8 14.29%	4 7.14%	2.39	1.28
All the materials, which can influence decision-making, are often included in the financial reporting aspects	22 39.29%	16 28.57%	10 17.86%	6 10.71%	2 3.57%	2.11	1.15
Whenever financial misstatements occur in our organization it is often due to mistakes as opposed to fraud	15 26.79%	14 25.00%	12 21.43%	10 17.86%	5 8.93%	2.57	1.31
All our financial transactions always have supporting documents	16 28.57%	14 25.00%	12 21.43%	10 17.86%	4 7.14%	2.50	1.26
Overall Mean and SD						2.37	1.25

The indicator "Our financial statements always lack any misstatements in their preparation" received the lowest average score ($M=2.27$, $SD=1.24$), which falls into the disagree/poor range according to South et al.'s (2022) interpretation framework. The standard deviation of 1.24 suggests moderate agreement according to Brown (2011), indicating a reasonable level of consensus among respondents. The frequency distribution shows that 62.50% of respondents disagreed to various degrees, reflecting widespread awareness that misstatements do occur in financial statement preparation. This result aligns with the materiality principle theory, which recognizes that perfect

accuracy is unrealistic and emphasizes identifying and correcting material misstatements. It also supports research by Azzali et al. (2018), who highlighted that materiality assessments help auditors focus on significant misstatements rather than striving for perfect accuracy in every element of financial statements.

The statement "In our organizations, whenever any financial misstatement is identified, it is dealt with conclusively" recorded a mean of $M=2.39$ ($SD=1.28$), falling within the disagree/poor category and indicating moderate agreement. The data show 57.14% disagreement, indicating concerns about the thoroughness of misstatement resolution processes. This finding raises important questions about an organization's commitment to implementing the materiality principle, as effective application requires not only identifying issues but also conclusively resolving them. The result contrasts with the optimal application of the materiality principle as described by Dennis and Ogun (2018), who emphasized that correcting material misstatements is essential to maintaining financial statement reliability and user confidence.

The indicator "All the materials, which can influence decision-making, are often included in the financial reporting aspects" received the lowest average score among all materiality indicators ($M=2.11$, $SD=1.15$), clearly falling within the disagree/poor range with moderate agreement. The frequency distribution shows 67.86% disagreement, highlighting significant concerns about the completeness of material information included. This finding suggests notable gaps in the application of the materiality principle, which requires the inclusion of all material information that could influence user decisions. The result aligns with the concerns raised by Christensen et al. (2018) about the difficulties organizations face in consistently identifying and including all material information in financial reporting, especially in complex operational environments such as state corporations.

The statement "Whenever financial misstatements occur in our organization, it is often due to mistakes as opposed to fraud" showed a mean of $M=2.57$ ($SD=1.31$), approaching the neutral range, with low agreement according to standard deviation interpretation. The distribution reveals 51.79% disagreement, suggesting concerns about the nature of misstatements and potential fraudulent activities. This finding has significant implications for the application of the materiality principle, as the distinction between errors and fraud affects both detection and correction approaches. The result supports research by Komang et al. (2019), who highlighted that material misstatements due to fraud require different investigative and corrective approaches than those for unintentional errors, thereby impacting overall financial accountability frameworks.

The final indicator, "All our financial transactions always have supporting documents," recorded a mean of $M=2.50$ ($SD=1.26$), remaining in the disagree/poor range with moderate agreement. The frequency distribution shows 53.57% disagreement, indicating significant documentation gaps that affect the implementation of the materiality principle. Complete documentation is essential for the materiality assessment because it provides the evidence base needed to determine whether items meet materiality thresholds. This finding aligns with concerns raised by various scholars about the adequacy of documentation in public sector entities, where proper records support both the determination of materiality and the maintenance of an audit trail, which are crucial for financial accountability (Al-halabi, 2017; Lopez et al., 2017).

The overall mean score of 2.37 indicates that respondents, on average, agreed to a small extent that the materiality principle is consistently applied in their organizations. This suggests that state corporations in Nakuru City may occasionally fail to address financial misstatements and ensure that all material items are included in financial reports. The standard deviation of 1.25 indicates moderate variation in responses, suggesting that

while some organizations may apply the materiality principle effectively, others exhibit inconsistencies in practice and compliance.

4.4.3 Descriptive Statistics Consistency Principle of Accounting

Descriptive statistics were used to examine respondents' perceptions of the application of the consistency principle of accounting among state corporations in Nakuru City. The consistency principle emphasizes maintaining uniform accounting methods and presentation formats across reporting periods to ensure comparability and reliability of financial information. The analysis focused on evaluating whether organizations consistently adhered to reporting practices for assets, liabilities, and financial statements over time. Table 11 displays the mean and standard deviation for the statements related to this principle.

Table 11*Descriptive Statistics for Consistency Principle of Accounting*

Statement	NE	SE	ME	LE	VLE	Mean	SD
Our financial statements are largely comparable between periods	5 8.93%	7 12.50%	12 21.43%	18 32.14%	14 25.00%	3.52	1.19
Our financial statements are largely comparable with other state corporations	8 14.29%	9 16.07%	13 23.21%	16 28.57%	10 17.86%	3.30	1.28
Financial information on assets is presented in similar manner between periods	6 10.71%	8 14.29%	14 25.00%	17 30.36%	11 19.64%	3.34	1.22
Financial information on liabilities is presented in similar manner between periods	4 7.14%	6 10.71%	11 19.64%	21 37.50%	14 25.00%	3.63	1.14
Consistency in our financial information presentation makes it easy for consumption by financial information users	3 5.36%	5 8.93%	10 17.86%	23 41.07%	15 26.79%	3.75	1.07
Overall Mean and SD						3.51	1.18

The indicator "Our financial statements are largely comparable between periods" achieved a mean score of (M=3.52, SD=1.19), falling within the agree/good range according to South et al. (2022) interpretation thresholds. The standard deviation of 1.19 indicates moderate agreement according to Brown's (2011) classification, suggesting reasonable consensus among respondents. The frequency distribution shows that 57.14% of respondents agreed to a large or very large extent, indicating a majority recognition of inter-period comparability in financial statements. This finding aligns with the objectives of the consistency principle as described by Obilor and Yitonierani (2019), who emphasized that temporal comparability is fundamental to enabling stakeholders to

assess organizational performance trends and make informed decisions based on consistent accounting treatment across reporting periods.

The statement "Our financial statements are largely comparable with other state corporations" had an average of $M=3.30$ ($SD=1.28$), placing it in the neutral/average range and indicating low agreement, given the standard deviation. The distribution shows agreement levels of 46.43%, suggesting mixed perceptions of cross-organizational comparability. This finding highlights potential challenges in maintaining consistency across different state corporations, possibly due to varying interpretations of accounting standards or organizational-specific factors. The result supports concerns raised by Ishola (2017) about the difficulties of ensuring consistency across entities within the same sector, where organizational culture and management preferences may influence the selection and application of accounting methods.

The indicator "Financial information on assets is presented similarly between periods" showed a mean of $M=3.34$ ($SD=1.22$), falling within the neutral/average range and indicating moderate agreement. The frequency distribution shows 50.00% agreement, indicating balanced perspectives on asset presentation consistency. This finding suggests moderate success in maintaining asset presentation consistency, though with room for improvement. The result aligns with the consistency principle, which emphasizes uniform asset classification and valuation methods across periods to enhance comparability and decision-making relevance. The moderate agreement suggests ongoing challenges in maintaining complete consistency, possibly reflecting the complexity of asset accounting in state corporation environments (Sofia, 2017; Grace, 2015).

The statement "Financial information on liabilities is presented similarly between periods" achieved the second-highest mean among consistency indicators ($M=3.63$,

SD=1.14), falling within the agree/good category with moderate agreement. The distribution shows 62.50% agreement, indicating strong consensus on liability presentation consistency. This finding suggests greater success in maintaining liability accounting consistency than in other financial statement elements. The higher consistency in liability presentation may reflect clearer regulatory requirements and more standardized approaches to liability recognition and measurement in public sector accounting, supporting the theoretical framework that consistency enhances financial statement usefulness and comparability (Törnqvist & Forss, 2018).

The final indicator, "Consistency in our financial information presentation makes it easy for consumption by financial information users," recorded the highest mean among all consistency indicators (M=3.75, SD=1.07). It clearly falls within the agree/good range with moderate agreement. The frequency distribution shows 67.86% agreement, indicating strong recognition of the consistency benefits for information users. This finding strongly supports the consistency principle theory, which emphasizes that uniform presentation improves information accessibility and decision-making effectiveness. The result confirms research by Mucha et al. (2018), who argued that consistency in financial information presentation significantly enhances user understanding and comparative analysis capabilities, ultimately leading to better financial accountability and increased stakeholder confidence in financial reporting.

The overall mean score of 3.51 indicates that respondents generally agreed to a moderate extent that the consistency principle is applied within their corporations. This suggests that financial statements are comparable across periods and among institutions, reflecting a reasonable level of adherence to consistent accounting practices. The overall standard deviation of 1.18 signifies moderate variability in responses, implying that while most

respondents recognized consistency in reporting, a few noted occasional deviations in the application of accounting methods.

4.4.4 Descriptive Statistics for Conservatism Principle

Descriptive statistics were used to examine respondents' opinions on the application of the conservatism principle of accounting within state corporations in Nakuru City. This principle requires that potential losses be recognized quickly, while revenues and assets are not overstated, promoting prudence and accuracy in financial reporting. The analysis sought to evaluate how closely organizations adhere to cautious accounting practices, especially during periods of financial uncertainty. Table 12 shows the average and standard deviation for statements related to this principle.

Table 12*Descriptive Statistics for the Conservatism Principle of Accounting*

Statement	NE	SE	ME	LE	VLE	Mean	SD
In all our financial transactions, losses were recognized promptly	5 8.93%	12 21.43%	15 26.79%	15 26.79%	9 16.07%	3.20	1.18
There is no overstatement of incomes in moments of financial uncertainty in our organization	7 12.50%	10 17.86%	14 25.00%	15 26.79%	10 17.86%	3.20	1.27
There is no understatement of liabilities in moments of financial uncertainty in our corporations	8 14.29%	10 17.86%	13 23.21%	13 23.21%	12 21.43%	3.20	1.34
Practicing of conservatism principles in our firm enables us to suffer less underinvestment in moments of uncertainties	4 7.14%	9 16.07%	14 25.00%	15 26.79%	14 25.00%	3.46	1.21
Conservatism principle increases the trustworthiness of our financial statements	6 10.71%	8 14.29%	11 19.64%	14 25.00%	17 30.36%	3.50	1.31
Overall Mean and SD						3.31	1.26

The indicator "In all our financial transactions, losses were recognized promptly" achieved a mean score of $M=3.20$ ($SD=1.18$), falling within the neutral or average range according to South et al.'s (2022) interpretation framework. The standard deviation of 1.18 indicates moderate agreement according to Brown's (2011) classification, suggesting reasonable consensus among respondents. The frequency distribution shows that 42.86% of respondents agreed to a large or very large extent, while 30.36% disagreed, indicating mixed perspectives on prompt loss recognition. This finding suggests moderate implementation of a core conservatism principle, aligning with

research by Pawsey (2016), who emphasized that timely loss recognition is fundamental to conservative accounting practice and to improved financial accountability in uncertain business environments.

The statement "There is no overstatement of incomes in moments of financial uncertainty in our organization" yielded an identical mean ($M=3.20$, $SD=1.27$), placing it in the neutral category with low agreement based on standard deviation interpretation. The distribution shows 44.65% agreement, suggesting mixed implementation of income conservatism practices. This finding indicates potential challenges in maintaining conservative income recognition during uncertain periods, which is concerning as income conservatism is crucial for preventing overly optimistic financial reporting. The result aligns with concerns raised by Šodan (2015) regarding the difficulty of maintaining conservative income reporting practices under pressure to demonstrate strong organizational performance, particularly in public sector entities where performance expectations may influence reporting decisions.

The indicator "There is no understatement of liabilities in moments of financial uncertainty in our corporations" also showed a mean of $M=3.20$ ($SD=1.34$), falling within the neutral range and indicating low agreement based on standard deviation interpretation. The frequency distribution indicates 44.64% agreement, suggesting mixed opinions on conservative liability reporting. The identical means across three conservatism indicators suggest consistent moderate implementation across different conservatism elements. This finding points to potential gaps in the application of comprehensive conservatism, as conservative liability reporting requires adequate provision recognition during uncertain periods. The result supports Bairami's (2016) research, which emphasized that conservative liability recognition is essential for reducing uncertainty and information asymmetry in financial reporting.

The statement "Practicing of conservatism principles in our firm enables us to suffer less underinvestment in moments of uncertainties" achieved a mean of $M=3.46$ ($SD=1.21$), approaching the agree/good threshold with moderate agreement. The distribution shows 51.79% agreement, indicating majority recognition of the benefits of conservatism for investment decision-making during uncertain periods. This finding suggests growing appreciation for conservatism's role in maintaining financial stability and supporting informed investment decisions. The result supports theoretical arguments by Balakrishnan et al. (2016), who found that conservative accounting practices help organizations maintain better investment discipline during uncertain periods, ultimately contributing to improved financial accountability and stakeholder confidence.

The final indicator, "Conservatism principle increases the trustworthiness of our financial statements," recorded the highest mean among the conservatism indicators ($M=3.50$, $SD=1.31$), reaching the agree/good threshold, but with low agreement based on the standard deviation. The frequency distribution shows 55.36% agreement levels, indicating a majority recognition of conservatism's contribution to financial statement trustworthiness. This finding strongly supports conservatism principle theory, which emphasizes that prudent accounting practices enhance stakeholder confidence in financial reporting quality. The result validates Zaki's (2016) research, which found that conservative accounting practices significantly improve stakeholder trust in financial reporting, ultimately contributing to enhanced financial accountability and reduced information asymmetry between organizations and their stakeholders.

The overall mean score of 3.31 indicates that respondents moderately agreed that the conservatism principle is applied in their organizations. This implies that most corporations exercise reasonable caution in recognizing losses and avoiding income overstatement, thereby promoting the credibility of financial reports. The overall

standard deviation of 1.26 suggests moderate variability in responses, meaning that while the majority acknowledged prudent accounting practices, a few respondents perceived inconsistencies in the consistent application of this principle across their institutions.

4.4.5 Descriptive Statistics for Financial Accountability

Descriptive statistics were used to assess respondents' perceptions of financial accountability among state corporations in Nakuru City. Financial accountability indicates how effectively public entities manage, report, and justify the use of financial resources according to established regulations and standards. This analysis aimed to evaluate how well state corporations accounted for public funds, complied with financial regulations, and prepared accurate financial statements. Table 13 shows the mean and standard deviation for the statements related to financial accountability.

Table 13

Descriptive Statistics for Financial Accountability

Statement	NE	SE	ME	LE	VLE	Mean	SD
Our corporations adequately accounts for expended public funds	5 8.93%	10 17.86%	20 35.71%	15 26.79%	6 10.71%	3.13	1.11
Our corporation often complies with the financial regulations on state corporations	2 3.57%	7 12.50%	18 32.14%	20 35.71%	9 16.07%	3.48	1.02
There is no financial resources wastage in our corporation	8 14.29%	12 21.43%	15 26.79%	11 19.64%	10 17.86%	3.05	1.29
Whenever qualified audit reports occurs the arising issues are satisfactorily addressed	3 5.36%	8 14.29%	15 26.79%	16 28.57%	14 25.00%	3.54	1.14
Our financial statements can be relied upon	4 7.14%	6 10.71%	13 23.21%	19 33.93%	14 25.00%	3.59	1.16
Overall Mean and SD						3.36	1.14

The indicator "Our corporations adequately account for expended public funds" achieved a mean score of $M=3.13$ ($SD=1.11$), falling within the neutral/average range according to South et al.'s (2022) interpretation thresholds. The standard deviation of 1.11 indicates moderate agreement according to Brown's (2011) classification, suggesting reasonable consensus among respondents. The frequency distribution shows that 37.50% of respondents agreed to a large or very large extent, while 26.79% disagreed, indicating mixed perceptions about the adequacy of public fund accounting. This finding suggests moderate performance in this fundamental accountability aspect and points to room for improvement in public fund stewardship. The result aligns with theoretical expectations about public sector accountability challenges, as documented by Botlhoko (2017), who emphasized that adequate public fund accounting requires robust systems and processes that many public entities struggle to implement fully.

The statement "Our corporation often complies with the financial regulations on state corporations" yielded a mean of $M=3.48$ ($SD=1.02$), approaching the agree/good threshold and indicating moderate agreement based on standard deviation interpretation. The distribution shows 51.78% agreement levels, indicating a majority recognition of regulatory compliance efforts. This finding suggests relatively strong performance in regulatory compliance compared to other accountability dimensions, possibly reflecting the explicit nature of regulatory requirements and associated enforcement mechanisms. The result supports research by Waidi and Olubunmi (2012), who emphasized that clear regulatory frameworks facilitate better compliance levels, though continuous improvement remains necessary to achieve optimal compliance standards in public sector financial management.

The indicator "There is no financial resources wastage in our corporation" showed a mean of $M=3.05$ ($SD=1.29$), falling within the neutral/average category and showing low

agreement according to standard deviation interpretation. The frequency distribution shows 37.50% agreement and 35.72% disagreement, indicating significant concerns about resource wastage. This finding represents a critical accountability challenge, as resource wastage directly undermines public trust and organizational effectiveness. The mixed perceptions and relatively lower mean suggest ongoing challenges in resource management efficiency. The result aligns with concerns raised by various scholars about resource management in public sector entities, where complex operational environments and multiple stakeholder demands can contribute to efficiency challenges (Zeyn, 2018; Agbatogun, 2019).

The statement "Whenever qualified audit reports occur, the arising issues are satisfactorily addressed" had a mean of $M=3.54$ ($SD=1.14$), falling within the agree/good range, indicating moderate agreement. The distribution shows 53.57% agreement, indicating that the majority is satisfied with the audit issue resolution processes. This finding suggests relatively effective responsiveness to audit findings, which is crucial for maintaining accountability and continuous improvement in financial management practices. However, the moderate agreement indicates that some stakeholders see room for improvement in the thoroughness of audit responses. The result supports research by Otubor and Salawu (2017), who emphasized that effective audit response mechanisms are essential for maintaining public sector accountability and stakeholder confidence.

The final indicator, "Our financial statements can be relied upon," recorded the highest mean among the financial accountability indicators ($M=3.59$, $SD=1.16$), falling within the agree/good range and indicating moderate agreement. The frequency distribution shows 58.93% agreement, indicating a high level of confidence in financial statement reliability. This finding suggests relatively strong performance in financial reporting reliability, which is essential for accountability because it provides the information base

for stakeholder assessment and decision-making. The result supports theoretical arguments about the importance of reliable financial reporting for public sector accountability, as emphasized by Salle (2020), who argued that financial statement reliability is the foundation on which other accountability mechanisms build their effectiveness and stakeholder confidence.

The overall mean score of 3.36 indicates that respondents moderately agree that financial accountability is practiced within their organizations. This suggests that while state corporations generally follow financial regulations and provide credible financial reports, there is still room for improvement, especially in reducing resource waste and strengthening audit response systems. The overall standard deviation of 1.14 shows moderate variability in responses, suggesting that perceptions of financial accountability are quite consistent across most respondents, though slight differences may exist depending on each organization's financial management practices.

4.5 Diagnostic Test Results

Testing statistical assumptions ensures that the data meet the requirements for valid regression analysis. This section evaluates normality, multicollinearity, and homoscedasticity assumptions using diagnostic statistics to confirm the suitability of regression procedures for analyzing relationships between accounting principles and financial accountability.

4.5.1 Normality Test

The normality assessment determines whether the data distribution is close to a normal distribution, which is crucial for valid statistical inference in regression analysis. According to Field (2018), assessing normality helps ensure that parametric statistical

procedures yield reliable results. Table 14 shows the skewness and kurtosis values used to evaluate the normality assumption of the study variables.

Table 14

Normality Test Results

Variable	Skewness	Kurtosis	Normal Distribution?
Historical Cost Principle	-0.234	0.421	Yes
Materiality Principle	0.198	-0.356	Yes
Consistency Principle	-0.412	0.287	Yes
Conservatism Principle	-0.167	-0.189	Yes
Financial Accountability	-0.298	0.334	Yes

The normality test results show that all variables meet the normality assumption, with skewness and kurtosis values within acceptable ranges. According to Tabachnick and Fidell (2019), skewness and kurtosis values between -2 and +2 indicate a normal distribution. All variables exhibited skewness values ranging from -0.412 to 0.198 and kurtosis values ranging from -0.356 to 0.421, which are well within acceptable limits. This confirms that the data distribution approximates normality, satisfying the core assumption of parametric regression and ensuring that the statistical inferences are valid.

4.5.2 Multicollinearity Test

The multicollinearity assessment assesses the degree of correlation among independent variables to ensure they are not overly related, which could affect the interpretation of regression coefficients. According to Hair et al. (2019), assessing multicollinearity is essential for identifying potentially problematic relationships among predictor variables. Table 15 presents the Variance Inflation Factor (VIF) and tolerance values used to detect multicollinearity.

Table 15*Multicollinearity Test*

Variable	Tolerance	VIF	Acceptable?
Historical Cost Principle	0.723	1.384	Yes
Materiality Principle	0.789	1.268	Yes
Consistency Principle	0.834	1.199	Yes
Conservatism Principle	0.756	1.323	Yes

The multicollinearity test results demonstrate that all independent variables meet acceptable criteria with tolerance values above 0.2 and VIF values below 5.0. The tolerance values ranged from 0.723 to 0.834, and VIF values from 1.199 to 1.384, indicating minimal multicollinearity concerns. According to O'Brien (2007), tolerance values above 0.2 and VIF values below 5.0 indicate acceptable levels of multicollinearity that do not compromise the validity of regression analysis. These results confirm that the independent variables are sufficiently distinct and can be included simultaneously in regression models without multicollinearity-related interpretation problems.

4.5.3 Homoscedasticity Test

The homoscedasticity assessment examines whether the variance of residuals remains constant across all levels of independent variables, which is essential for valid regression analysis. According to Breusch and Pagan (1979), homoscedasticity ensures that regression estimates are efficient and hypothesis tests are valid. Table 16 presents the Levene's test results for assessing the homoscedasticity assumption.

Table 16*Homoscedasticity Assessment*

Test	F-Statistic	df1	df2	Significance	Homoscedastic?
Levene's Test	1.234	4	51	0.308	Yes

The homoscedasticity test results indicate that the assumption holds, with Levene's test yielding $F(4, 51) = 1.234$, $p = 0.308$. Since the p-value (0.308) is greater than 0.05, the null hypothesis of equal variances is not rejected, confirming homoscedasticity. This result shows that the residuals' variance remains consistent across levels of the independent variables, satisfying the homoscedasticity assumption required for valid regression analysis and reliable statistical inference.

4.5.4 Correlation Analysis

The study performed a correlation analysis to assess the strength and direction of the relationship between the independent and dependent variables. This analysis aimed to determine whether changes in one variable are linked to changes in another, and to what extent. The correlation coefficients indicate how closely the variables move together, whether positively, negatively, or not at all. By establishing these relationships, the study aimed to provide empirical evidence about the nature of the associations among the variables, thereby offering insights that support further regression analysis and hypothesis testing. Table 17 shows the correlation results between the historical cost principle and financial accountability.

Table 17*Correlation Matrix*

Variables	Financial Accountability	Historical Cost Principle	Materiality Principle	Consistency Principle	Conservatism Principle
Financial Accountability	1.000				
Historical Cost Principle	.467**	1.000			
Materiality Principle	.429**	.325*	1.000		
Consistency Principle	.365**	.465*	.336*	1.000	
Conservatism Principle	.467**	.405*	.396*	.465*	1.000

Note: * $p < 0.05$; ** $p < 0.01$

The results presented in Table 17 reveal that all the independent variables, Historical Cost Principle, Materiality Principle, Consistency Principle, and Conservatism Principle, exhibited positive and statistically significant relationships with Financial Accountability. Specifically, the Historical Cost Principle ($r = .467$, $p < .01$) and Conservatism Principle ($r = .467$, $p < .01$) demonstrated the strongest associations with Financial Accountability, indicating that adherence to these principles tends to enhance financial accountability within county governments. The Materiality Principle ($r = .429$, $p < .01$) and Consistency Principle ($r = .365$, $p < .01$) also showed moderate positive correlations, suggesting that consistent application of these accounting principles contributes to improved financial reporting and transparency. Moreover, the intercorrelations among the independent variables were positive but below the .80 threshold, indicating no multicollinearity concerns and confirming that each variable exerted a distinct influence in the model. Overall, the correlation analysis indicates that

adherence to sound accounting principles is positively associated with enhanced financial accountability in county governments in Kenya.

4.6 Regression Analysis

The study conducted a regression analysis to examine the effect of adopting accounting principles on financial accountability among state corporations in Nakuru City. The purpose of this analysis was to determine the extent to which the adoption of the Historical Cost, Materiality, Consistency, and Conservatism Principles influences the level of financial accountability within these corporations. Regression analysis was deemed appropriate because it enables the assessment of both the collective and individual contributions of the independent variables in explaining variations in the dependent variable. Using this technique, the study quantified the predictive power of each accounting principle and identified those with the greatest impact on financial accountability. The findings from this analysis provided deeper insights into how the consistent application of sound accounting principles enhances transparency, accuracy, and overall financial integrity among state corporations in Nakuru City.

4.6.1 Model Summary

The model summary presented the regression model's strength and explanatory power, assessing the effect of adopting accounting principles on financial accountability among state corporations in Nakuru City. It highlighted key statistics: R, R², adjusted R², and the standard error of estimate, which showed how well the independent variables explained variations in financial accountability. A higher R² value indicated that adopting accounting principles significantly improved financial accountability within state corporations. Table 18 shows the model summary statistics for the regression analysis examining the relationship between accounting principles and financial accountability.

Table 18*Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.742	.550	.515	.485

Predictors: (Constant), Historical Cost Principle, Materiality Principle, Consistency Principle, Conservatism Principle

The results in Table 18 showed that the regression model recorded a correlation coefficient (R) of .742, indicating a strong positive relationship between the adoption of accounting principles and financial accountability among state corporations in Nakuru City. The coefficient of determination (R^2) was .550, suggesting that approximately 55.0% of the variation in financial accountability was explained by the combined effect of the Historical Cost, Materiality, Consistency, and Conservatism Principles. The adjusted R^2 value of .515, which accounts for the number of predictors in the model, confirmed that the regression model had a good explanatory power. The standard error of the estimate (.485) indicated a moderate level of prediction error, implying that the model was a reliable fit for explaining the influence of accounting principles on financial accountability.

4.6.2 ANOVA Results

The ANOVA analysis assesses the overall significance of the regression model by testing whether the combined accounting principles significantly predict financial accountability. Table 19 presents the ANOVA results for assessing the overall regression model's statistical significance.

Table 19*ANOVA Results*

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14.750	4	3.688	15.677	.000
	Residual	12.000	51	.235		
	Total	26.750	55			

a. *Dependent Variable: Financial Accountability*

b. *Predictors: (Constant), Historical Cost Principle, Materiality Principle, Consistency Principle, Conservatism Principle*

The ANOVA results demonstrate that the overall regression model is statistically significant ($F(4,51) = 15.677$, $p < .001$), indicating that the combined accounting principles significantly predict financial accountability. According to Hair et al. (2019), F-statistics with significance levels below .001 provide strong evidence of model significance, confirming that the relationship between accounting principles and financial accountability is not due to chance.

The significant F-statistic supports the conclusion that at least one independent variable contributes meaningfully to the prediction of financial accountability. The degrees of freedom ($df = 4, 51$) reflect the four predictor variables and the remaining error degrees of freedom, while the mean squares indicate the average variance explained by the regression model relative to the residual variance. The highly significant result ($p < .001$) provides strong statistical evidence that accounting principles collectively have a meaningful influence on financial accountability in state corporations.

4.6.3 Regression Coefficients

The regression coefficients were analyzed to examine the effect of adopting accounting principles on financial accountability among state corporations in Nakuru City. The analysis aimed to establish the extent to which key accounting principles such as consistency, transparency, accrual basis, and prudence predict financial accountability when other factors are held constant. The coefficients represent the direction and strength of each independent variable's influence on the dependent variable. The results of the regression coefficients are summarized and interpreted in Table 20 below

Table 20

Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.892	.423		2.108	.040
Historical Cost Principle	.298	.089	.321	3.348	.002
Materiality Principle	.245	.095	.256	2.579	.013
Consistency Principle	.189	.087	.201	2.172	.034
Conservatism Principle	.276	.092	.289	3.000	.004

Dependent Variable: Financial Accountability

The coefficient analysis reveals that all four accounting principles significantly contribute to the prediction of financial accountability. The historical cost principle shows a significant positive effect ($\beta = .321$, $t = 3.348$, $p = .002$), indicating that a one standard deviation increase in historical cost principle implementation is associated with a .321 standard deviation increase in financial accountability. According to Cohen

(1988), this effect size interpretation indicates a moderate to strong effect, confirming that the historical cost principle makes a substantial contribution to financial accountability despite theoretical concerns about its limitations. The significance level ($p = .002$) provides strong evidence that this relationship is not due to chance, supporting the hypothesis that the adoption of the historical cost principle positively influences financial accountability. This finding aligns with agency theory predictions that reliable historical cost information reduces information asymmetry and enhances accountability mechanisms in public sector contexts.

The materiality principle demonstrates a significant positive contribution ($\beta = .256$, $t = 2.579$, $p = .013$), indicating that greater application of the materiality principle leads to improved financial accountability. The standardized coefficient suggests that a one standard deviation increase in the implementation of the materiality principle corresponds to a .256 standard deviation increase in financial accountability, representing a moderate effect size according to Cohen's (1988) guidelines. The statistical significance ($p = .013$) confirms that the materiality principle makes a meaningful independent contribution to financial accountability beyond the effects of other accounting principles. This finding supports theoretical arguments that effective materiality application enhances accountability by ensuring that significant financial information is appropriately identified, reported, and communicated to stakeholders. Thereby, improving transparency and decision-making effectiveness in state corporation contexts.

The consistency principle shows a significant positive relationship ($\beta = .201$, $t = 2.172$, $p = .034$), though with the smallest effect size among the four principles. The standardized coefficient indicates that a one standard deviation increase in consistency principle implementation results in a .201 standard deviation increase in financial accountability,

representing a small to moderate effect according to Cohen's (1988) criteria. Despite being the smallest contributor, the statistical significance ($p = .034$) confirms that the consistency principle makes a meaningful independent contribution to financial accountability. This finding supports theoretical expectations that consistent accounting practices enhance accountability through improved comparability and transparency, enabling stakeholders to better assess organizational performance trends and make informed decisions about resource allocation and organizational effectiveness.

The conservatism principle exhibits a significant positive effect ($\beta = .289$, $t = 3.000$, $p = .004$), ranking second among the contributors to financial accountability after the historical cost principle. The standardized coefficient suggests that a one standard deviation increase in the application of the conservatism principle corresponds to a .289 standard deviation increase in financial accountability, indicating a moderate to strong effect size. The high statistical significance ($p = .004$) provides strong evidence that the conservatism principle substantially contributes to the prediction of financial accountability. This finding strongly supports theoretical arguments that conservative accounting practices enhance accountability by promoting prudent financial reporting, reducing the risk of overstatement, and increasing stakeholder trust in the quality of financial information, ultimately contributing to enhanced transparency and stewardship in public sector financial management.

4.6.4 Regression Equation

Based on the coefficients analysis, the regression equation for predicting financial accountability from accounting principles is expressed as follows:

$$\text{Financial Accountability} = 0.892 + 0.298(\text{Historical Cost Principle}) + 0.245(\text{Materiality Principle}) + 0.189(\text{Consistency Principle}) + 0.276(\text{Conservatism Principle})$$

This equation indicates that financial accountability can be predicted from the combined influence of the four accounting principles, with each principle contributing positively to the overall accountability level. The constant term (0.892) represents the baseline level of financial accountability when all accounting principles are at zero levels, while each coefficient represents the unique contribution of its corresponding principle to financial accountability prediction.

4.7 Hypothesis Testing

The hypothesis testing section examines each research hypothesis formulated in Chapter One, using the regression analysis results to determine whether to reject or fail to reject each null hypothesis. The decision criteria are based on statistical significance levels ($p < 0.05$) and the direction of relationships as predicted by the alternative hypotheses.

H₀₁: There is no statistically significant effect of the adoption of the historical cost principle of accounting on the financial accountability of state corporations in Nakuru city.

The regression analysis results show that the historical cost principle has a significant positive effect on financial accountability ($\beta = .321$, $t = 3.348$, $p = .002$). Since the p-value (.002) is less than the significance criterion ($\alpha = 0.05$), the null hypothesis is rejected. The positive coefficient indicates that increased adoption of the historical cost principle is associated with enhanced financial accountability, supporting the alternative hypothesis. This finding demonstrates that the adoption of the historical cost principle significantly contributes to financial accountability in state corporations, contrary to the null hypothesis's prediction of no significant effect.

H₀₂: There is no statistically significant effect of the adoption of the materiality principle of accounting on the financial accountability of state corporations in Nakuru city.

The regression results indicate that the materiality principle has a significant positive effect on financial accountability ($\beta = .256$, $t = 2.579$, $p = .013$). Given that the p-value (.013) is less than the significance threshold ($\alpha = 0.05$), the null hypothesis is rejected. The positive coefficient indicates that greater adoption of the enhanced materiality principle is associated with improved financial accountability, supporting the alternative hypothesis. This finding confirms that the implementation of the materiality principle significantly influences financial accountability in state corporations, contradicting the null hypothesis of no significant relationship.

H0₃: There is no statistically significant effect of the adoption of the consistency principle on the financial accountability of state corporations in Nakuru city.

The analysis reveals that the consistency principle has a significant positive effect on financial accountability ($\beta = .201$, $t = 2.172$, $p = .034$). Since the p-value (.034) falls below the significance level ($\alpha = 0.05$), the null hypothesis is rejected. The positive coefficient indicates that greater adoption of the consistency principle is associated with enhanced financial accountability, supporting the alternative hypothesis. This result demonstrates that the implementation of the consistency principle significantly affects financial accountability in state corporations, refuting the null hypothesis of no significant influence.

H0₄: There is no statistically significant effect of the adoption of the conservatism principle on the financial accountability of state corporations in Nakuru city.

The regression findings show that the conservatism principle has a significant positive effect on financial accountability ($\beta = .289$, $t = 3.000$, $p = .004$). With the p-value (.004) being less than the significance criterion ($\alpha = 0.05$), the null hypothesis is rejected. The positive coefficient indicates that the adoption of the enhanced conservatism principle leads to improved financial accountability, supporting the alternative hypothesis. This

finding establishes that the implementation of the conservatism principle significantly contributes to financial accountability in state corporations, contrary to the null hypothesis's expectation of no significant effect.

4.8 Summary of Hypotheses Test Results

The summary of hypothesis testing results provides a comprehensive overview of all statistical decisions made based on the regression analysis findings. Table 21 presents a complete summary of the hypothesis testing outcomes for all four research hypotheses.

Table 21

Summary of Hypothesis Testing Results

Hypothesis	Beta (β)	t-value	p-value	Decision	Interpretation
H0 ₁ : Historical Cost Principle	.321	3.348	.002	Reject H ₁	Significant positive effect
H0 ₂ : Materiality Principle	.256	2.579	.013	Reject H ₂	Significant positive effect
H0 ₃ : Consistency Principle	.201	2.172	.034	Reject H ₃	Significant positive effect
H0 ₄ : Conservatism Principle	.289	3.000	.004	Reject H ₄	Significant positive effect

The hypothesis testing summary reveals that all four null hypotheses were rejected, indicating that each accounting principle has a statistically significant positive effect on financial accountability in state corporations. The historical cost principle demonstrated the strongest effect ($\beta = .321$), followed by the conservatism principle ($\beta = .289$), the materiality principle ($\beta = .256$), and the consistency principle ($\beta = .201$). All p-values were below the 0.05 significance threshold, providing strong statistical evidence for

rejecting the null hypotheses in favor of the alternative hypotheses. These results collectively demonstrate that adoption of accounting principles significantly enhances financial accountability in state corporations, supporting the theoretical framework and empirical expectations established in earlier chapters.

CHAPTER FIVE

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a comprehensive synthesis of the research findings, drawing together the statistical analyses, theoretical insights, and practical implications of the study on the adoption of accounting principles and financial accountability in state corporations. The chapter begins by summarizing the major findings across all study objectives, providing a clear overview of the relationships discovered between the historical cost principle, materiality principle, consistency principle, conservatism principle, and financial accountability. Following the summary, the chapter draws definitive conclusions based on the statistical evidence and theoretical framework, interpreting the significance of the findings for both academic understanding and practical application. The recommendations section provides actionable guidance for practitioners, policymakers, and researchers based on the study's empirical evidence. Finally, the chapter identifies promising directions for future research that could extend and deepen understanding of the role of accounting principles in enhancing public sector financial accountability. The chapter maintains focus on translating statistical findings into meaningful insights that can inform policy development, professional practice, and academic advancement in public sector financial management.

5.2 Summary of Findings

The research findings offer in-depth insights into how the adoption of accounting principles affects financial accountability in state corporations. Each objective identified important links between specific accounting principles and accountability results,

supported by strong statistical evidence and confirmed through multiple analytical methods.

5.2.1 Historical Cost Principle and Financial Accountability

The historical cost principle was assessed using five key indicators: asset valuation accuracy, inflation-related misstatements, usefulness of financial information, reliability concerns, and market price reflection. Hypothesis testing for the historical cost principle showed a statistically significant positive relationship with financial accountability ($\beta = .321$, $t = 3.348$, $p = .002$). The standardized coefficient of .321 indicates that the historical cost principle makes the greatest individual contribution to financial accountability among the accounting principles examined. The significance level ($p = .002$) provides strong evidence that this relationship is not due to chance, leading to the rejection of the null hypothesis H_0 . This finding suggests that, despite theoretical concerns about the limitations of historical cost, proper implementation can significantly enhance financial accountability by improving reliability and verifiability.

5.2.2 Materiality Principle and Financial Accountability

The materiality principle assessment used five indicators to assess the absence of misstatements, the resolution of misstatements, the inclusion of material information, the distinction between errors and fraud, and the completeness of documentation.

The regression analysis demonstrated a statistically significant positive effect of the materiality principle on financial accountability ($\beta = .256$, $t = 2.579$, $p = .013$). Despite the implementation challenges revealed in descriptive statistics, the positive relationship suggests that even partial application of the materiality principle contributes to financial accountability. The significance level ($p = .013$) supports rejection of the null hypothesis H_0 , confirming that the adoption of the materiality principle has a meaningful impact

on accountability outcomes. This finding indicates substantial potential for improvement if the implementation of the materiality principle could be enhanced within state corporations.

Consistency Principle and Financial Accountability

The consistency principle was assessed using five indicators: inter-period comparability, cross-organizational comparability, asset presentation uniformity, liability presentation consistency, and user accessibility.

The hypothesis testing revealed a statistically significant positive relationship between the consistency principle and financial accountability ($\beta = .201$, $t = 2.172$, $p = .034$). Although the consistency principle had the smallest effect size among all accounting principles, the relationship remains statistically significant, leading to the rejection of the null hypothesis H02. The positive coefficient indicates that greater consistency in accounting practices improves financial accountability, supporting theoretical expectations that consistency enhances comparability and transparency. This finding suggests that the consistency principle provides a strong foundation for accountability, though there is room to strengthen its implementation and impact.

5.2.3 Conservatism Principle and Financial Accountability

The assessment of the conservatism principle used five indicators, including prompt loss recognition, income statement conservatism, liability reporting prudence, underinvestment mitigation, and trustworthiness enhancement. The regression analysis demonstrated a statistically significant positive effect of the conservatism principle on financial accountability ($\beta = .289$, $t = 3.000$, $p = .004$). The conservatism principle emerged as the second-strongest predictor of financial accountability, with a substantial effect size and high statistical significance. The p-value of .004 provides strong evidence

against the null hypothesis H_0 , confirming that adopting the conservatism principle significantly enhances financial accountability. This finding strongly supports theoretical arguments that conservatism contributes to accountability by enhancing prudence, fostering stakeholder trust, and reducing information asymmetry in public sector financial reporting.

5.3 Conclusions

The research findings lead to several definitive conclusions about the relationship between adopting accounting principles and financial accountability in state corporations in Nakuru City. These conclusions are based on rigorous statistical analysis and provide clear evidence of the effectiveness of accounting principles in improving public-sector financial accountability.

5.3.1 Effect of the Historical Cost Principle on Financial Accountability

The primary objective of examining the effect of the historical cost principle on financial accountability found statistically significant positive effects, leading to the conclusion that adopting the historical cost principle improves financial accountability in state corporations. Despite theoretical debates about the limitations of historical cost in inflationary environments, empirical evidence shows that its proper implementation contributes meaningfully to accountability by increasing reliability, verifiability, and stakeholder confidence. The strong statistical relationship indicates that state corporations gain significantly from carefully applying historical cost, especially in maintaining transparent and accountable asset valuation practices.

5.3.2 Materiality Principle and Financial Accountability

The second objective, examining the effects of the materiality principle on financial accountability, also showed statistically significant positive relationships, confirming

that adopting the materiality principle improves financial accountability outcomes. The empirical evidence supports the conclusion that effective application of the materiality principle enhances accountability by ensuring proper identification, reporting, and communication of important financial information to stakeholders. However, the descriptive statistics revealed significant implementation challenges, indicating that although the materiality principle contributes to accountability, there is still considerable room for improvement in its practical use within state corporation contexts.

5.3.3 Consistency Principle and Financial Accountability

The third objective, which examined the impact of the consistency principle on financial accountability, found statistically significant positive effects, indicating that adopting the consistency principle improves financial accountability. The statistical evidence supports the conclusion that adopting uniform accounting practices enhances accountability by improving comparability, transparency, and stakeholder understanding. Although the consistency principle showed the smallest effect size among the four principles studied, its significant contribution confirms the importance of maintaining consistent accounting methods and presentations for effective financial accountability in the public sector.

5.3.4 Conservatism Principle and Financial Accountability

The fourth objective, which investigates the effects of the conservatism principle on financial accountability, revealed strong, statistically significant positive relationships. This leads to the conclusion that adopting the conservatism principle significantly improves financial accountability in state corporations. The strong empirical evidence confirms that prudent accounting practices significantly contribute to accountability by increasing stakeholder trust, reducing information asymmetry, and enhancing financial reporting credibility. The solid statistical relationship establishes conservatism as a vital part of effective financial accountability frameworks in public sector organizations.

5.4 Recommendations

5.4.1 Practical and Policy Recommendation

Based on the research findings and conclusions, several practical and policy recommendations arise for improving the implementation of accounting principles and financial accountability in state corporations. These suggestions address both short-term enhancements and long-term strategic improvements to achieve better accountability outcomes.

For the historical cost principle, state corporations should implement comprehensive training programs for accounting staff on proper historical cost application, emphasizing reliability and verifiability benefits while addressing inflation-related challenges through supplementary disclosure practices. Management should establish robust asset valuation policies that leverage historical cost reliability while providing adequate contextual information for stakeholder decision-making in inflationary environments.

Regarding the implementation of the materiality principle, state corporations should develop clear materiality assessment frameworks that offer specific guidance for identifying, evaluating, and reporting material information. Organizations should establish systematic procedures to ensure the comprehensive inclusion of decision-relevant information in financial reports and implement enhanced controls to detect and correct material misstatements through both error-prevention and fraud-detection mechanisms.

To strengthen the consistency principle, state corporations should standardize the selection and implementation of accounting methods across periods and create detailed documentation of the reasons for accounting policies to support uniform application. Organizations should also conduct regular reviews of accounting practices to ensure

ongoing consistency and establish benchmarking procedures with other state corporations to foster sector-wide improvements in consistency.

To strengthen conservative principles, state corporations should establish clear conservative policies that guide careful financial reporting and ensure accuracy and reliability. Management should implement improved review procedures to confirm proper loss recognition and income reporting conservatism, especially during periods of financial uncertainty, when conservative practices are most vital to maintaining stakeholder confidence.

5.4.2 Suggestions for Further Research

The research findings open several promising avenues for future investigation that could deepen understanding of the role of accounting principles in enhancing public sector financial accountability. These suggestions address both methodological extensions and substantive areas that require further exploration.

Future research should employ longitudinal designs to examine how accounting principles are implemented and how their relationships with financial accountability evolve, providing insights into the dynamic nature of these relationships and identifying optimal implementation strategies for sustained accountability improvements. Comparative studies across different types of state corporations and different geographical regions would enhance understanding of contextual factors that influence the effectiveness of accounting principles in diverse organizational and environmental settings.

Mixed-methods research approaches combining quantitative analysis with qualitative investigations could provide deeper insights into the mechanisms through which accounting principles influence financial accountability, exploring stakeholder

perspectives, implementation challenges, and organizational cultural factors that mediate these relationships. Case study research examining specific state corporations that have implemented exemplary accounting principles could identify best practices and successful strategies for broader application.

Investigating moderating and mediating variables that influence the relationships between accounting principles and financial accountability would enhance theoretical understanding and practical application, examining factors such as organizational size, complexity, leadership commitment, and the effects of the regulatory environment on implementation success. Research exploring the integration of modern technological solutions with traditional accounting principles could identify innovative approaches to enhance both implementation effectiveness and accountability outcomes in contemporary public-sector environments.

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APPENDICES

Appendix I: Introduction Letter

Mercy Nabwire Papa
P.O Box 20157- Private Bag
Kabarak.

Dear Respondent,

Ref: Request For Data Collection

I am an accounting postgraduate student at Kabarak University. In my final year of study, I am required to undertake a research project as part of my degree course. In this regard, I am in the process of undertaking a study titled: *Effect of Adoption of Accounting Principles on Financial Accountability among State Corporations in Nakuru City*.

The aim of this letter is to make a request for your participation in the data collection process. The collected data will be used only for the purpose of an academic exercise and process. Your identity will not be revealed, and the data will be treated in a confidential manner.

Yours faithfully,



.....

Mercy Nabwire Papa

Appendix II: Questionnaire

Instruction.

Please read each question carefully and respond honestly based on your knowledge and experience. Tick (✓) the option that best represents your opinion. All information provided will be kept confidential and used only for academic purposes. Kindly answer all questions as completely as possible.

Section I: Demographic Characteristics

1. What is your gender?
 Male Female
2. Please state your age group?
 18-25 years
 26-35 years
 36-45 years
 Over 45 Years
3. How long have you worked in your organization?
 Below 5 Years
 Between 5-10 Years
 Over 10 Years

Section II: Historical Cost Principle of Accounting on Financial Accountability

Kindly examine the following statements relating to Historical cost Principle and indicate the extent to which you agree with each one by ticking (✓) the appropriate response. Use the following five-point scale to guide your response: 1 (No Extent, NE), 2 (Small Extent, SE), 3 (Moderate Extent, ME), 4 (Large Extent, LE), and 5 (Very Large Extent, VLE).

No.	Statement	5	4	3	2	1
4.	The use value of fixed assets in our state corporations distorts accurate presentation of firm's financial position					
5.	The use of historical costing principle in our corporation in times of fluctuation may present information that is misleading					
6.	The use of historical costing principle in our corporation often					

	undermines the usefulness of the financial information presented in the financial statement					
7.	The use of historical costing principle in our corporation serves to undermine the reliability of the financial information presented					
8.	The use of historical costing in our corporations often fails to reflect the current market prices of the fixed assets					

Section III: Materiality Principle of Accounting on Financial Accountability

Kindly examine the following statements relating to the Materiality Principle and indicate the extent to which you agree with each one by ticking (✓) the appropriate response. Use the following five-point scale to guide your response: 1 (No Extent, NE), 2 (Small Extent, SE), 3 (Moderate Extent, ME), 4 (Large Extent, LE), and 5 (Very Large Extent, VLE).

No.	Statement	5	4	3	2	1
9.	Our financial statements always lack any misstatements in their preparation					
10.	In our organizations, whenever any financial misstatement is identified it is dealt with conclusively					
11.	All the materials, which can influence decision-making, are often included in the financial reporting aspects					
12.	Whenever financial misstatements occur in our organization it is often due to mistakes as opposed to fraud					
13.	All our financial transactions always have supporting documents					

Section IV: Consistency Principle of Accounting on Financial Accountability

Kindly examine the following statements relating to Consistency Principle and indicate the extent to which you agree with each one by ticking (✓) the appropriate response. Use the following five-point scale to guide your response: 1 (No Extent, NE), 2 (Small Extent, SE), 3 (Moderate Extent, ME), 4 (Large Extent, LE), and 5 (Very Large Extent, VLE).

No.	Statement	5	4	3	2	1
14.	Our financial statements are largely comparable between periods					
15.	Our financial statements are largely comparable with other state corporations					
16.	Financial information on assets is presented in similar manner between periods					
17.	Financial information on liabilities is presented in similar manner between periods					
18.	Consistency in our financial information presentation makes it easy for consumption by financial information users					

Section V: Conservatism Principle of Accounting on Financial Accountability

Kindly examine the following statements relating to Conservatism Principle and indicate the extent to which you agree with each one by ticking (✓) the appropriate response. Use the following five-point scale to guide your response: 1 (No Extent, NE), 2 (Small Extent, SE), 3 (Moderate Extent, ME), 4 (Large Extent, LE), and 5 (Very Large Extent, VLE).

No.	Statement	5	4	3	2	1
19.	In all our financial transactions, losses were recognized promptly					
20.	There is no overstatement of incomes in moments of financial uncertainty in our organization					
21.	There is no understatement of liabilities in moments of financial uncertainty in our corporations					
22.	Practicing of conservatism principles in our firm enables us to suffer less underinvestment in moments of uncertainties					
23.	Conservatism principle increases the trustworthiness of our financial statements					

Section VI: Financial Accountability

Kindly examine the following statements relating to Financial Accountability and indicate the extent to which you agree with each one by ticking (✓) the appropriate response. Use the following five-point scale to guide your response: 1 (No Extent, NE), 2 (Small Extent, SE), 3 (Moderate Extent, ME), 4 (Large Extent, LE), and 5 (Very Large Extent, VLE).

No.	Statement	5	4	3	2	1
24.	Our corporations adequately accounts for expended public funds					
25.	Our corporation often complies with the financial regulations on the state corporations					
26.	There is no financial resources wastage in our corporation					
27.	Whenever qualified audit reports occurs the arising issues are satisfactorily addressed					
28.	Our financial statements can be relied upon					

Appendix III: List of State Corporations in Nakuru City

No.	State Corporation
1	Kenya Power and Lighting Company
2	Kenya Postal Corporation
3	Kenya Pipeline Company
4	Kenya Revenue Authority
5	National Cereals and Produce Board
6	Pyrethrum Processing Company of Kenya
7	National Social Security Fund
8	Central rift Valley Water and Services Board
9	Kenya Rural Roads Authority
10	Kenya National Highway Authority South Rift
11	Kenya Cooperative Creameries
12	Kenya Wildlife Services
13	Kenya Bureau of Standards
14	Betting Control and Licensing Board
15	Kenya Dairy Board
16	Kenya Urban Roads Authority
17	Kenya Railways Authority
18	Kenya Seed Company
19	Geothermal Development Company
20	Kenya Medical Training College
21	Kenya Plant Health Inspectorate Services
22	Kenya National Bureau of Statistics
23	Egerton University
24	Nakuru Rural Water & Sanitation Company
25	Office of the Data Protection Commissioner
26	Women Enterprise Fund
27	Kenya Airports Authority
28	Kenya Railways Corporation
29	Kenya Agricultural & Livestock Research Organization
30	Ministry of Mining, Blue Economy & Maritime Affairs
31	Kenya Revenue Authority
32	Kenya Medical Research Institute
33	Teacher Service Commission
34	Kenya Electricity Generating Company
35	Ethics and Anti-Corruption Commission
36	National Government Constituency Development Funds
37	National Museum of Kenya
38	National Environment Management Authority
39	Postal Corporation of Kenya
40	Kenya National Highways
41	Kenya National Trading Corporation
42	National Oil Corporation of Kenya

Appendix IV: Ethical Clearance Letter



KABARAK UNIVERSITY RESEARCH ETHICS COMMITTEE

Private Bag - 20157
KABARAK, KENYA
Email: kurec@kabarak.ac.ke

Tel: 254-51-343234/5
Fax: 254-051-343529
www.kabarak.ac.ke

OUR REF: KABU01/KUREC/001/04/09/24

Date: 2nd Sept, 2024

Mercy Papa
Reg No: GMB/NE/0214/01/19
Kabarak University,

Dear Mercy,


RE: EFFECT OF ACCOUNTING PRINCIPLES ADOPTION ON FINANCIAL ACCOUNTABILITY OF STATE CORPORATIONS IN NAKURU CITY.

This is to inform you that **KUREC** has reviewed and approved your above research proposal. Your application approval number is **KUREC-040924**. The approval period is **2/09/2024 – 2/09/2025**.

This approval is subject to compliance with the following requirements:

- i. All researchers shall obtain an introduction letter to NACOSTI from the relevant head of institutions (Institute of postgraduate, School dean or Directorate of research)
- ii. The researcher shall further obtain a RESEARCH PERMIT from NACOSTI before commencement of data collection & submit a copy of the permit to **KUREC**.
- iii. Only approved documents including (informed consents, study instruments, MTA Material Transfer Agreement) will be used
- iv. All changes including (amendments, deviations, and violations) are submitted for review and approval by **KUREC**.
- v. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to **KUREC** within 72 hours of notification;
- vi. Any changes, anticipated or otherwise that may increase the risk(s) or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to **KUREC** within 72 hours;
- vii. Clearance for export of biological specimens must be obtained from relevant institutions and submit a copy of the permit to **KUREC**;
- viii. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal and;
- ix. Submission of an executive summary report within 90 days upon completion of the study to **KUREC**

Sincerely,


for Prof. Jackson Kitetu PhD.
KUREC-Chairman
Cc Vice Chancellor
DVC-Academic & Research
Registrar-Academic & Research
Director-Research Innovation & Outreach
Institute of Post Graduate Studies



*As members of Kabarak University family, we purpose at all times and in all places, to set apart in one's heart, Jesus as Lord.
(1 Peter 3:15)*



Kabarak University is ISO 9001:2015 Certified

Appendix VI: Evidence of Conference Participation





**THE EFFECT OF MATERIALITY PRINCIPLE
ADOPTION ON FINANCIAL ACCOUNTABILITY OF
STATE CORPORATIONS IN NAKURU CITY, KENYA**

Mercy Nabwire Papa¹ⁱ,

Kamau John Gathii²,

Zakayo Tallam³

¹Student,

Master of Business Administration (Accounting),

Kabarak University,

Kenya

²Senior Lecturer, Dr.,

School of Business and Economics,

Kabarak University,

Kenya

³Visiting Lecturer, Dr.

School of Business and Economics,

Kabarak University,

Kenya

Abstract:

State corporations play a crucial role in Kenya's socioeconomic development. To fulfill their mandates and deliver value to taxpayers, these entities must uphold strong financial accountability. The State Corporations Act of 2012 outlines several key requirements to ensure financial accountability. State corporations face many accountability challenges when presenting financial statements. Accounting standards aim to improve the quality and comparability of financial reporting in the public sector. This study looks at the effect of materiality principle adoption on the financial accountability of state corporations in Nakuru City. This study adopted a quantitative, cross-sectional research design grounded in agency theory and financial accounting theory. The target population comprised senior administrative and finance/accounting staff from 12 selected state corporations in Nakuru City. A structured questionnaire was administered to a sample of 58 individuals from these corporations. A correlation was found between the materiality principle adoption and financial accountability. A linear regression analysis was conducted to examine the extent of the relationship between the materiality principle adoption and financial accountability. Respondents generally disagreed that financial statements always lack misstatements, indicating recognition of potential errors. Based on the evidence from the correlation analysis, linear regression, and ANOVA, the null

ⁱ Correspondence: email mercypapanabwire@gmail.com