AN ANALYSIS OF FACTORS THAT AFFECT ACCOUNTING FOR THE EFFECTS OF PRICE LEVEL CHANGES: A CASE STUDY OF MANUFACTURING AND SERVICE COMPANIES IN NAKURU TOWN

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Declaration

This research report is my original work. I certify that it has not been presented for a Degree or Diploma in any University.

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Recommendation

This research project has been submitted with our recommendations as University Supervisors.

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Francis W Mamati Lecturer 1ST Supervisor	Signature	Date 19/09/06
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Dedication

This project is dedicated to my wife Eliza and our children who have been a source of inspiration and encouragement. They made every thing possible.

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List of Acronyms

APLC	Accounting for Price Level Changes
CCA	Current cost Accounting
CPI	Consumer Price Index
CPP	Current Purchasing Power
CRU	Current Replacement Value
GAAP	Generally Accepted Accounting Principles
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
ICPAK	Institute of Certified Public Accountants of Kenya
IFRS	International Financial Reporting Standards
IFRSB	International Financial Reporting Standards Board
KASNEB	Kenya Accountants and Secretaries National Examinations Board
RPI	Retail Price Index
STD	Standard
VAT	Value Added Tax

Abstract

This study is an analysis of factors that accountants put into consideration in deciding whether to use accounting for the effects of price level changes as was stipulated by international financial reporting standard 15 and as per the provision of international financial reporting standard 29, accounting for hyperinflationary periods. The withdrawal of international financial reporting standard 15 as from January 2005 has left countries like Kenya, whose inflation rates are still high at a crossroad. International financial reporting standard 15 even when in application was not mandatory. International financial reporting standard 29 does not prescribe the rate at which hyperinflation is said to begin. This allows accountants to use their judgment to decide on when to use accounting for the effects of changing prices. This study endeavored on identifying the factors that affect this decision and analyzed them to capture their perceived importance in the decision-making. The study used a questionnaire constructed in such a way that the factors could be identified and the accountants used their experience and expertise to rate the factors according to their importance. The research expected to establish why, despite the many efforts to come up with a standard, accountants have not adopted accounting for the effects of changing prices and the appropriateness of accounting standards in addressing accounting for price level changes. To achieve this, the research sampled accountants from the manufacturing and service industries. The service industry was restricted to hotels, financial institutions, hospitals, supermarkets and insurance companies. The data collected was cleaned and analyzed using frequency tables, graphs, bar charts, Mann-Whittney test and factor analysis. This study established that the number of firms that use accounting for the effects of price level changes is significantly different from those that do not. In general, companies do not use accounting for the effects of price level changes. The study also found that factors that make accountants reluctant to use APLC can be summarized to: Lack of guidelines on how to deal with APLC, lack of feasible methods for dealing with APLC, ignorance or lack of proper training, and ignorance on the part of consumers. The study also established that there is no need to have different APLC standards for manufacturing and service sectors as their need for a standard are congruent.

CHAPTER 1: INTRODUCTION

1.1 Background to The Study

Nakuru town is the largest town in Rift Valley province, in Kenya. Nakuru municipality covers an area of 262.5 square kilometers with a population of 273438 as per the central bureau of statistics, population data sheet (2004). Nakuru town is the district headquarters of Nakuru district that covers an area of 7242.3 square kilometers and a population of 1187039. The town boasts of many commercial activities that include; tourism, manufacturing, transport, banking, insurance and many others.

In their introduction to accounting for price level changes, Pendril et al (2000) states, "The traditional historical cost system of accounting has serious shortcomings when prices are changing. While these shortcomings are extremely serious when the rate of inflation is high, they do not disappear when the rate of inflation is low nor are they corrected in any piece meal revaluations."

High rates of inflation pose a considerable challenge to the traditional historical based financial accounting model. During high inflation, financial statements of one period become incomparable to those of another period since the unit of measure of value is no longer stable. Comparing such financial statements without considering the effects of inflation is like comparing measurements made in yards, meters, kilometers or inches without converting one to the other.

For a firm to maintain its capital intact, it has to recognize the element of inflation. Failure to do so will mean that a third party user of the financial statements will wrongly assume that the increase in value is solely due to trading or operational income.

Accounting standards committee of Britain (1986) in a survey on the effects of changing prices, found that dividend distribution expressed as a percentage of profit calculation based on historical accounting were, 1981: 40% and for 1982: 48%, while the same dividends expressed as a percentage of profits calculated using the current cost principles were, 1981, 111% and 1982, 130%. The implication of this was that according to current cost principles, dividends were paid out of capital. This opens the possibility of companies breaching the law

inadvertently. It emerges from this that in periods of high inflation business financial results based on historical cost, paint a misleading and distorted picture of the financial progress of enterprises.

In historical based accounting, increase in income due to a change in value of the unit used to measure income (money) is hidden in the income due to operations. Thus ratios used to gauge operations are distorted, giving a skewed basis of decision-making, Pendril et al (2000). Historical cost accounting fails to appreciate the current value of a business, fails to recognize losses due to holding monetary assets and gains due to holding monetary liabilities. Pendril et al (2000), in their book advanced financial accounting Pendril et al argue that inflation is not only important during high inflationary periods but also during low inflation rates as the cumulative effect of low inflation rates can lead to substantial price changes. All these, shake the very foundation of accounting. Do financial statements, prepared using historical costs, actually present a true and fair view of the business, especially during periods of high inflation? According to the Government of Kenya economic survey Nairobi may (1993), "One of the most worrying aspect of the recent economic situation in the country is the continued rapid acceleration of inflation, the rate of inflation as measured by the Nairobi consumer price index (CPI) rose continuously from around 15.8 per cent in 1990 to about 19.6 per cent in 1991 and at the end of 1992 it had risen to 27.5 per cent." The economic survey (1995) stated that, " A remarkable achievement for the economy in 1994 was the control of inflation which had plagued the country in 1993. Annual inflation rate which had been 27 per cent in 1992 shot up to 46 per cent in 1993 but gradually dropped to 28.8 per cent in 1994." All this serves to establish a strong case for the adoption of accounting for the effects of changing prices in Kenya. It is the object of this research project to find out the extent to which accounting for price level changes has been adopted in Kenya. The basis sighted by international financial reporting standards committee for withdrawing financial reporting standard 15 were; to reduce redundancies, to reduce or eliminate alternatives and conflicts within standards and failure of the standard to meet the original objective that it was meant for. The committee stated that, "The international consensus on the disclosure of reflecting the effects of changing

prices that was anticipated when international financial reporting standard 15 was issued has not been reached. As a result the board of international financial reporting standard has decided that enterprises need not disclose information required by IFRS 15 in order that their financial statements conform to international financial reporting standards. However, the board encourages enterprises to present such information and urges those that do to adhere to the items required by IFRS 15. They also acknowledged that few if any enterprises were using IFRS 15.

1.2 Statement of the Problem

During periods of high inflation, money losses value rapidly. A basket of goods that a given amount could have bought may require double or even triple the amount. The monetary unit becomes an unstable measure of value. Comparing values expressed in money units at different points in time becomes like Comparing measurements made using an elastic ruler or a weighing balance with shifting weights.

International financial reporting standard 15 allowed accountants to choose whether to use accounting for the effects of changing prices or use historical costs irrespective of the inflation rate. According to the Government of Kenya economic survey Nairobi may (1993), "One of the most worrying aspect of the recent economic situation in the country is the continued rapid acceleration of inflation. The rate of inflation as measured by the Nairobi consumer price index (CPI) rose continuously from around 15.8 per cent in 1990 to about 19.6 per cent in 1991 and at the end of 1992 it had risen to 27.5 per cent." The economic survey (1995) stated that, " A remarkable achievement for the economy in 1994 was the control of inflation which had plagued the country in 1993. Annual inflation rate which had been 27 per cent in 1992 shot up to 46 per cent in 1993 but gradually dropped to 28.8 per cent in 1994." A resent economic survey by Kenya bureau of statistics and central bank of Kenya gave the overall inflation rates, in percentages, for the last 12 months as; 2005 march 14.5, June 11.91, September 4.27, December 7.56 and for 2006 January 15.39, February 18.87, March 19.14, April 14.85, May 13.09 and June 19.14. Kenya, monthly economic review (June 2006). There is no

available literature or study as to whether accountants take into account inflation and if they do, what factors guides them. Besides, there is no clear picture of what impact the withdrawal of financial reporting standard 15 will have on the future of financial reporting in the developing countries with high rates of inflation. The problem addressed by this study is the factors that accountants use in determining the accounting methods to employ during periods of general change in prices and to find out why, despite its importance, accounting for the effects of changing prices is not used to the extent that international financial reporting standard 15 had to be withdrawn for the same reason among others.

1.3 Objectives of the study.

The general objective of this study was to establish whether accountants use accounting for the effects of price level changes and the factors that influence this decision. The specific objectives of this study were; To identify the factors that affect use of APLC in manufacturing and service sectors, to establish the relationship that exists between rate of inflation and the number of companies that use accounting for price level changes and to identify the perceived importance of accounting for the effects of changing prices.

1.4 Importance of the Study

This study aimed at establishing the factors that affect use of accounting for price level changes in manufacturing, and the service industries. The study also aimed at establishing the relative importance of each factor as perceived by the study subject and by analyzing these factors establish why accounting for the effects of changing prices is not used despite its importance during periods of changing prices. It is expected that this will contribute positively in addressing the problem of financial reporting during periods of price level changes. This will also help investors, government, creditors and other stakeholders in making informed decisions. It will also help those charged with the responsibility of developing standards know why their efforts have not been implemented by practicing accountants and thus come up with better strategies on how to address the problem of accounting for the effects of changing prices

1.5 Hypotheses of the Study

HO.1 Majority of firms account for the effects of price level changes.

HO.2 All firms consider the same factors in deciding whether to apply APLC or not

HO.3 Accounting for the effects of price level changes has no perceived importance at 95% level of confidence.

1.6 Justification of the Study

The issue of accounting during periods of changing prices and hyper inflationary periods has been a contentious one. Discussion papers, exposure drafts and even accounting standards have been exposed, applied and later withdrawn. Lack of one or a group of generally accepted accounting methods for the effects of changing prices and also lack of consensus amongst accounting professionals as to the practical route to take during periods of changing prices and the lack of a defined level of inflation that would trigger discarding historical accounting, puts the accountant in a very difficult position. Further, no research has been carried out on the effects of inflation on financial reports in Kenya or even why accounting for the effects of changing prices is not used as would be expected. The Kenyan government has yet to accept inflation accounting for taxation purposes. The findings of this study will be useful in giving an insight into the factors that determine whether accounting for price level changes will be applied, help government address the problem of dividend payments and calculation of taxes to avoid paying dividend out of capital and over or under taxation, which will ensure equitable treatment of tax payers. By failure to recognize accounting for the effects of changing prices, accountants go against the principle of prudence which can be seen through a firm's failure to conserve its capital by paying dividends out of capital and paying taxes out of gains due to the effects of changing prices.

1.7 Scope and Limitations of the Study

The study concentrated on factors that determine whether or not an accounting entity would adjust for the effects of changing prices in periods of price changes. The study sought to find out why accountants do not use accounting for

the effects of changing prices. The study expected to achieve this by seeking the opinion of accounting professionals in the manufacturing and service sub-sectors. This is because this sub-sectors form a very important part of our economy for the purpose of industrialization. A wider base would be obviously better.

Other information that would be useful would be a comparison of dividend payout for companies quoted in the Nairobi Stock Exchange expressed as a percentage of profits calculated on a historical basis and those calculated using accounting for the effects of changing prices, that is, current purchasing power, current cost accounting or a hybrid of the two methods. One of the obstacles for such an approach would be getting the price indices, restating assets at their cost and relating this to come up with the current valuation of assets. That can be overcome by using a comparable but stable foreign currency. Though the research would have liked to do this, it falls beyond the scope of this study.

Another interesting area would have been to find out the reasons behind the governments insistence on use of historical accounting despite the changing prices. However this was not done as it falls outside the scope of this study.

CHAPTER 2: LITERATURE REVIEW

2.1 General Literature Review

International financial reporting standard 15, addresses the problem of, preparation of financial reports for the effects of changing prices. Although the board has withdrawn the provisions of international financial reporting standard 15 the board still recommends that enterprises can use accounting for the effects of changing prices when circumstances so dictate and in this case they recommend that they disclose information required by the standard. Information required by international accounting standard 15 was designed to make users of an enterprise's financial statements aware of the effects of changing prices on the results of operations.

Even when in application, one very important aspect of this standard was that it was not compulsory. A reporting entity was free to choose whether to use it or not. Failure to apply the standard would not have led to a qualified audit report. This study, sought to establish the factors that an accountant would consider in order to decide whether or not to apply the standard.

In the seventies when Britain experienced high inflation, their accountants experimented on alternative methods of presenting financial statements. A number of accounting documents were developed. An exposure draft of December 1974, which was similar to draft number 8, was developed. Further larger companies were required to give additional information concerning the replacement costs of fixed assets and stock. Exposure draft number 8 proposed that companies should be required to publish along with their conventional accounts, supplementary statements that would in effect be their profit and loss accounts and balance sheet based on current purchasing power principles. Exposure draft number 8 was followed by provisional statement of standard accounting practice issued by the accounting standards steering committee. Their recommendation was the adoption of a system of accounting called current cost accounting.

The accounting standards committee, (1986) stated that, "The limitations of historical cost accounts exist not only during periods of relatively rapid price changes but also when prices are changing more slowly." The reasons advanced

for this view were that even with low annual rates of inflation the cumulative effect of inflation over time is significant, the accounting effects of previous high rates of inflation persist over a number of years and rates of change of specific prices may be substantial even when the rate of inflation is relatively low.

Accounting standards committee (1986) provided an example of the consequences of inflation on historical cost accounts. Their illustration compared dividend distribution expressed as a percentage of (a) historical cost profit and (b) a measure of profits based on current cost principles. The results were derived from a large sample of companies and covered the period 1980 – 1989, a period when Britain had a significant lower inflation rate than 1970s. The results were that based on current cost percentages, in 1981 and 1982, companies paid dividends out of the funds they started the year with while the historical approach indicated that they paid less than 50% of their current years earnings.

In the other years, they literary paid out everything they earned. The historical approach indicated that they paid less than 50% of their current year's earning. According to Hicks (1946) the purpose of income calculation is to give people an indicator of the amount, which they can consume without impoverishing themselves. Alexander (1962) interpreted Hicks definition of income to mean the amount the corporation can distribute to the owners of equity in the corporation and be as well of.

As stated above the possibility of companies paying dividends in excess of what would be prudent is real. Kenya's inflation rate has not been low by all standards especially in the 90s, yet few companies if any incorporate the elements of inflation in their financial statements. This study expects to find out the reasons behind this scenario and order the factors in order of importance. Kieso et al (2002) echoes statement of financial accounting concepts No. 1 by giving the following as the objectives of financial reports; "Financial reporting should provide information that; is useful to present and potential investors, creditors and other users in making rational investment, credit, and similar decisions. The information should be comprehensible to those who have a reasonable understanding of business and economic activities and are willing to study the information with reasonable diligence. The financial report should provide

information that will help present and potential investors, creditors and other users in assessing the amounts, timing, and uncertainty of prospective cash receipts from dividends or interest and the proceeds from the sales redemption, or maturity of securities or loans. Since investor's cash flows, are related to enterprise cash flows, financial reporting should provide information to help investors, creditors and others assess the amounts, timing, and uncertainty of prospective cash inflows to the related enterprise, State the economic resources of an enterprise, the claims to those resources, (obligations of the enterprises to transfer resources to other entities and owners' equity) and the effects of transactions, events and circumstances that change its resources and claims to those resources."

Kieso et al (2002) argue that, like other human activities and disciplines accounting is largely a product of its environment. The environment of accounting consists of social-economic- Political-legal-conditions, restraints and influences that vary from time to time. As a result, accounting objectives and practices are not the same today as they were in the past. Accounting theory has evolved to meet changing demands and influences. They further state that accounting may be defined by defining the three essential characteristics of accounting that is, identification, measurement and communication of financial information about economic entities to interested parties. According to Kieso et al (2002), Because of scarce resources, efficient and effective use of resources is inevitable. Through an efficient use of resources, standards of living increase. It is the free markets, free enterprise and competition that determine whether a business is to be successful and thrive rather than a committee of social Engineers. This means that accounting profession must measure performance accurately and fairly on a timely basis so that the right managers and companies are able to attract investment capital. An effective process of capital allocation is critical to a healthy economy, which promotes productivity, encourages innovation and provides an efficient and liquid market for buying and selling securities and obtaining and granting credit. Unreliable and irrelevant information leads to poor capital allocation, which adversely affects the securities markets and the economy at large.

To address the fore mentioned factors, the accounting profession has developed standards, which apply generally accepted accounting principles

(GAAP). The term generally accepted is explained by Kieso et al (2002) as meaning either that an authoritative accounting rule making body has established a principle of reporting in a given area or that over time a given practice has been accepted as appropriate because of it's universal application.

Despite existence of these standards bankruptcies have continued to occur. According to Kieso et al, (2002), It is estimated that the savings and loans (S and L) debacle ended up costing the American taxpayer $500 billion (estimated to be $2000 per person). Some argue that if the savings and loans were required to report their investments at market value instead of cost, large losses would have been reported earlier which would have signaled regulators to close those savings and loans and thereby minimize the loss, these points to a need to include current prices in financial statements.

The international accounting standards framework gives the following as the objectives of financial statements; to provide information about the financial position, performance and changes in financial position of an enterprise that is useful to a wide range of users in making economic decisions, to show the results of stewardship of management or the accountability of management for the resources entrusted to them. This assessment helps the users to make decisions like whether to hold or sell their investment in the enterprise or whether to reappoint or replace the management. IASB framework (2004).

The framework also provides that for the financial information to be useful, it must be relevant to the decision-making needs of the users. Information has the quality of relevance when it influences the economic decisions of users by helping them evaluate past, present or future events or confirming or correcting their past evaluation. It further provides that, "If information is to represent faithfully the transactions and other events that it purports to represent, it is necessary that they are accounted for and presented in accordance with their substance and economic reality and not mealy their legal form." For information to be useful, it must be reliable. The framework provides that, "For information to be reliable, it must be free from material error and bias and can be relied upon by users to represent faithfully that which it either purports to represent or could be reasonably expected to represent." IASB framework (2004).

The producers of financial statements must be prudent and the information must be complete. The information must also be comparable, that is to say users must be able to compare the financial statements of an enterprise through time in order to identify trends in its financial position and performance. The framework also provides that users must be able to compare the financial statements of different enterprises in order to evaluate their financial position, performance and changes in financial position hence the measurement and display of the financial effects of like transactions and other events must be carried out in a consistent way throughout an enterprise and over time for that enterprise and in a consistent way for different enterprises. However the framework gives a warning on the tendency to confuse comparability with mere uniformity. The framework states that, "It is not appropriate for an enterprise to continue accounting in the same manner for a transaction or other events if the policy adopted is not in keeping with the qualitative characteristics of relevance and reliability. It is also inappropriate for an enterprise to leave its accounting policies unchanged when more relevant and reliable alternatives exist.

All these factors coupled with other considerations provide a very strong case for the use of accounting for the effects of price level changes or in other words, accounting for inflation.

Financial reporting in hyperinflationary economies (IAS 29) provides that in hyperinflationary economies, reporting results and financial positions without restatements is not useful. Money looses purchasing power at such a rate that comparison of amounts from transactions and other events that have occurred even within the same accounting period is misleading. International accounting standard 29 requires that the financial statements of an enterprise operating in a hyperinflationary economy be restated.

The standard recognizes the following as the characteristics of a hyperinflationary economy; the general population prefers to keep its wealth in non monetary assets as in a relatively stable foreign currency. Prices are normally quoted in a stable foreign currency, credit transactions take place at prices that compensate for the expected loss of purchasing power, interests wages and prices

are linked to price indices and the cumulative inflation rate over three years is approaching or is greater than 100% (that is an average of more than 26% per year). The standard provides further that, the financial statement of an enterprise that reports in a currency of a hyperinflationary economy should be restated in the measuring unit current at the balance sheet date that is the enterprise should adjust the amounts in the financial statement as if they occurred in the reporting currency on the balance date only.

The restated financial statements replace the normal financial statements and do not serve as a supplement there to. Separate presentation of the normal financial statements is discouraged. The standard gives, among others the following rules of restatement of financial statements,

Comparatives are restated in the measuring unit at the balance sheet date. This implies that even prior year cash amounts are adjusted by the current year's inflation index.

A reliable general price index should be used that reflects changes in general purchasing power. Where not available, a relatively stable currency should be used. Restatement starts from the beginning of the financial year in which hyperinflation is identified. When hyperinflation ceases, restatement is discontinued. The standard gives the following as the rules applicable to restatement of the balance sheet.

Monetary items are not restated. Index-linked assets are restated in accordance with the agreement. Non-monetary items are restated in terms of the current measuring unit by applying the changes in the index or currency unit to the carrying values since date of acquisition or fair values on the date of valuation. Non-monetary assets are not restated if they are shown at net realizable value, fair value, or recoverable amounts at balance sheet date. At the beginning of the first period in which the principles of IAS29 are applied, components of owner's equity, except accumulated profits and any revaluation surplus, are restated from the dates the components were contributed. At the end of the first period and subsequently, all components of owners' equity are restated from the date of contribution the movements in owners' equity are included in equity. All items in the income statement are restated by applying the change in the reliable general

price index from the dates when the items were initially recorded. A gain or loss on the net monetary position is included in the net income. This amount may be estimated by applying the change in the general price index to the weighted average of net monetary assets/liabilities.

Items shown on the balance sheet at current costs are not restated while other items are restated in terms of the rules stated above. The standard requires the following to be disclosed; the facts of the restatement, the fact that comparatives are restated, whether the financial statements are based on historical cost approach or the current cost approach, the identity and the level of the price index or a stable currency at balance sheet date, the movement in the price index or stable currency during the current and previous financial years. International financial reporting standard 29, (2004)

International financial reporting standard 15 requires information that is designed to make users of an enterprise's financial statements aware of the effects of changing prices on the results of operations. Compliance with international financial reporting standard 15 is encouraged but not compulsory. Non-compliance would not therefore result in a qualified audit report. The standard is applicable to entities that are significant in the economic environment in which they operate.

The standard identifies the following methods as methods used in accounting for the effects of changing prices; general purchasing power method, current cost instead of historical cost and a combination of the two methods

Under the general purchasing power approach, income is recognized after the general purchasing power of the shareholders' equity has been maintained. Some or all of the items in the financial statements are restated for changes in the general price level using an appropriate price index and income normally reflect the effects of general price level changes on depreciated cost of sales and net monetary items. Under the current cost approach, the replacement cost of an asset is used as the primary measurement basis. Income is recognized after the operating capacity has been maintained.

Current cost approach also require the application of some form of adjustments that have in common a general recognition of the interaction between changing prices and the financing of an enterprise.

Unlike in accounting for hyperinflation, accounting for the effects of changing prices allows the use of the adjusted statement as primary or supplementary financial statement. Lack of consensus on this matter probably led to the withdrawal of the standard. On matters of disclosure the standard requires that the following information should be disclosed on supplementary basis unless such information form a part of the primary financial statements; the method adopted, nature of indices used, adjustment to or adjusted amount of depreciation of property, plant and equipment, adjustment to or the adjusted amount of cost of sales, adjustments relating to monetary items, the effects of borrowing or equity interests when such adjustment have been taken into account in determining income. When a current cost approach is adopted, the current cost of property, plant, and equipment as well as inventories should be disclosed.

Coming closer home, pioneer building society, shelter building society, Elliot Bakeries Kenya Finance company Ltd, Rural urban finance Ltd, Nationwide finance Ltd are all examples of prominent enterprises that have gone under. All of them made their financial reports and non-indicated that the enterprises were headed for failure in terms of assets and financial standing. Among the reasons that have been sighted as reasons for the failures were; mismanagement; misallocation of resources and a tight financial market. It would be interesting to see what would be revealed by the conversion of the financial statements to reflect current values at the time the companies went under. Despite these companies going companies in Kenya continued using historical based accounting not withstanding the high inflation rates.

According to the bank of England report (2000), inflation is a general rise in prices across the economy. This is distinct from a rise in the price of a particular good or service. Individual prices rise and fall all the time in a market economy, reflecting consumer choices and preferences, and changing costs. Inflation occurs when there is a general rise in prices across the economy. Inflation rate is a measure of the average changes in prices across the economy over a specified period, most commonly over a 12-month period, the annual rate of inflation. There are a number of measures of inflation today. The Bank of England report (2000) singles out as the most familiar measure of inflation, the retail price index (RPI).

But monetary policy is now based on consumer price index (CPI). Both measure the prices of services and products that consumers buy. A price index is made up of the prices of hundreds of goods and services-from basic items like bread to new products, such as personal computers. Prices are sampled up and down the country every month, in supermarkets, petrol stations travel agents, insurance companies and many other places. All these prices are combined to produce an overall index of prices. The goods and services included in the index are chosen and weighted on the basis of spending patterns of households. The spending patterns are revised annually to reflect changes in the spending patterns. Any individual price change could cause the measured rate of inflation to change. Particularly if it is large or if the item has a significant weight in the price index.

The Bank of England report (2000), besides the price changes included, level of monetary demand in the economy, inflation expectation and monetary policy, fall in value of currency, central Banks and their behavior and higher wages as major causes of inflation. The same factors cause unemployment and small business destruction. The central bank of Kenya applies the same basic principles to calculate inflationary trends in Kenya. Applying this, the central bank of Kenya came up with the following report, "Overall month-on-month inflation eased to 10.9 percent in June 2006 from 13.1 percent in May, 2006 and 14.9 percent in April 2006. Similarly, average annual overall inflation declined to 11.1 percent in May 2006 from 11.2 percent and 11.3 percent in May and April 2006 respectively. The decline in overall inflation in June, May and April 2006 reflected easing of price increases of the goods and services. Food and non-alcoholic drinks inflation fell to 14.9 percent in June 2006, from 18.9 percent in the previous month. The food and drinks index accounts for more than 50 percent of the overall Consumer Price Index (CPI), thus the decline in inflation in this. Category had a significant impact on overall inflation. Month-on-month underlying inflation, whose index excludes food and nonalcoholic drinks, fuel, power, transport and communications, increased to 3.7 percent in June 2006 from 3.2 percent in May 2006. The calculated CPI excludes food and non-alcoholic drinks index from the overall Consumer Price Index (CPI) because food prices are highly influenced by weather conditions while fuel and power prices are affected by weather conditions as well

as by movements in crude oil prices in the world market. Transport and communications is dominated by petrol and diesel whose prices largely reflect oil price developments in the world market. Despite the decline in food inflation, the category continued to experience the highest inflation, in excess of 10 percent since January 2006. The other category whose inflation has been high is fuel and power whose inflation has exceeded 10 percent since August 2004. However, in June 2006, fuel and power inflation declined to 11.4 percent, from 12.3 percent in May 2006. Other categories whose inflation declined in June 2006 were "alcohol and tobacco" with 6.5 percent, down from 8.7 percent in May 2006, and "medical

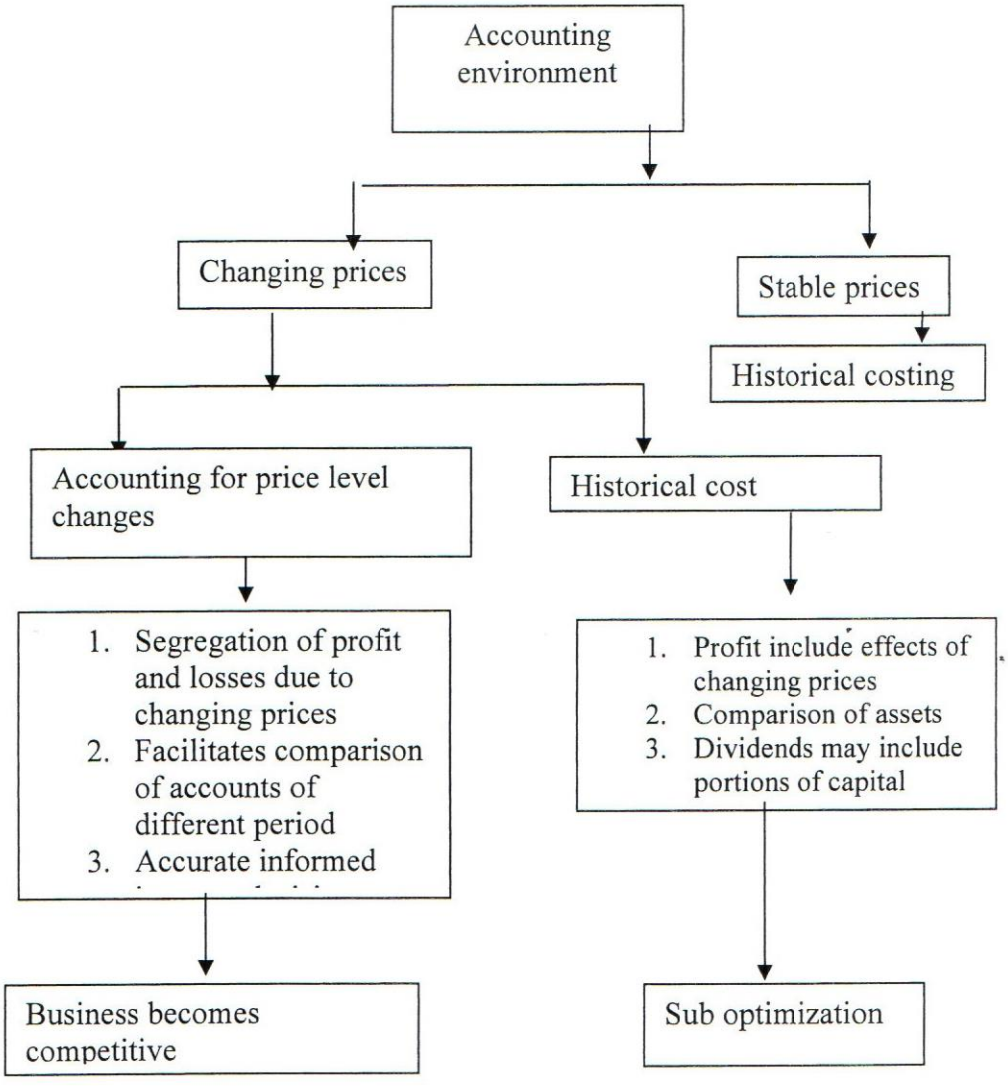
Goods and services" with 3.8 percent, from 5.3 percent in the previous month. Categories that experienced higher inflation in June 2006 were housing at 4.8 percent from 3.4 percent, clothing and footwear at 2.8 percent from 1.6 percent and recreation and education at 2.1 percent from 2.0 percent in May 2006. Others are household goods and services at 3.1 percent from 2.6 percent in May 2006, transport and communications at 8.3 percent from 5.4 percent and personal goods and services at 2.5 percent from 2.4 percent in May 2006. Inflation is expected to decline further with decline in food inflation. Implementation of prudent monetary policy by CBK is expected to contribute to low and stable underlying inflation. The recent increase in fuel prices following the Budget Speech 2006/07 will exert upward pressure on overall inflation but due to the low weights given to "fuel and Power" and "transport and communications" indices in the overall CPI, the inflationary impact is expected to be offset by the expected decline in "food and non-alcoholic drink" index due to the high weight given to the later. Oil prices in the world market are a major concern to the CBK because of their inflationary impact and any further increases will impact negatively on domestic inflation." From this we can see that Kenya is far from a stable inflation rate.

2.2 Conceptual Framework

According to international financial reporting standards board, IFRS 15 (1981), Accounting for price level changes recognizes the fact that in the face of changing prices, there is a need for financial reports to reflect the current value of a business, segregate profit into the portion due to change in prices and that which

arises from actual operations. A loss should also be segregated into loss due to changing prices and loss due to operations. Failure to recognize these elements means that accounting reports of different periods under changing prices may not be comparable

Fig. 2.1; the conceptual framework



Source; (author's own)

From the above flow chart it can be seen that the accountant decision whether to adopt accounting for the effect of price level changes or not is determined by the wider environment in which the accountant find himself. If inflation is high, he /she can choose either to adopt APLC or apply historical accounting. The outcome of this choice will be as illustrated by the flow chart.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

This chapter explores the research methodology employed in the study. It outlines the location of the study, the survey design, the study population, the sampling procedure and the analytical procedure that was used.

3.2 Study location

This study was carried out in the manufacturing and service companies located in Nakuru Town

3.3 Study Design

This study employed a survey as its research design. Surveys are effective in obtaining information relating to peoples thoughts feelings and opinions. Surveys are suitable where the population under study is relatively large and the phenomenon under investigation can be observed directly by the researcher, Borg and Gall, (1983). As professor kathuri puts it, the purpose of a survey is to explore and describe observed phenomenon Kathuri et al (1993). A cross-sectional survey design was used to sample the local manufacturing and service providing companies. Cross sectional design is appropriate for survey studies that involve sampling once from a specific population, Wiersman (1986). A cross-sectional survey was selected for this study because it is cheap to undertake compared to longitudinal survey and the results from the sample can be inferred to the larger population. The chance differences between the samples may bias the results Aryl et al (1979). In addition, some extraneous factors may be manifested in the observed change other than the independent variables concerned. In this study the researcher dealt with these weaknesses of the cross-sectional survey by selecting a sample through randomization and using a relatively large sample size of the manufacturing and service companies in the selected town.

3.4 Target Population

The population of this study consisted of the 95manufacturing companies, seven hospitals, 15 supermarkets, 18 insurance companies, 14 hotels, 13 commercial banks, 30 religious organizations and 15 audit firms in Nakuru town. The total population was 200 companies. However 50 of these companies were found to have closed down moved to other locations or had no accounting departments. Some organizations refused the researcher entry into their premises while others kept promising that they would fill the questionnaire but finally did not.

3.5 Sampling design

Stratified sampling was used to ensure fair distribution of respondents. The population was stratified to manufacturing and service providing firms. A list of manufacturing firms and another for service providing firms obtained from the ministry of trade and development were used. This formed the first strata. The manufacturing firms were further sub-stratified to milk processing, vegetable oil extraction, milling, garment manufacturing, seed production, engineering, and pyrethrum based industries. This was in accordance with the classifications of the ministry of trade. The ministry did not classify the service-providing firms further so a total of eight service providers were selected. This number was chosen so to be equal to the number of sub strata in the manufacturing industries. The service providing firms that were chosen were, Banks, Hotels, Insurance firms, auditing firms, Hospitals, religious organizations and Supermarkets. Proportionate samples were allocated to each of the strata to ensure proportionate representation. Insurance firms were allocated 30%, auditors 15%, hospitals 5%, banks 15%, supermarkets 25% and religious organizations 10%. This allocation was based on the number of firms. However religious organizations, despite their high numbers were allocated low percentages, as many of them do not have an accounting department. Insurance companies and supermarkets were allocated a higher percentage as they were found to be well structured and had well organized accounting departments. In the manufacturing sector, the allocations were milk processing 20%, vegetable oil extraction 10%, garment manufacturing 10%, seed

production 10%, engineering 20%, pyrethrum based companies 10% and timber industry 20%. The person in charge of the accounting department or his/her assistant was asked to fill a pre-written questionnaire. In this study, a total of 23 companies from the manufacturing strata and 23 companies from the service providing companies were randomly selected. The sample from the manufacturing firms formed one part of the sample while the sample of 23 from the service sector formed the second half. This subdivision of the sample facilitated the use of Mann Whitney u test. The size of the sample was forty-six. This size is adequate as per the recommendations of Kathuri et al (1993). Stratified sampling enables the researcher to determine to what extent each stratum in the population is represented in the sample. The major advantage of stratified random sampling is that it guarantees representation of the defined groups in the population. Stratified sampling technique with proportionate allocation was used to guard against under or over-representation of each strata and sub-strata. It also guards against wild samples and ensures that no sub-population is omitted from the sample.

3.6 Instrumentation

The head of the accounting department or his/her assistant of the selected companies were requested to fill a pre written questionnaire. A structured questionnaire was used to collect data from the respondents from each of the selected industries. The questionnaire was developed to capture the information on the levels of employees' knowledge and in-depth skills of the principles of accounting for the effects of changing prices. It also captured details related to the factors affecting accounting for price level changes, accounting for price level changes policies and accountants perceived importance of accounting for the effects of changing prices. The questionnaire was constructed in such a way that it incorporated the element of validity. This was ensured by making sure that the questions were constructed in such a way that they addressed the objectives of the study and making sure that they were simple clear and to the point, By doing so, this improved the quality, viability and usefulness of the findings and inferences of the study. The validity of the questionnaire was ascertained before the pre-testing. Fraenkel *et al.*, (2000) and Mugenda and Mugenda (1999) defined validity as the

degree to which results obtained from the analysis of data actually represents the phenomenon under study. The content, construct criterion-related and face validity of the questionnaire was assessed by ensuring that it captured useful, appropriate and meaningful information as intended by the researcher. The questionnaire was pre-tested on Tuzo milk processing company and Ambassador hotel in Nairobi. The pre-testing site is 150km away from the study area and this avoided any possible influence on trial respondents before the actual survey. This site is however ideal because it is comparative with the industries under study.

Reliability is the consistency of the scores obtained. In this study, reliability of instruments for consistency was estimated using Cronbachs' alpha because it is appropriate for ascertaining both inter-item and inter-case consistency. As recommended by Frankel and Wallen (2000), The reliability coefficient threshold was set at 0.7.

3.7 Data collection procedure

Before the actual data collection started, a research permit was obtained from the Ministry of Education, Science and Technology headquarters through the Graduate School of Egerton University. The researcher personally administered the questionnaire. The respondents were the top officer or his deputy in the accounts department s. The researcher explained to the respondent the purpose of the study before administering the questionnaire. The respondents were given options pertaining to levels of knowledge of accounting for the effects of changing prices, principles, applications and benefits. The responses were recorded in the questionnaire and this was transferred to electronic data analysis software (SPSS version 11.5 software) for further analysis.

3.8 Data analysis

The data was summarized and classified in terms of the variables of the objectives of the study. This enhanced further analysis and processing. The responses to the various items were coded then input in a matrix for this purpose. The data was entered, edited and cleaned to ensure correct entry of the response. Both descriptive (frequencies, means, standard deviations and graphical

illustrations) and inferential (chi test, t-test, Mann whitney u test) statistics were used for the analysis. The hypotheses were tested using chi-square and the non-parametric Mann-Whitney U test to establish existence of any significant differences in employees` knowledge of accounting for price level changes based on the respective Independent variables. The Mann-Whitney U test was used because the measurements used in the data do not follow normal distribution.

Table 3.1 Hypothesis testing

Hypothesis	Variable 1	Variable 2	Statistical test
H0.1 Majority of firms account for price level changes.	Number of companies that do not use APLC	Number of companies that use APLC	Descriptive statistics (Frequencies) Chi-square test
H0.2 All firms consider the same factors in deciding whether to apply APLC or not.	Ranking of factors considered important by accountants in the manufacturing sector for an APLC standard.	Ranking of factors considered important by accountants in the service sector for an APLC standard.	Mann-Whitney test
H0.3 Accounting for the effects of price level changes has no perceived importance at 95% level of significance.	Number of firms that perceive APLC as Important	Number of firms that do not perceive APLC as important	Chi-square test.
	Variable 1	Variable 2	Statistical test

(Source: author's own).

The above table gives a summary of the hypotheses, the various parameters that were used to test the hypothesis and the methods used to test the hypothesis.

CHAPTER 4: DATA ANALYSIS, INTERPRETATIONS AND DISCUSSIONS

4.1 Background Information on Respondents

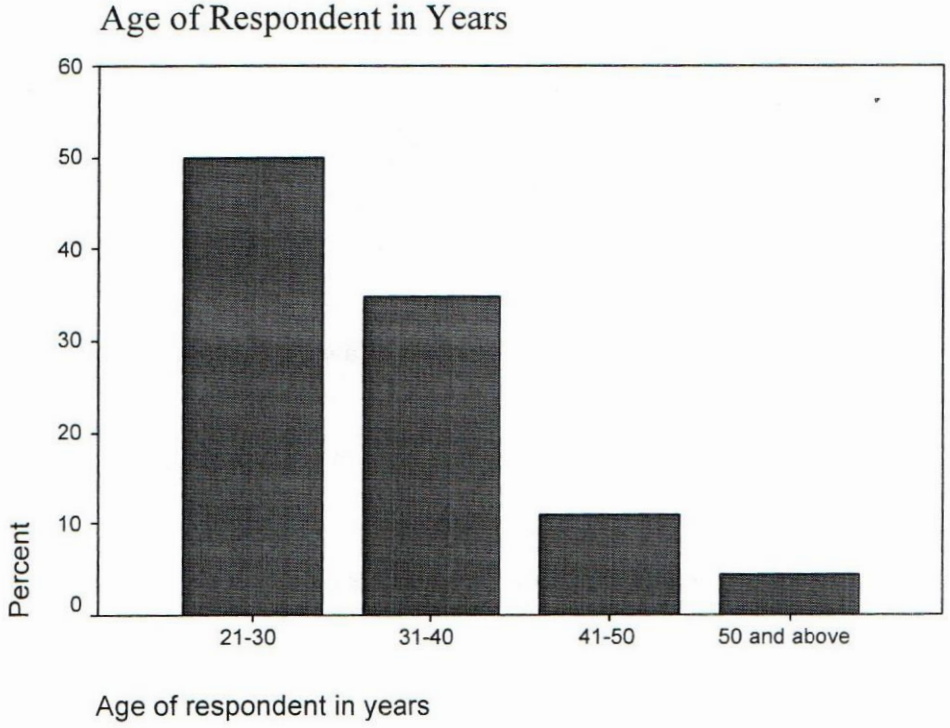
4.1.1 Age of Respondents

Table 4.1.1

Age of respondent in years

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	21-30	23	50.0	50.0	50.0
	31-40	16	34.8	34.8	84.8
	41-50	5	10.9	10.9	95.7
	50 and above	2	4.3	4.3	100.0
	Total	46	100.0	100.0	

Chart 4.1.1



The results indicated that 50% of the respondents were aged between 21 and 30 years 34.8% between 31 and 40 years 10.9% between 41 and 50 years and 4.3 % were aged above 50 years.

4.1.2 Highest Education Level

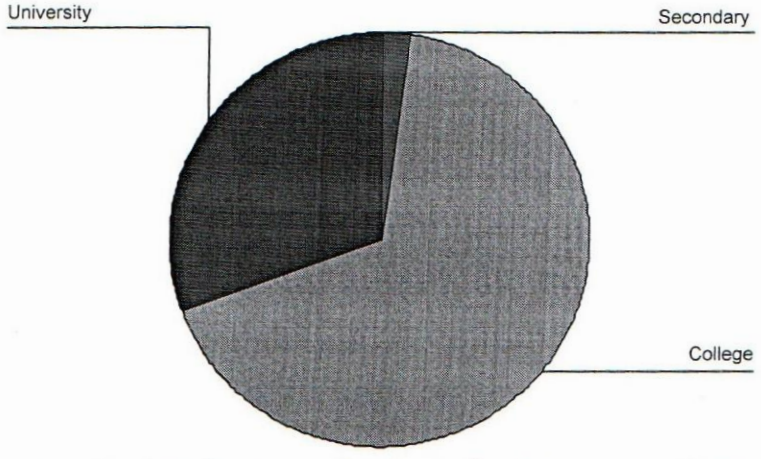
Table 4.1.2

Higest educational level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Secondary	1	2.2	2.2	2.2
	College	31	67.4	67.4	69.6
	University	14	30.4	30.4	100.0
	Total	46	100.0	100.0	

Chart 4.1.2

Highest educational level.



From the pie chart it is seen that the bulk of the accounting executives are college graduates which contributes about 67.4% of the total while only 2.2% are secondary school dropouts while the universities contribute 30.1%

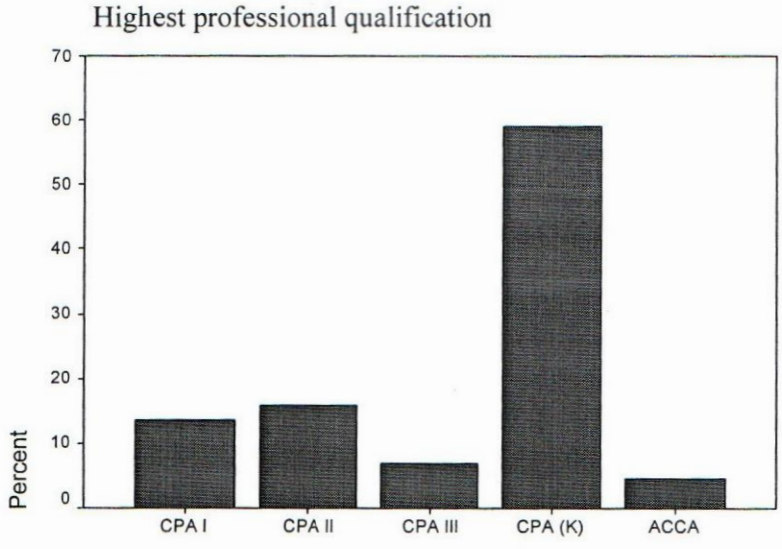
4.1.3 Highest Professional Qualification

Table 4.1.3

What is your highest professional qualification

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	CPA I	6	13.0	13.6	13.6
	CPA II	7	15.2	15.9	29.5
	CPA III	3	6.5	6.8	36.4
	CPA (K)	26	56.5	59.1	95.5
	ACCA	2	4.3	4.5	100.0
	Total	44	95.7	100.0	
Missing	System	2	4.3		
Total		46	100.0		

Chart 4.1.3



The results indicated that 65.3 % had C.P.A. III and above qualification, 13.6% had C.P.A I, 15.9% had C.P.A.II qualification and 4.5 % had ACCA qualification. It can be seen that CPA (K) holders dominate the area of accounting executives while ACCA, which is a foreign qualification contributes the least. From these results, it can be seen that CPA (K) qualification dominates by taking over 55% of the executive accounting jobs CPA II and III take about 20%. This implies that the respondents were well qualified.

4.1.4. Number of Years of Experience as an Accountant

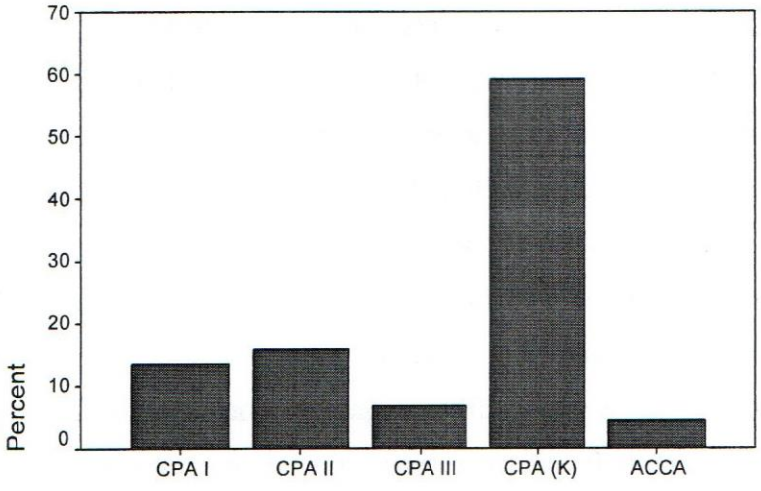
Table 4.1. 4

Number of years of Experience as an Accountant

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-5 yrs	23	50.0	51.1	51.1
	6-10 yrs	13	28.3	28.9	80.0
	11-15 yrs	6	13.0	13.3	93.3
	16-20 yrs	3	6.5	6.7	100.0
	Total	45	97.8	100.0	
Missing	System	1	2.2		
Total		46	100.0		

Bar Chart 4.1.4

Highest Professional Qualification



Highest Professional qualification

The results indicated that 51.1% had 1-5 years of experience, 28.9% had 6-10 years of experience, 13.3% had 11-15 years f experience and 6.7 %had 16-20 years of experience.

4.2 Application of APLC by Firms

4.2.1 Preferred Method of Accounting for the Effects of Price Level Changes.

The results indicated that 22.7% preferred current purchasing power method of accounting for the effects of price level changes, 31.8% preferred current cost accounting method of accounting for the effects of price level changes while 59.5 % preferred a method that combines the two methods

.

4.2.2 the use of accounting for effects of price level changes by Firms.

When respondents were asked whether their firm had ever used accounting for the effects of price level changes, a total of 87.0% responded to the question while 13% did not. When they were asked to specify the years in which only 6.5% responded to the question with 4.3% identifying 1998 as the year they used APLC and 2.2% identified 1994. On further questioning, it became apparent that even those who indicated that they had used APLC at one time or another, they had merely done some piece meal- revaluation or used an arrangement, which they

merely done some piece meal- revaluation or used an arrangement, which they hoped would counter the effects of inflation. The preferred methods were found to be asset leasing and use of auction prices to value stock in the flower industry. Some firms added a premium to their prices to cover for the effects of price level changes. From this statistics it can be seen that 93.5% did not respond to the question. These results indicated that, 95.7% did not use accounting for the effects of price level changes. One of the objectives of this study was to establish the relationship that exist between the number o companies that use APLC over the years and the rate of inflation by carrying out a regression analysis. However, from the results of the study, it is apparent that companies in Kenya do not use APLC. These findings were in agreement with the findings of international financial reporting standard committee, which found that international financial reporting standard 15 was redundant. This finding led to the withdrawal of the standard.

The results indicated that out of those who indicated that they had at one time used APLC, 28.2% were able to isolate the years they specifically used APLC. This was an over all percentage of 6.5%. This was an indication that only 6.5 % of the firms had at one time or another used APLC. The years specified as the years in which APLC was used, were 1998 and 1994. It was the intention of this study to carry out a regression analysis of rate of inflation and the number of companies that use accounting for the effects of price level changes. However as a result of the finding, any attempt to carry out the analysis would have given a spurious relationship

4.2.3 Reasons Why Companies do not Use APLC.

The results indicated that 50% sighted ignorance of users of accounting information, 10% sighted lack of management interest, 10% sighted the fact that the company was very small, 10% sighted the fact that goods were valued at auction price thus they did not need to use accounting for the effects of changing prices, while 20% sighted the fact that they imposed high premiums on selling prices to compensate for losses due to price level changes

4.2.4 Important Factors that Were Considered Mandatory When Preparing a Standard of APLC.

The study found that the following factors were mandatory in the preparation of a standard dealing with accounting for the effects of price level changes; 45.5% indicated that the standard should make economic sense, 27.3 % indicated that the standard should be practical and easy to apply, 18.2 % indicated that the standard should be acceptable by both accountants and users of financial reports and 9.1% indicated that the standard should address specific economies and specify the inflation rate at which accounting for the effects of price level changes should employed.

4.2.5 Reasons Why Accountants Ignored the Provisions of IFRS 15.

The study found that 47.8 % felt that the costs outweighed benefits, this finding is in agreement with the earlier finding that lack of an economical and practical method of APLC contributed to failure by accountants to use APLC, 34.8 % felt that inflation is a temporary phase of every economy and did not warrant change of accounting policy, This finding contradicts the finding that APLC is important, 8.7% felt that ignorance and lack of proper training contributed heavily to accountants failure to use APLC, while 4.3 %indicated that lack of government enforcement and follow up contributed to the failure.

4.3 Factors that Affect Use of APLC

4.3.1 Training as a Factor that Affects Use of accounting for price level changes

One of the objectives of this study was to find out why accountants do not use APLC. To achieve this objective the study asked respondents to state their level of agreement and found that when respondents were told that the problem of APLC has been addressed adequately, 22.2 % strongly disagreed, 51.5 % disagreed, 15.6%, neither agreed nor disagreed, 11.1 % agreed while none strongly agreed. When respondents were told that APLC topics were covered in the training curriculum 8.7 % strongly disagreed, 23.9%disagreed 38.7 % neither agreed nor disagreed 41.3 % agreed while 17.4 % strongly agreed.

When respondents were told that APLC topics were effectively covered during training, 17.4% strongly disagreed, 19.6 % disagreed, and 10.9% neither agreed nor disagreed, 47.8% agreed while 4.3 % strongly agreed. When told that their knowledge as accountants on APLC as professional was very adequate, 15.2 % strongly disagreed

32.6 % disagreed, 13% neither agreed nor disagreed, 32.6 % agreed while 6.5 % strongly agreed. When told that the examiners adequately emphasized the entire principles of APLC, 19.6% strongly disagreed, 34.8% disagreed, 8.7% neither agreed nor disagreed, 23.9% agreed while 13.0% strongly agreed. The above was meant to establish whether or not training, examining and the curriculum adequately covered the principles of accounting for the effects of changing prices.

4.3.2 Method of Accounting as a Factor that Affects Use of APLC

When the study suggested to the respondents that current purchasing power, as a method of APLC was very practical, 13% strongly disagreed, 23.9% disagreed, 21.7 % neither agreed nor disagreed, 34.8 5% agreed and 6.5% strongly agreed. When it was suggested to them that current cost accounting as a method of APLC was very practical, 6.5% strongly disagreed, 15.2 % disagreed, 21.7% neither agreed nor disagreed, 52.2 % agreed and 4.3% strongly agreed. When it was suggested that a combination of current purchasing power and current cost accounting was a very helpful feature of APLC, 13.3%strongly disagreed, 31.1 % disagreed, 31.1 % neither agreed nor disagreed 24 % agreed and 0% strongly agreed. The other suggestion that was made to the respondents was that the net realizable value is a very practical method of accounting for the effects of price level changes, 2.2 % strongly disagreed, 6.5% disagreed, 28.5% neither agreed nor disagreed, 47.8 % agreed and 15.2 % strongly agreed. When it was suggested to the respondents that retail price index as a method of APLC is rated very highly, 2.2 % strongly disagreed, 19.65% disagreed, 28.3% neither agreed nor disagreed, 34.8 % agreed and 15.25% strongly agreed. The study found that when it was suggested to the respondents that a stable foreign currency was rated very high in APLC, 2.2 5% strongly disagreed, 10.9 % disagreed, 30.4 % neither agreed nor disagreed 39.1% agreed and 17.4% strongly agreed.

4.3.3. Factors That Contribute to Reluctance by Accountants to Use APLC

When the study suggested that inadequate training of accountants contributed to accountant's failure to use APLC, 6.9 % strongly disagreed, 19.6 % disagreed, 10.9 % neither agreed nor disagreed, 43.5 % agreed while 19.6 % strongly agreed When the study also suggested that lack of government guidelines contributed to accountant's failure to use APLC, 2.2% strongly disagreed, 13 % disagreed, and 10.9 % neither agreed nor disagreed, 47.8 % agreed while 26.1% strongly agreed.

The study also found that when it was suggested that lack of ICPAK guidelines contributed to accountants not using APLC, 6.5% strongly disagreed, 26.1 % disagreed, 15.2 % neither agreed nor disagreed, 32.6 % agreed while 19.6% strongly agreed. When the study suggested to the respondents that the complexity of the subject of APLC, 8.7 % strongly disagreed, 19.6 % disagreed, 13.0 % neither agreed nor disagreed, 41.3 % agreed while 17.4 % strongly agreed.

The study further suggested to the respondents that the lack of practical methods made the accountants ignore the provisions for APLC, none strongly disagreed, 17.4% disagreed, 15% neither disagreed nor agreed, 41.3% agreed, while 26.1% strongly agreed. On failure of accountants to reach a consensus being a factor that contributed to accountants not using APLC, 2.2 % strongly disagreed, 8.7% disagreed, 23.9 % neither agreed nor disagreed, 45.7 % agreed and 19.6 % strongly agreed.

A summary of the mean scores and their corresponding standard deviations of sections B, C and D are given below where strongly disagree was given a code of one, disagree was given a code of 2, neither agree nor disagree was given a code of 3, agree was given a code of 4 and strongly agree was given a code of 5. Mean scores for responses relating to the method of accounting for APLC as a factor in the use of accounting for the effects of price level changes

Table 4.3.a

Descriptive Statistics a

	N	Mean	Std. Deviation
Lack of knowledge of APLC among the consumers of the accounting reports	46	3.93	1.218
Lack of government guidelines	46	3.83	1.039
Lack of practical methods	46	3.76	1.037
Failure of accountants to reach a consensus on APLC	46	3.72	.958
Goverment insistence on the use of historical accounting methods in dealing with APLC	46	3.70	1.209
Inadequate training of accountants	46	3.50	1.206
Impracticabiliry of accounting standards on APLC	46	3.48	1.206
Complexity of acconting standards	46	3.43	1.128
Lack of sound theoretical and conceptual framework on which to base the accounting standards for APLC	46	3.41	1.359
Complexity of the subject	46	3.39	1.238
Lack of ICPAK guidelines	46	3.33	1.248
Valid N (listwise)	46		

Table 4.3.b

Descriptive Statistics b

	N	Mean	Std. Deviation
Facilitating comparability of financial reports in the face of changing prices	45	4.04	.706
Investment decisions	46	3.87	1.147
General business decision making	46	3.74	1.084
Creditors confidence	46	3.72	.958
Government policy enhancement	45	3.56	.990
Operatioanl decision	46	3.52	1.049
Segregation of investors actual wealth increase	46	3.48	1.110
Segregation of investors actual wealth loss	45	3.44	1.119
Determination of shareholders divided	46	3.39	1.183
Determination of proper taxation	46	3.24	1.353
Creation of a strong bargain background to attract employees	46	3.22	1.263
Valid N (listwise)	45		

Table 4.3.c

Descriptive Statistics c

	N	Mean	Std. Deviation
The net realizable value as advocated is very practical	46	3.67	.896
A combination of CCP and CCA is the most helpful feature in accounting for price level adjustment	45	3.67	1.000
A stable foreign currency is rated very high while preparing accounting statement of APLC	46	3.59	.979
Retail price index is rated very high while preparing accounting statement of APLC	46	3.41	1.045
Accounting for price level changes was covered in training curriculum	46	3.35	1.269
Current Cost Accounting (CCA) as a method of accounting for price level change is very practical	46	3.33	1.012
Accounting for price level changes topics were effectively covered during training	46	3.02	1.256
Current Purchasing Power (CCP) as a method of accounting for price level change is very practical	46	2.98	1.183
Your knowledge in accounting for price level changes as a professional is very adequate	46	2.83	1.235
The examiner adequately empasized the entire principles of accounting for price level changes	46	2.76	1.369
The problem of accounting for price level changes has been addressed adequately	45	2.16	.903
Valid N (listwise)	44		

On the reasons as to why APLC is not used in preparing financial statements the mean of means score was 3.5891. This means that the respondents generally agreed on the contribution of the factors as sighted. On the methods of APLC, the mean of means score was 3.1609 which indicates a general indecision on the part of respondents as to the appropriateness of the accounting methods. As regards usefulness of the information produced by APLC, the mean of means score was 3.5655. This means that the respondents were generally in agreement with the uses of APLC information

4.4 Tests of Hypotheses

4.4.1 The first null hypothesis of the study was that majority of firms account for the effects of price level changes at 95% level of confidence.

The respondents were asked to state whether the company had used accounting for the effects of price level changes since inception. The results were as illustrated below.

Table 4.4.1 a

Chi-square test table on use of APLC

	Observed N	Expected N	Residual
Yes	12	20.0	-8.0
No	28	20.0	8.0
Total	40		

Table 4.4.1 b

Test Statistics

	Since the establishment of this company has it ever used APLC in preparing financial reports
Chi-Square (a)	6.400
Degrees of freedom	1
Asymptotic. Sig.	.011

The minimum expected cell frequency is 20.0. According to the statistical findings there is no statistical evidence to support the hypothesis that majority of firms account for the effects of price level changes. This is in agreement with the findings of the international financial reporting committee that their reason for withdrawing financial reporting standard 15 was that it was not being used

Table 4.4.1 c

Important Factors Considered Mandatory for a Standard Dealing With APLC.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Economical	18	39.1	39.1	39.1
	Cost Effective	15	32.6	32.6	71.7
	Practicability	4	8.7	8.7	80.4
	Understandability	1	2.2	2.2	82.6
	Value addition	2	4.3	4.3	87.0
	Harmony with other accounting practice	2	4.3	4.3	91.3
	Acceptability	1	2.2	2.2	93.5
	Industry specific	2	4.3	4.3	97.8
	Geographical specific	1	2.2	2.2	100.0
	Total	46	100.0	100.0	

Chart 4.4.1

Factors that you would consider important in developing an APLC standard.

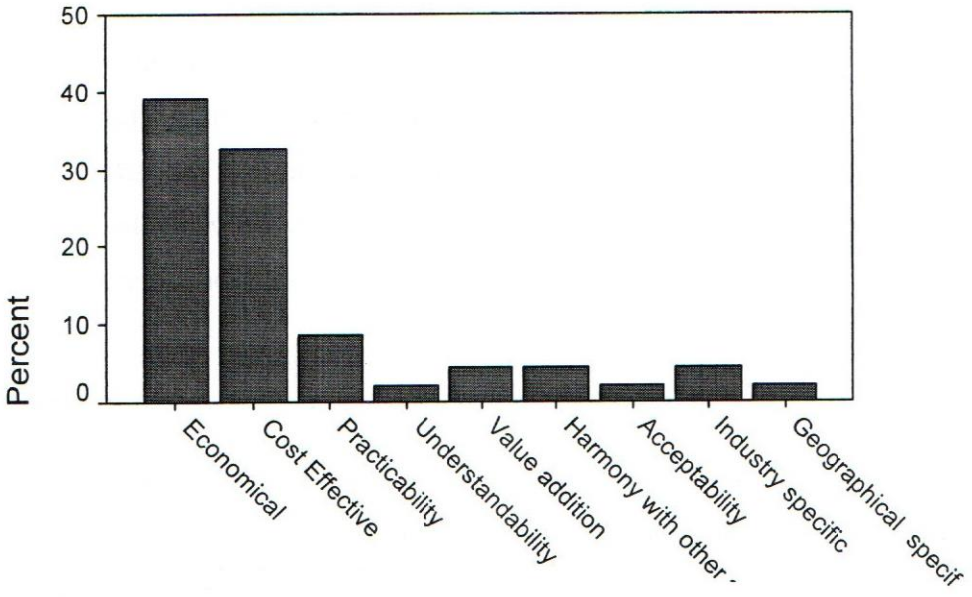


Table 4.4.2

Ranks

	Category of organization	N	Mean Rank	Sum of Ranks
Factors considered important in developing an APLC	Manufacturing	15	25.20	378.00
	Service	31	22.68	703.00
	Total	46		

Table 4.4.3

Test Statistics a

	Factors considered important in developing an APLC
Mann-Whitney U	207.000
Wilcoxon W	703.000
Z	-.599
Asymptotic. Sig. (2-tailed)	.549

A Grouping Variable: category of organization

4.4.2 The second null hypothesis was that all firms consider the same factors in deciding whether to apply APLC or not. The Mann-Whitney U test established that the factors considered important in developing an APLC standard for the manufacturing and the service sector were not significantly different at 95 percent

confidence level. Thus the null hypotheses can be accepted. This means that the same standard can be used by both manufacturing and service firms

4.4.3 Importance of APLC

The third hypothesis of this study was that accounting for the effects of price level changes has no perceived importance at 95% level of significance. When respondents were asked whether they considered APLC important their responses were as shown in the table below

Table 4.4.4 a

Averages for perceived importance

	Observed N	Expected N	Residual
Perceived not important	13	23.0	-10.0
Perceived important	33	23.0	10.0
Total	46		

Table 4.4.4 b

Test Statistics

	Average for perceived importance
Chi- square	8.696
Degrees of freedom	1
Asymptotic sig.	0.003

The chi-square test score of 8.696 would be significant up to 99.7 % level of confidence thus at 95 % level of confidence it is significant. This implies that those who said that APLC is important are significantly different from those who said that they do not consider APLC important. This is in agreement with the findings of international financial reporting standards committee who found that many chief executive officers of the major companies in Britain considered APLC important.

4.5 Factor Analysis

4.5.1 Identifying the Factors Affecting the Use of APLC

One of the objectives of this study was to identify the factors that determine whether accountants will or will not use accounting for the effects of changing prices. To achieve this, a factor analysis was carried out and the following table of eigen-values obtained.

Table 4.5.1

Total Variance Explained

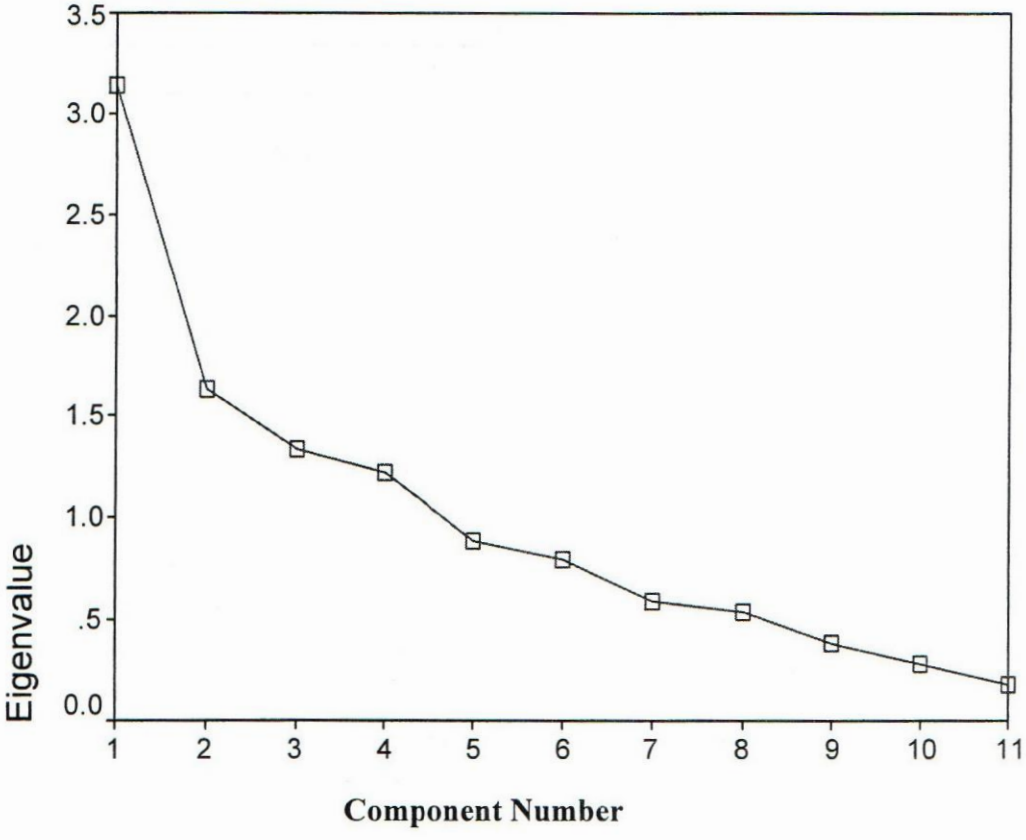
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.14	28.50	28.504	3.14	28.50	28.504	2.22	20.17	20.173
2	1.63	14.86	43.367	1.63	14.86	43.367	2.13	19.37	39.544
3	1.34	12.21	55.573	1.34	12.21	55.573	1.65	14.97	54.515
4	1.22	11.13	66.699	1.22	11.13	66.699	1.34	12.18	66.699
5	.888	8.068	74.768						
6	.801	7.280	82.047						
7	.590	5.365	87.412						
8	.542	4.928	92.340						
9	.383	3.481	95.821						
10	.277	2.522	98.342						
11	.182	1.658	100.000						

Extraction Method: Principal Component Analysis.

From this analysis, it can be seen that four factors account for about 66.699 % of the explained variance. According to this analysis, four factors effectively represent the factors that determine whether an accountant will use APLC. The Eigen-values were used to produce a scree plot as illustrated below.

Graph 4.5.1

Scree Plot



The total variance explained indicates the amount of variation that each of the factors account for. A 50% and more cumulative explained variance for the extracted factors is an indicator that the extracted factors do a good job at capturing the latent meanings of the other factors. A number of methods are available for determining the number of factors to extract e.g. Kaiser Guttman rule, percentage of variance and the elbow rule. The elbow rule is how ever the most commonly used. In this rule, factors above the elbow of the scree plot are extracted. Where elbow is not clear, Eigen values (variances) of 1 and above are extracted. According to the scree plot, the elbow does not come out clearly, Eigen values were used to extract the factors that determine whether an accountant will use APLC.

Table 4.5.2

Component Matrix (a)

	Component			
	1	2	3	4
Inadequate training of accountants	.512			
Lack of government guidelines	.628			
Lack of ICPAK guidelines	.742			
Complexity of the subject				.624
Lack of practical methods	.642			
Failure of accountants to reach a consensus on APLC	.727			
Complexity of accenting standards	.732			
Impracticability of accounting standards on APLC		.652		
Government insistence on the use of historical accounting methods in dealing with APLC				
Lack of knowledge of APLC among the consumers of the accounting reports		.652	.504	
Lack of sound theoretical and conceptual framework on which to base the accounting standards for APLC		.677		

Extraction Method: Principal Component Analysis 4 components extracted

Table 4.5.3
Rotated Component Matrix a

	Component			
	1	2	3	4
Inadequate training of accountants			.745	
Lack of government guidelines	.873			
Lack of ICPAK guidelines	.740			
Complexity of the subject			.763	
Lack of practical methods		.548		
Failure of accountants to reach a consensus	.566			
Complexity of accenting standards			.811	
Impracticability of accounting standards on APLC		.758		
Government insistence on of historical accounting	.708			
Consumer ignorance on APLC				.841
Lack of theoretical and conceptual framework		.875		

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. A Rotation converged in 6 iterations. The component matrix shows the correlations that each of the latent factors (components) has with each of the factors intended for data reduction. The component matrix is rotated at 90% (varimax) to help in delineating and interpretation of the factors. The delineation of factors (components) from a component matrix is a subjective exercise. The suggested factors for component 1 to 4 respectively are; Lack of guidelines on how to deal with APLC, Lack of feasible methods for APLC, Ignorance or lack of proper training, Ignorance on the part of consumers on the importance of APLC

CHAPTER 5: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS.

5.1 Summary of findings and conclusions

5.1.1 Factors that Determine Use of APLC

The first objective of this study was to identify the factors that affect the use of accounting for the effects of price level changes in the manufacturing and service sectors by identifying possible factors and through factor analysis, isolate the crucial factors. The research identified the following as factors likely to affect the use of accounting for the effects of price level changes; inadequate address of the problem, failure of the accounting curriculum to address the problem, inadequate coverage of the topical area in the training of accountants, inadequate knowledge on APLC by accountants, failure by examiners to emphasize on the area of APLC lack of an appropriate accounting method for APLC that addresses the question of cost, benefit and convenience. When these factors were subjected to factor analysis, the scree- plot produced an arm whose shoulder was not well defined and as such could not be used to identify the important factors from the list of factors. When the factors were subjected to principle component factor analysis, four factors were found to account for more than 67% of the explained variation. The factors were further subjected to principle component analysis, rotation method. Varimax with Kaiser normalization. A rotation converged in six iterations. The rotation gave the correlation that each of the latent factors (components) had with each of the factors intended for data reduction. The component matrix was rotated at 90% (varimax) to help in delineating and interpretation of the factors. This method suggested four factors, which were, lack of guidelines on how to deal with APLC, lack of feasible methods for APLC, ignorance or lack of proper training and ignorance on the part of consumers. The above factors can be used to explain why accountants do not use APLC

5. 1. 2. Rate of Inflation and the Number of Companies that Use APLC in a given year

This study also set out to find out the relationship that exists between the number of companies that use APLC in a given year and the rate of inflation

prevailing in the year. The study found that there was no relationship between the number of companies that use APLC in a given year and the prevailing rate of inflation. This contradicts general expectation where it would be expected that the number of companies using APLC would increase with increase in inflation rate. However this is in agreement with the findings of this study that firms do not use APLC in preparing their financial statements

5. 1. 3 Use of APLC by Firms

The study also found that firms generally do not use APLC. This is in agreement with the findings of international financial reporting standards committee that the standard for accounting for the effects of price level changes was redundant since accountants were not using it. These findings led to the withdrawal of the standard.

5. 1. 4 Perceived importance of APLC by Firms

The other objective of the study was to find out the perceived importance of APLC. The study found that accountants consider APLC to be important. This is in agreement with the findings of international financial reporting standards committee, which found that the top executives from major companies in Britain were of the view that APLC is very important.

5. 1. 5 Important Factors for a Standard dealing in APLC

It was also the intention of this study to find out whether accountants in different industries viewed APLC differently. This study found that there was no significant difference in the view held by people in the manufacturing industry and those in the service sector. Both viewed APLC as important and useful in preparing financial reports. The study did not find any significant difference in the ranking of factors considered important for a standard dealing with APLC by accountants in the manufacturing and service sectors. This study did not find any evidence to support the need for different APLC standard s for the manufacturing and the service sector. The study established that the factors considered important in developing a standard dealing with APLC by both the manufacturing and

service providing firms were not significantly different at 95 % level of confidence. From this it can be concluded that there is no need for developing different standards for manufacturing and service providing firms. This emerged from the Mann-Whitney-U test, which established that there is no significant difference between the factors, considered important in developing an APLC standard in manufacturing and service industries. From this it can be concluded that, both manufacturing and service provision sectors of our economy can be served adequately by the same APLC standard

5.2. Recommendations.

5.2.1. Sensitization of Users of Financial reports

The stakeholders should in conjunction with the government and ICPAK work out an understanding on how to sort out the problem of APLC by sensitizing the users of financial reports through exposure drafts or discussion papers. Enough time should be given to all interested parties. Symposiums, conferences and open forums can also be used. One of the findings of this study was that consumers of financial information are ignorant of APLC. The researcher would recommend that, in making their financial reports, companies be made to incorporate an explanation of APLC and its effects on the usefulness of the report. The element of inflation and its economic effects on people should be introduced at secondary school level to equip people generally with knowledge on what is inflation and what its effects are on the people themselves.

.5.2. 2. Taxation and the Historical based Accounting

The government should critically look into the problem of basing taxes on historical basis of accounting especially during period of high inflation, as this can easily lead to organizations paying taxes out of their capital rather than from their operating profits

5.2 3. Legislation on APLC

During periods of high inflation, organizations should be encouraged to use APLC through legislation to avoid declaration of profits which may not be profits

per say but gains due to inflation and auditors should not declare such reports as reflecting a true and fair view of the state of affairs in relation to the organization

5. 2. 4 Need for an APLC Standard

A standard should be developed to address the problem of APLC. It should be both practical and economical. The standard should be generally acceptable by all interested parties. An effort should be initiated to educate consumers of financial information on the implications of APLC.

5. 2. 5. Need for a New Curriculum

The government and KASNEB should develop a curriculum that addresses the issue of APLC at an early stage in the teaching of accounts to avoid having accountants who are not aware of APLC.

5.3 Suggestion for Further Research.

5.3.0 Introduction.

The objectives of this study were, to identify the factors that affect use of APLC, to establish the reasons why accountants were reluctant to use APLC, to establish the relation that exist between rate of inflation and number of companies that use APLC, and to identify the perceived importance of APLC. Due to the limitations imposed on this study by its identified objectives, some areas that are relevant to this study were not covered and are suggested for further study.

5. 3.1 Why is the Government Reluctant to Embrace APLC?

Further study could be done to establish why the government is reluctant to embrace APLC. Despite the importance attached to it by other stakeholders.

5. 3. 2. Dividend Pay Out and APLC

The other area that could be studied further is the implication of failure to apply APLC during periods of high inflation. This could be done by, selecting organizations and converting their historical-based financial reports to APLC based financial reports and by expressing dividend payout as a percentage of the profits, compares the results under the two methods

5. 3. 3. Reasons why Many Companies Went Under in the Nineties

Another area that a study could be carried out is an investigation as to the causes of mass failure of enterprises in Kenya in the nineties and established whether if they had used APLC prior to their demise the public would have been warned before the companies went under.

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APPENDICES

APPENDIX ONE

Questionnaire

Introduction

The researcher is a student of Egerton University, carrying out a research in partial fulfillment of the requirement for the award of a master of business administration degree of Egerton University. The researcher would like to assure the respondents that the information gathered in this questionnaire would not be used for any other purpose without the express permission of the provider.

Instructions

In the whole of this questionnaire, please use a tick to indicate your preferred response.

Section A: Respondents' Personal Characteristics and General Information

1. Date of interview: ..... Case No:.....
2. Age of respondent in years:

   Below 20 ☐ 21-30 ☐ 31-40 ☐ 41-50 ☐ above 50 ☐
3. (a) Highest educational level:

   Primary ☐ Secondary ☐ College ☐ University ☐

   (b) What is your highest professional qualification

   KATC ☐ CPA ☐ ACCA ☐ BCOM ☐

   (c) Please indicate your years of experience as an accountant _____.
4. Which of the following would be your method of arriving at accounting for price level changes

   CPP ☐ CCA ☐ both the methods (CPP&CCA) ☐
5. Since the establishment of this company has it ever used accounting for price level changes in preparing financial reports? (1) Yes ☐ (2) No ☐
6. If yes, specify the years APLC was used since 1990 _____.
7. If no, what were the reasons _____?
8. What are the factors that you would consider mandatory for a standard dealing with APLC. _____.
9. According to you, what were the factors that made accountants to ignore IFRS 15 _____.

Section B: Factors that Affect Use or Failure to Use Accounting for Price Level Changes

Questionnaire

The following statements concern the factors affecting accounting for price level changes. Please give the answer indicating your level of agreement. SD =Strongly Disagree=1, D=Disagree= 2, NAD=neither agree nor Disagree= 3, A=Agree= 4, SA= Strongly agree= 5.

Accounting for price level changes factors		**Knowledge Level**				
		SD	D	NAD	A	SA
1	The problem of accounting for price level changes has been addressed adequately.					
2	Accounting for price level changes was covered in the training curriculum.					
3	Accounting for price level changes topics were effectively covered during training.					
4	Your knowledge in accounting for price level changes as a professional is very adequate					
5	The examiner adequately emphasized the entire principles of accounting for price level changes.					
6	Current Purchasing Power (CPP) as a method of accounting for price level change is very practical.					
7	Current Cost Accounting (CCA) as a method of accounting for price level change is very practical.					
8	A combination of CPP and CCA is the most helpful feature in accounting for price level adjustment.					
9	The net realizable value as advocated is very practical.					
10	Retail price index is rated very high while preparing accounting statement of APLC.					
11	A stable foreign currency is rated very high while preparing accounting statement of APLC.					

Section C. Problems in Using Accounting for Price Level Change

The following statements concern the problems faced in using accounting for price level change. Indicate which factors affect the principle. Please give the answer indicating your level of agreement. SD=Strongly Disagree=1, D=Disagree= 2, NAD=neither agree nor Disagree= 3, A=Agree= 4, SA=Strongly agree=5.

Factors Affecting APLC Level	**Knowledge**				
		SD	D	NAD	A	SA
1	Inadequate training of accountants.					
2	Lack of government guideline.					
3	Lack of ICPAK guidelines.					
4	Complexity of the subject.					
5	Lack of practical methods.					
6	Failure of accountants to reach a consensus on APLC.					
7	Complexity of accounting standards.					
8	Impracticability of accounting standards on APLC.					
9	Government insistence on the use of historical accounting methods in dealing with APLC.					
10	Lack of knowledge of APLC among the consumers of the accounting reports.					
11	Lack of sound theoretical and conceptual framework on which to base the accounting standards for APLC.					

Section D: Importance of Accounting for Price Level Change

The following statements concern the importance of accounting for price level change. Please give the answer indicating your level of agreement. SD =Strongly Disagree= 1, D=Disagree= 2, NAD=neither agree nor Disagree= 3, A=Agree= 4, SA=Strongly agree= 5.

Accounting for price level changes is important in.

Importance of APLC		**Importance level**				
		SD	D	NAD	A	SA
1	Investment decisions.					
2	Creditors confidence					
3	**General business decision-making.**					
4	Determination of proper taxation.					
5	Determination of shareholders dividend.					
6	Creation of a strong bargaining background to attract employees.					
7	Government policy enhancement.					
8	Facilitating comparability of financial reports in the face of changing prices.					
9	Operational decision.					
10	Segregation of investors actual wealth increase.					
11	Segregation of investor's actual wealth loss.					

APPENDIX TWO

Descriptive Statistics and Factor Analysis

General Information on Respondents

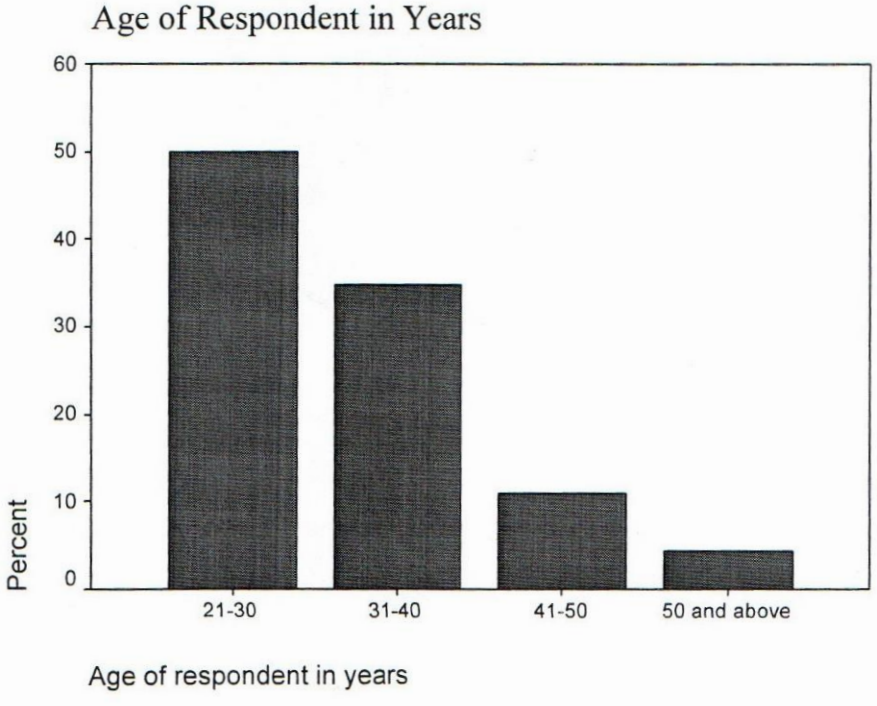
Statistics

Highest education level

N	**Valid**	**46**
	Missing	**0**
Mean		**2.70**

Age of respondent in years

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	21-30	23	50.0	50.0	50.0
	31-40	16	34.8	34.8	84.8
	41-50	5	10.9	10.9	95.7
	50 and above	2	4.3	4.3	100.0
	Total	46	100.0	100.0	



Statistics

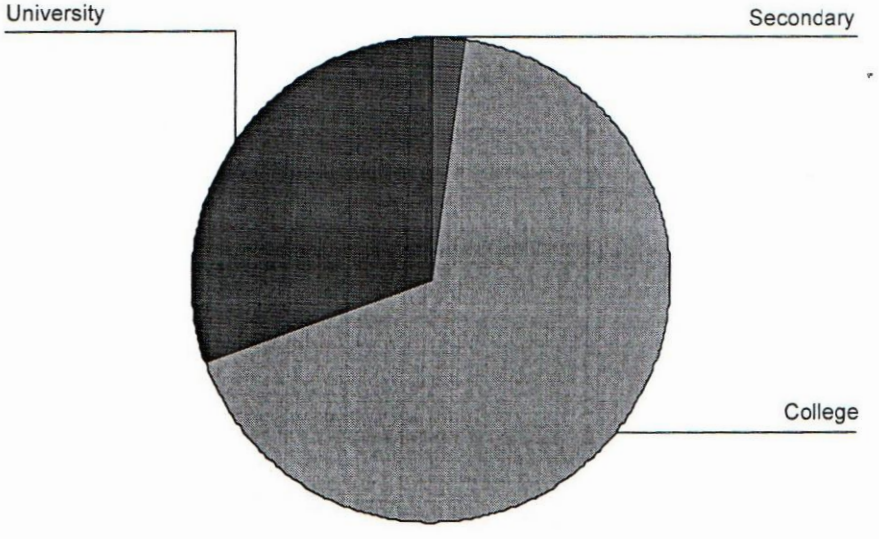
Highest education level

N	**Valid**	**46**
	Missing	**0**
Mean		**3.28**

Higest educational level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Secondary	1	2.2	2.2	2.2
	College	31	67.4	67.4	69.6
	University	14	30.4	30.4	100.0
	Total	46	100.0	100.0	

Higest educational level



Statistics

What is your highest professional qualification

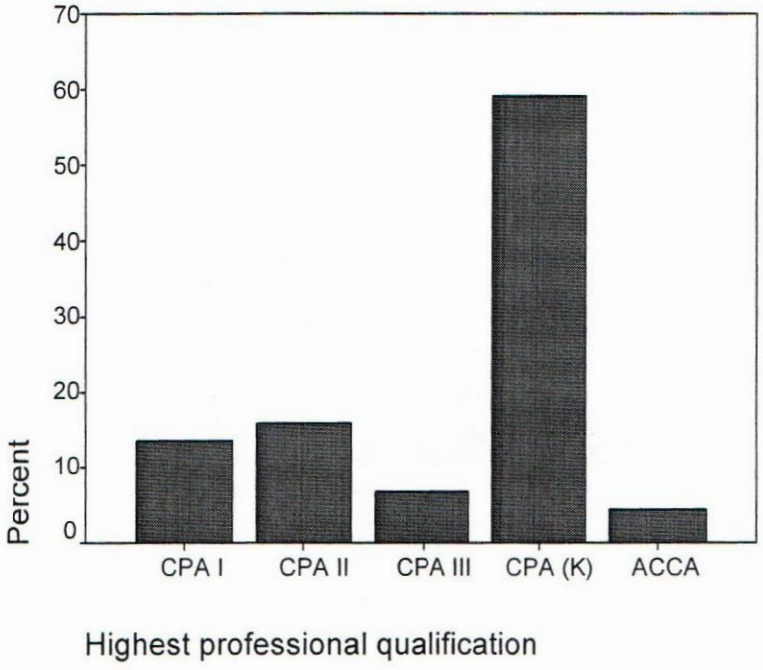
N	Valid	44
	Missing	2
Mean		3.25

What is your highest professional qualification

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	CPA I	6	13.0	13.6	13.6
	CPA II	7	15.2	15.9	29.5
	CPA III	3	6.5	6.8	36.4
	CPA (K)	26	56.5	59.1	95.5
	ACCA	2	4.3	4.5	100.0
	Total	44	95.7	100.0	
Missing	System	2	4.3		
Total		46	100.0		

Highest Professional Qualification

Bar Chart



Statistics

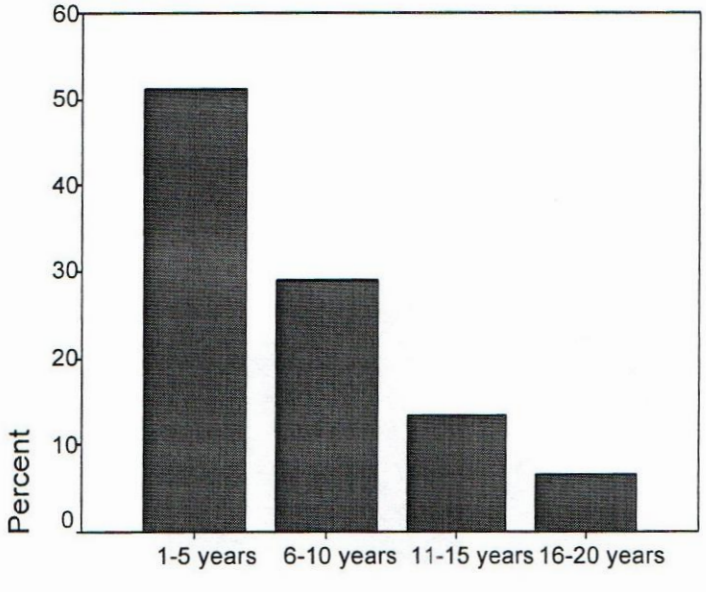
Indicate your number of years of experience as an accountant.

N	**Valid**	**45**
	Missing	**1**
Mean		**1.76**

Indicate your number of years of experience as an accountant

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-5 years	23	50.0	51.1	51.1
	6-10 years	13	28.3	28.9	80.0
	11-15 years	6	13.0	13.3	93.3
	16-20 years	3	6.5	6.7	100.0
	Total	45	97.8	100.0	
Missing	System	1	2.2		
Total		46	100.0		

Bar chart of years experience as an accountant.



Statistics

Which of the following would be your method of arriving at accounting for

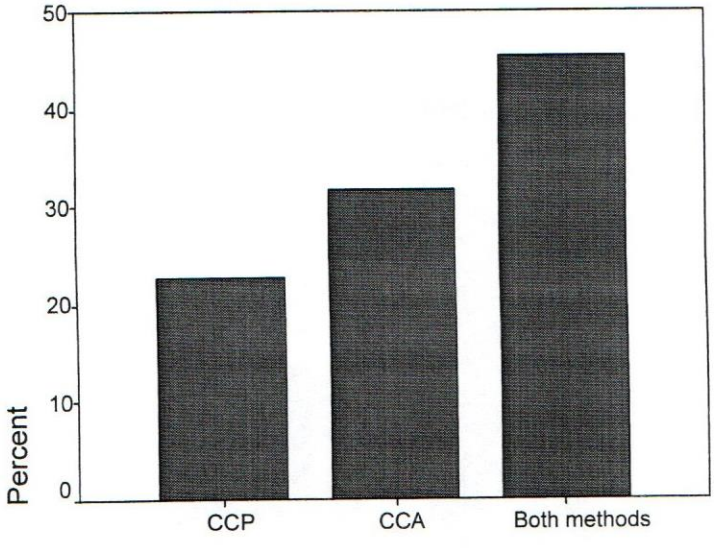
a price level changes.

N	**Valid**	**44**
	Missing	**2**
Mean		**2.23**

Which of the following would be your method of APLC.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	CCP	10	21.7	22.7	22.7
	CCA	14	30.4	31.8	54.5
	Both methods	20	43.5	45.5	100.0
	Total	44	95.7	100.0	
Missing	System	2	4.3		
Total		46	100.0		

Bar chart of preferred method of APLC



preffered method of APLC

Statistics

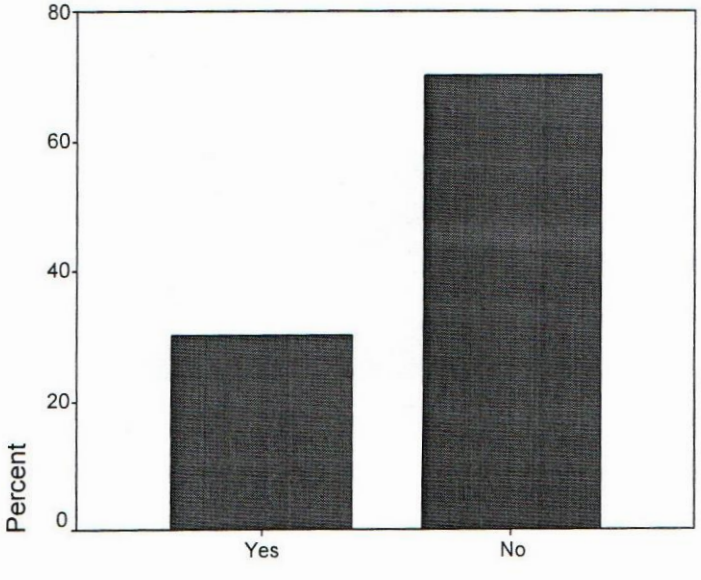
Since the establishment of this company has it ever used accounting for price level changes in preparing financial reports.

N	**Valid**	**40**
	Missing	**6**
Mean		**1.70**

Since the Establishment of this Company Has it Ever Used APLC in preparing Financial Reports

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	12	26.1	30.0	30.0
	No	28	60.9	70.0	100.0
	Total	40	87.0	100.0	
Missing	System	6	13.0		
Total		46	100.0		

Use of APLC by Companies Since Inception



Has the company ever used APLC

Statistics

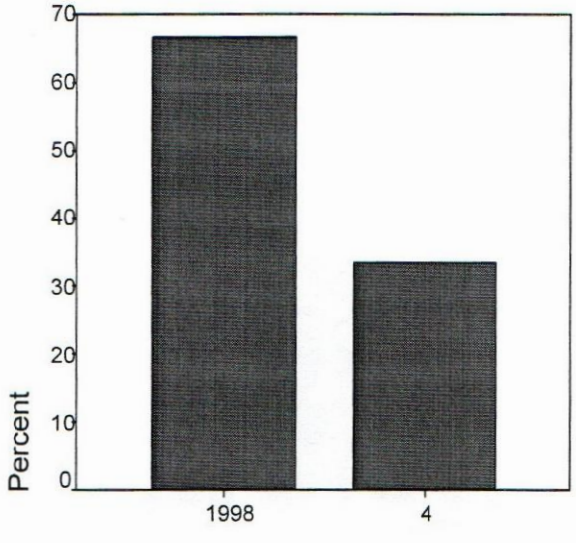
If yes, what were the reasons.

N	**Valid**	**10**
	Missing	**36**
Mean		**2.60**

If yes specify the years accounting for the effects of changing prices was used since 1990

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1998	2	4.3	66.7	66.7
	4	1	2.2	33.3	100.0
	Total	3	6.5	100.0	
Missing	System	43	93.5		
Total		46	100.0		

Specific years in which APLC was used.



Statistics

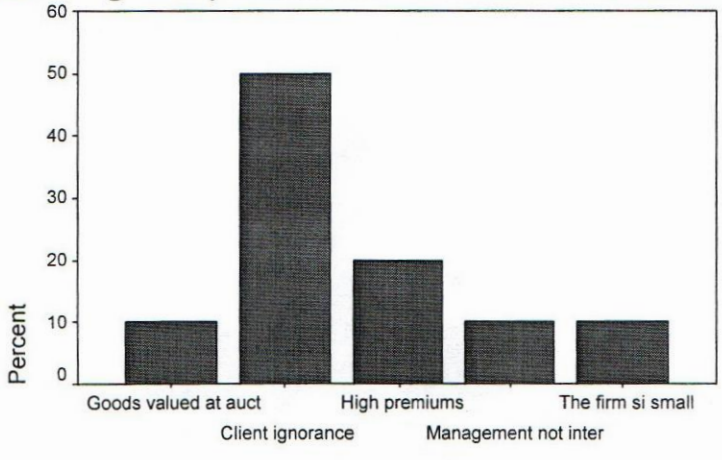
If no, what were the reasons.

N	**Valid**	**10**
	Missing	**36**
Mean		**2.60**

Reasons Why APLC Was Not Used

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Goods valued at auction prices	1	2.2	10.0	10.0
	Client ignorance	5	10.9	50.0	60.0
	High premiums	2	4.3	20.0	80.0
	Management not interested	1	2.2	10.0	90.0
	The firm si small	1	2.2	10.0	100.0
	Total	10	21.7	100.0	
Missing	System	36	78.3		
Total		46	100.0		

Reasons sighted by Accountants for failure to use APLC



Statistics

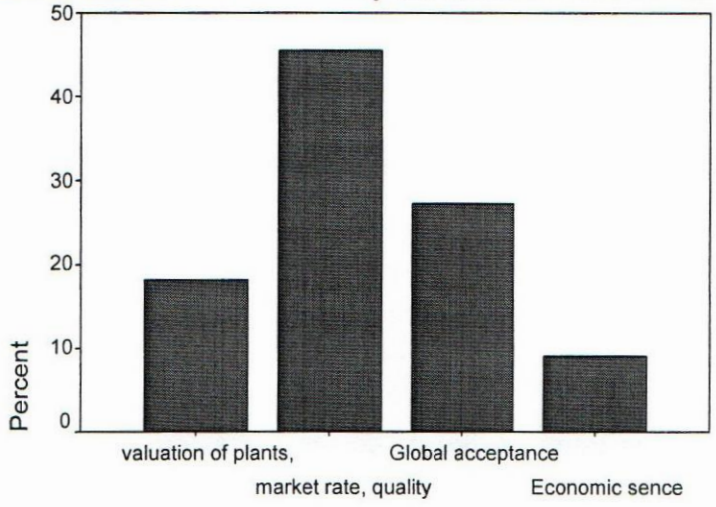
What are the four most important factors that you would consider mandatory for a standard dealing with accounting for the effects of changing prices

N	**Valid**	**11**
	Missing	**35**
Mean		**2.27**

Factors Considered Mandatory by Accountants For an APLC Syandard

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	valuation of plants, stems, work in progress	2	4.3	18.2	18.2
	market rate, quality of goods, availability of goods, raw ma	5	10.9	45.5	63.6
	Global acceptance	3	6.5	27.3	90.9
	Economic sence	1	2.2	9.1	100.0
	Total	11	23.9	100.0	
Missing	System	35	76.1		
Total		46	100.0		

Factors considered mandatory for an APLC standard.



Mandatory Factors For An APLC Standard

Factors Affecting application of APLC.

Statistics

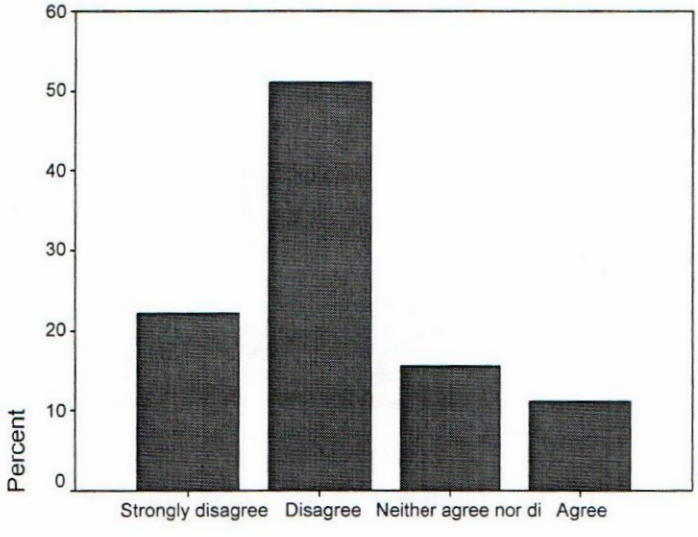
The problems of accounting for price level changes has been addressed adequately.

N	**Valid**	**45**
Mean	**Missing**	**1**
		2.16

The problem of accounting for price level changes has been addressed adequately

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	10	21.7	22.2	22.2
	Disagree	23	50.0	51.1	73.3
	Neither agree nor disagree	7	15.2	15.6	88.9
	Agree	5	10.9	11.1	100.0
	Total	45	97.8	100.0	
Missing	System	1	2.2		
Total		46	100.0		

Bar Chart Showing Level of Agreement



The Problem of APLC Has been addressed adequatley

Statistics

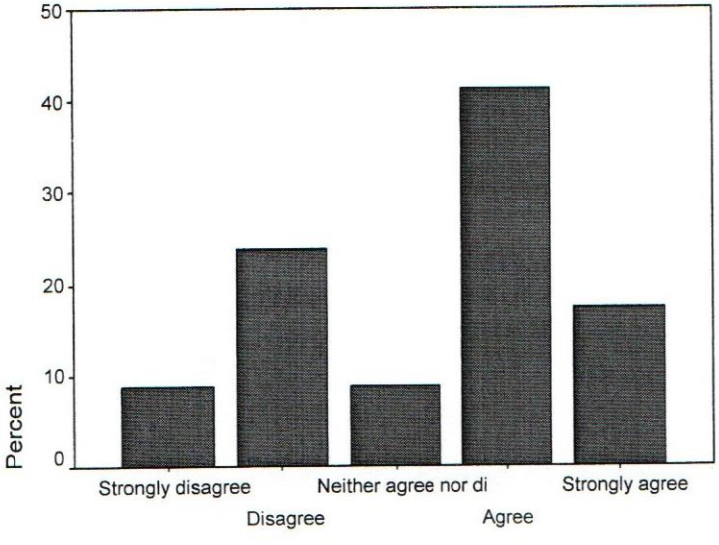
Accounting for price level changes was covered in training curriculum.

N	**Valid**	**46**
	Missing	**0**
Mean		**3.3478**

Accounting for price level changes was covered in training curriculum

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	4	8.7	8.7	8.7
	Disagree	11	23.9	23.9	32.6
	Neither agree nor disagree	4	8.7	8.7	41.3
	Agree	19	41.3	41.3	82.6
	Strongly agree	8	17.4	17.4	100.0
	Total	46	100.0	100.0	

Coverage of APLC in the Training Curriculum



APLC was Well Covered In Training Curriculum

Statistics

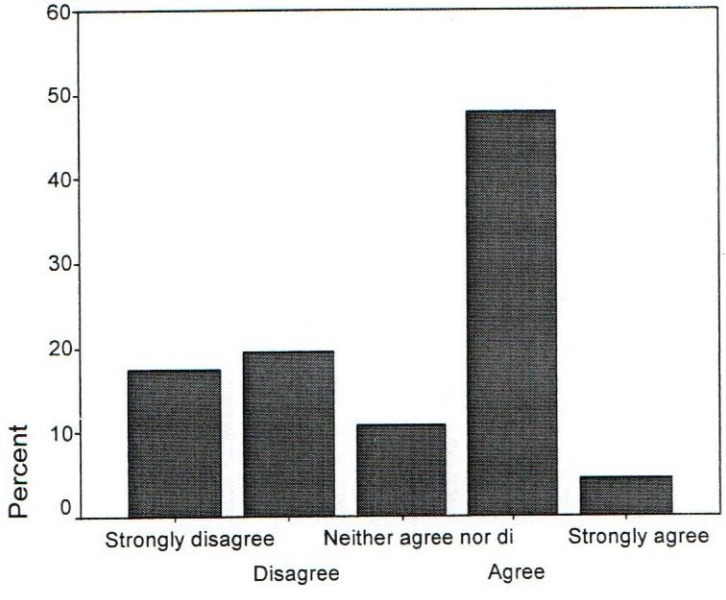
Accounting for price level changes topics were effectively covered during training.

N	**Valid**	**46**
	Missing	**0**
Mean		**3.02**

Accounting for price level changes topics were effectively covered during training

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	8	17.4	17.4	17.4
	Disagree	9	19.6	19.6	37.0
	Neither agree nor disagree	5	10.9	10.9	47.8
	Agree	22	47.8	47.8	95.7
	Strongly agree	2	4.3	4.3	100.0
	Total	46	100.0	100.0	

Coverage of Topics in APLC, in the Training programme was well covered.



APLC topics were effectively covered during training

Statistics

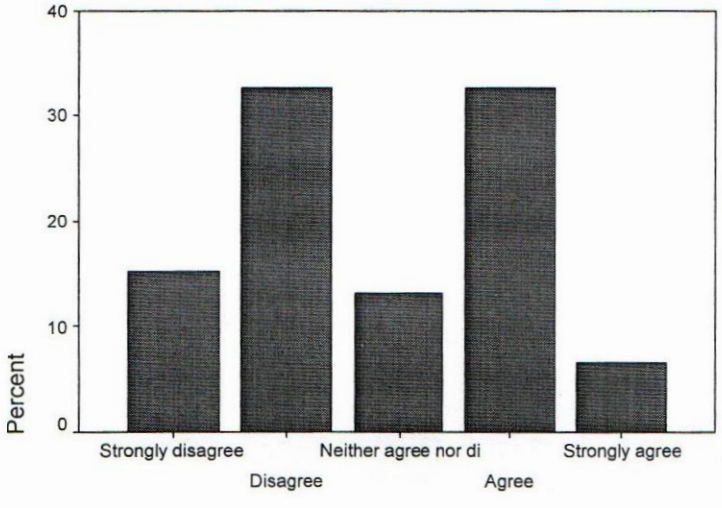
Your knowledge in accounting for price level changes as a professional is very adequate.

N	**Valid**	**46**
	Missing	**0**
Mean		**2.83**

Your knowledge in accounting for price level changes as a professional is very adequate

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	7	15.2	15.2	15.2
	Disagree	15	32.6	32.6	47.8
	Neither agree nor disagree	6	13.0	13.0	60.9
	Agree	15	32.6	32.6	93.5
	Strongly agree	3	6.5	6.5	100.0
	Total	46	100.0	100.0	

Adequacy of Professional Knowledge on APLC.



Your knowledge on APLC as a professional Is Very Adequate

Statistics

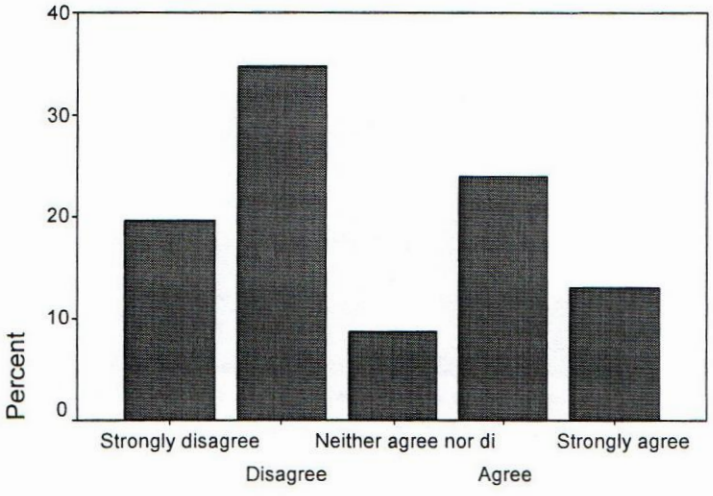
The examiner adequately emphasized the entire principle of accounting for price level changes.

N	**Valid**	**46**
	Missing	**0**
Mean		**2.76**

The examiner adequately empasized the entire principles of accounting for price level changes

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	9	19.6	19.6	19.6
	Disagree	16	34.8	34.8	54.3
	Neither agree nor disagree	4	8.7	8.7	63.0
	Agree	11	23.9	23.9	87.0
	Strongly agree	6	13.0	13.0	100.0
	Total	46	100.0	100.0	

Adequacy of Emphasis by the Examiners on the Principles of APLC



The examiner adequately empasized the entire principles

Statistics

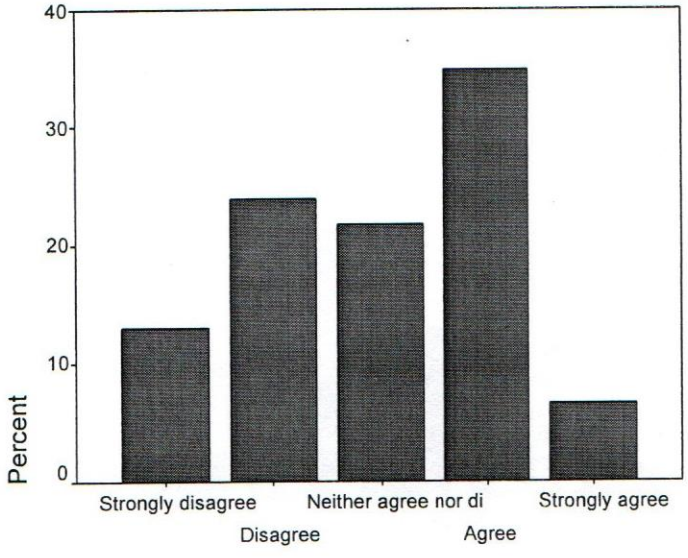
Current Purchasing Power (CCP) as a method of accounting for price level change is very practical.

N	**Valid**	**46**
	Missing	**0**
Mean		**2.98**

Current Purchasing Power (CCP) as a method of accounting for price level change is very practical

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	6	13.0	13.0	13.0
	Disagree	11	23.9	23.9	37.0
	Neither agree nor disagree	10	21.7	21.7	58.7
	Agree	16	34.8	34.8	93.5
	Strongly agree	3	6.5	6.5	100.0
	Total	46	100.0	100.0	

Practicability of CCP as a Method of APLC



CPP As a method of APLC Is very adequate

Statistics

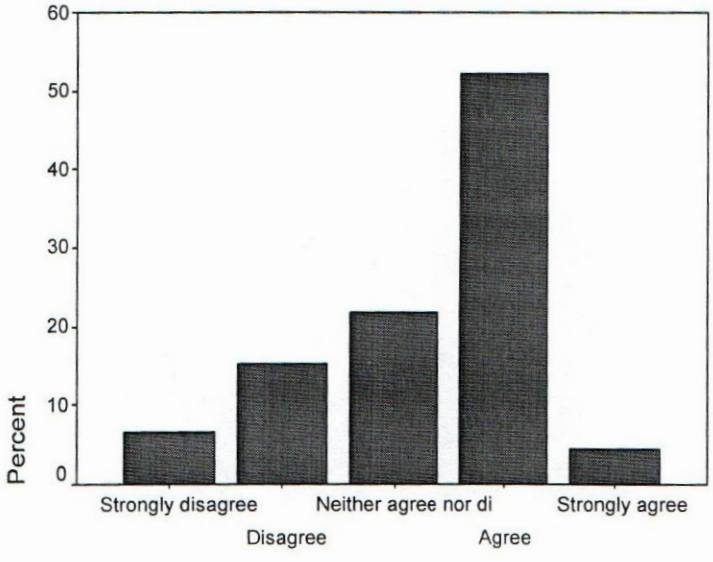
Current Costing Accounting (CCA) as a method of accounting for price level change is very practical.

N	**Valid**	**46**
	Missing	**0**
Mean		**3.33**

Current Cost Accounting (CCA) as a method of accounting for price level change is very practical

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	3	6.5	6.5	6.5
	Disagree	7	15.2	15.2	21.7
	Neither agree nor disagree	10	21.7	21.7	43.5
	Agree	24	52.2	52.2	95.7
	Strongly agree	2	4.3	4.3	100.0
	Total	46	100.0	100.0	

Practicability of CCA as a Method of APLC



CCAas a method of APLC is veery adequate

Statistics

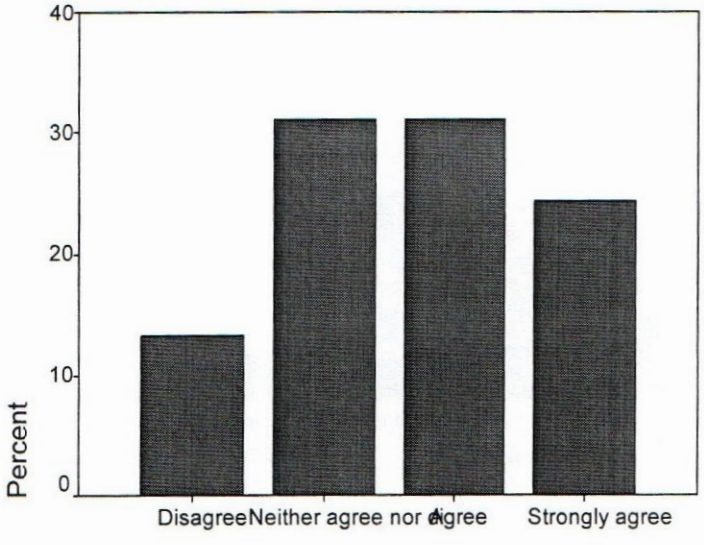
Accounting of CCP and CCA is is most helpful feature in accounting for price level adjustment.

N	**Valid**	**45**
	Missing	**0**
Mean		**3.67**

A combination of CCP and CCA is the most helpful feature in accounting for price level adjustment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	6	13.0	13.3	13.3
	Neither agree nor disagree	14	30.4	31.1	44.4
	Agree	14	30.4	31.1	75.6
	Strongly agree	11	23.9	24.4	100.0
	Total	45	97.8	100.0	
Missing	System	1	2.2		
Total		46	100.0		

Practicability of a Combination of CPP and CCA as a Method of APLC.



A combination of CPP and CCA is very effective

Statistics

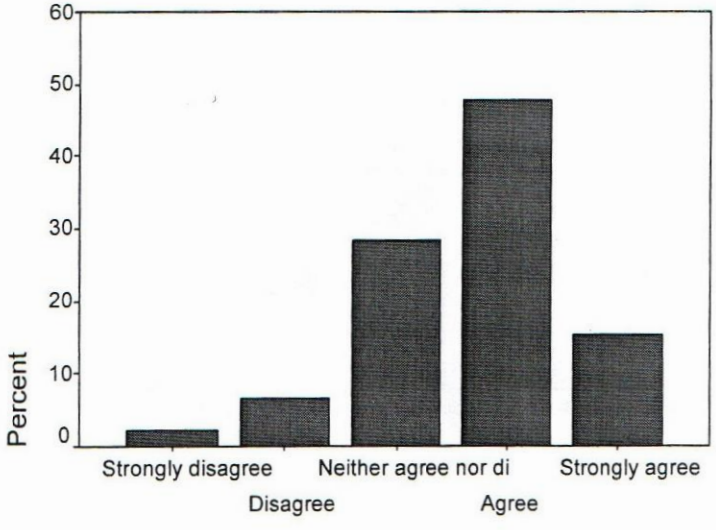
The net realizable value as advocated is very practical.

N	**Valid**	**46**
	Missing	**0**
Mean		**3.67**

The net realizable value as advocated is very practical

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	2.2	2.2	2.2
	Disagree	3	6.5	6.5	8.7
	Neither agree nor disagree	13	28.3	28.3	37.0
	Agree	22	47.8	47.8	84.8
	Strongly agree	7	15.2	15.2	100.0
	Total	46	100.0	100.0	

Practicability of the Net Realisable Value as a Method of APLC



The net realizable value is very practical

Statistics

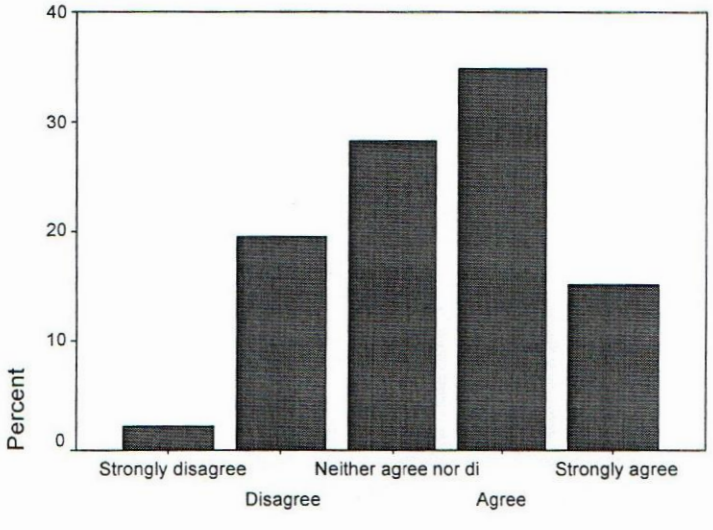
Retail price index is rated very high while preparing accounting statement of APLC.

N	**Valid**	**46**
	Missing	**0**
Mean		**3.41**

Retail price index is rated very high while preparing accounting statement of APLC

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	2.2	2.2	2.2
	Disagree	9	19.6	19.6	21.7
	Neither agree nor disagree	13	28.3	28.3	50.0
	Agree	16	34.8	34.8	84.8
	Strongly agree	7	15.2	15.2	100.0
	Total	46	100.0	100.0	

High Rating of RPI as a Method of APLC



RPI is rated highly APLC.

Statistics

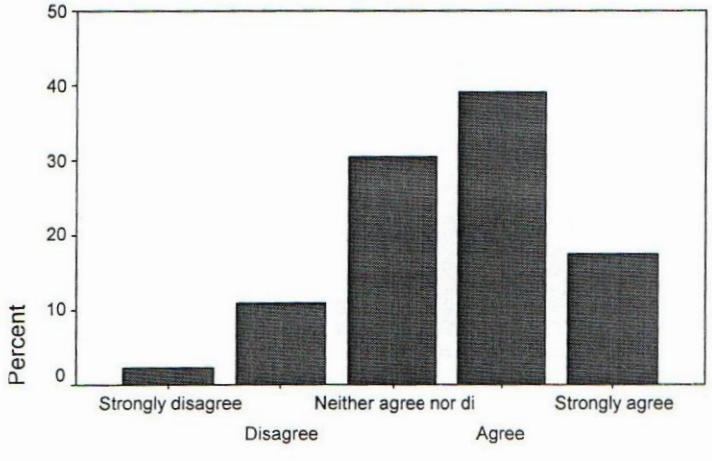
A stable foreign currency is rated very high while preparing accounting statement of APLC.

N	**Valid**	**46**
	Missing	**0**
Mean		**3.59**

A stable foreign currency is rated very high while preparing accounting statement of APLC

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	2.2	2.2	2.2
	Disagree	5	10.9	10.9	13.0
	Neither agree nor disagree	14	30.4	30.4	43.5
	Agree	18	39.1	39.1	82.6
	Strongly agree	8	17.4	17.4	100.0
	Total	46	100.0	100.0	

High rating of a Stable Foreign Currency in APLC.



A stable foreign currency Is rated highly in APLC

Problems in Using APLC

Statistics

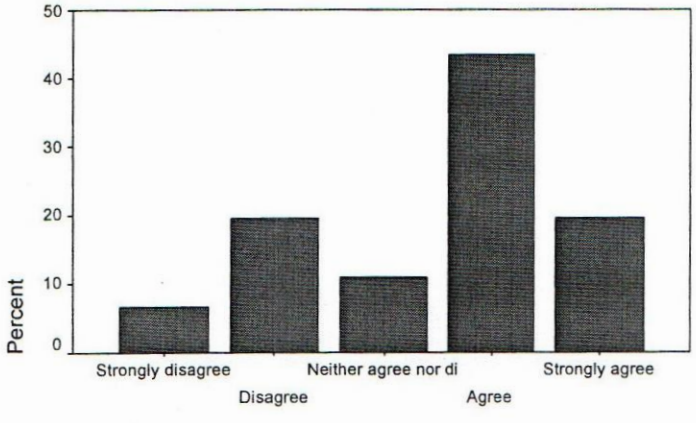
Inadequate training of accountants.

N	**Valid**	**46**
	Missing	**0**
Mean		**3.50**

Inadequate training of accountants

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	3	6.5	6.5	6.5
	Disagree	9	19.6	19.6	26.1
	Neither agree nor disagree	5	10.9	10.9	37.0
	Agree	20	43.5	43.5	80.4
	Strongly agree	9	19.6	19.6	100.0
	Total	46	100.0	100.0	

Inadequate training of Accountants as a cause of failure to apply APLC.



Inadequate training of accountants

Statistics

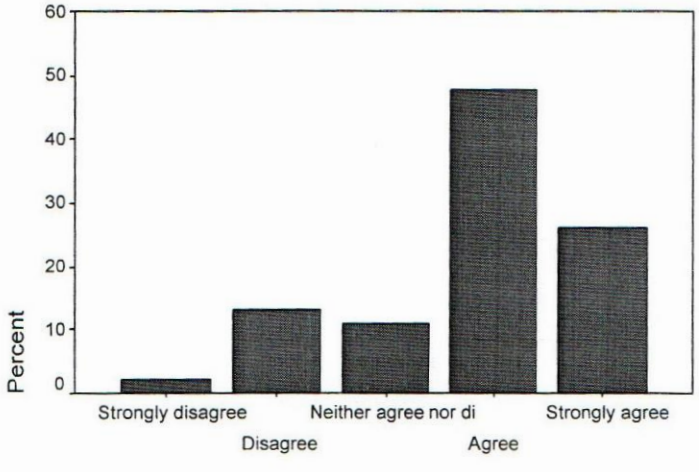
Lack of government guidelines.

N	**Valid**	**46**
	Missing	**0**
Mean		**3.83**

Lack of government guidelines

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	2.2	2.2	2.2
	Disagree	6	13.0	13.0	15.2
	Neither agree nor disagree	5	10.9	10.9	26.1
	Agree	22	47.8	47.8	73.9
	Strongly agree	12	26.1	26.1	100.0
	Total	46	100.0	100.0	

Lack of Government guidelines as a cause of Accountant's Failure to use APLC



Lack of government guidelines

Statistics

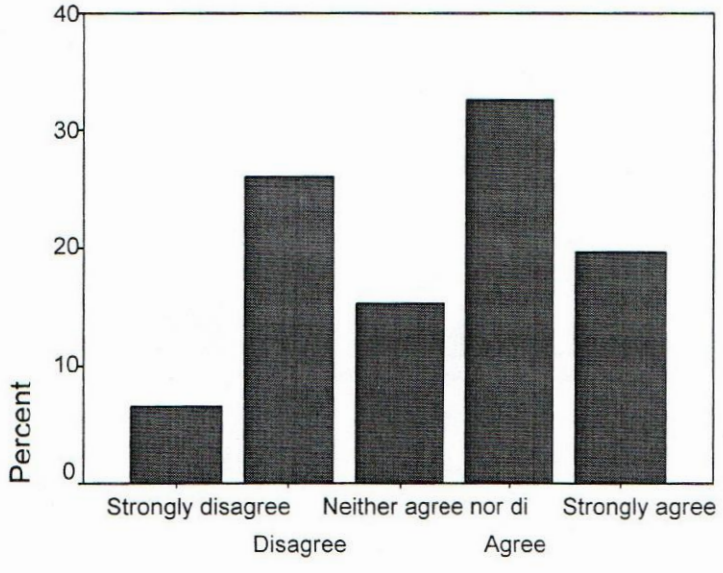
Lack of ICPAK guidelines

N	**Valid**	**46**
	Missing	**0**
Mean		**2.83**

Lack of ICPAK guidelines

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	3	6.5	6.5	6.5
	Disagree	12	26.1	26.1	32.6
	Neither agree nor disagree	7	15.2	15.2	47.8
	Agree	15	32.6	32.6	80.4
	Strongly agree	9	19.6	19.6	100.0
	Total	46	100.0	100.0	

Lack of ICPAK's guidelines as a cause of accountant's failure to use APLC.



Lack of ICPAK guidelines

Statistics

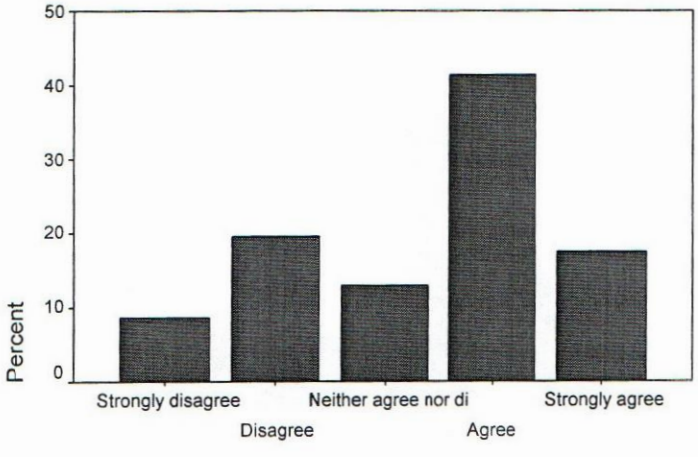
Complexity of the subject.

N	**Valid**	**46**
	Missing	**0**
Mean		**3.39**

Complexity of the subject

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	4	8.7	8.7	8.7
	Disagree	9	19.6	19.6	28.3
	Neither agree nor disagree	6	13.0	13.0	41.3
	Agree	19	41.3	41.3	82.6
	Strongly agree	8	17.4	17.4	100.0
	Total	46	100.0	100.0	

Complexity of the subject as a cause of Accountant's failure to use APLC.



Complexity of the subject

Statistics

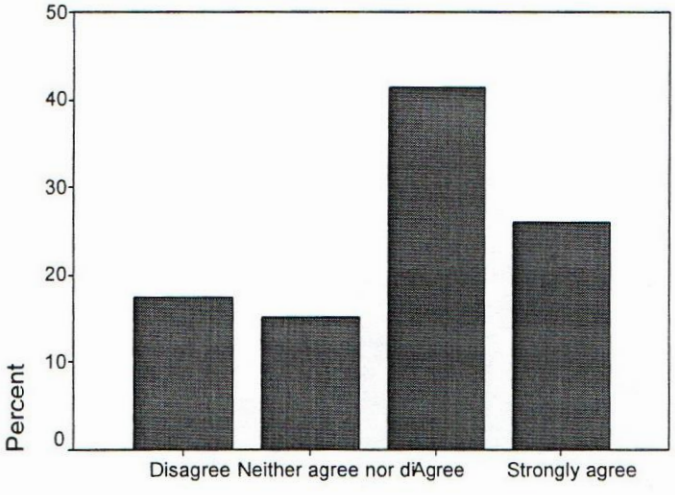
Lack of practical methods.

N	**Valid**	**46**
	Missing	**0**
Mean		**3.76**

Lack of practical methods

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	8	17.4	17.4	17.4
	Neither agree nor disagree	7	15.2	15.2	32.6
	Agree	19	41.3	41.3	73.9
	Strongly agree	12	26.1	26.1	100.0
	Total	46	100.0	100.0	

Lack of practical methods as a cause of the failure to apply APLC.



Lack of practical methods

Statistics

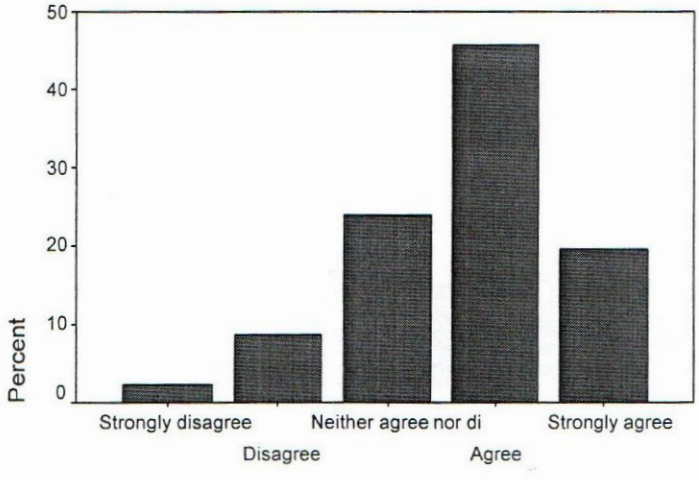
Failure of accountants to reach a consensus on APLC.

N	**Valid**	**46**
	Missing	**0**
Mean		**2.72**

Failure of accountants to reach a consensus on APLC

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	2.2	2.2	2.2
	Disagree	4	8.7	8.7	10.9
	Neither agree nor disagree	11	23.9	23.9	34.8
	Agree	21	45.7	45.7	80.4
	Strongly agree	9	19.6	19.6	100.0
	Total	46	100.0	100.0	

Lack of consensus by accountants on APLC as a cause of their failure to apply APLC.



Failure of accountants to reach a consensus on APLC

Statistics

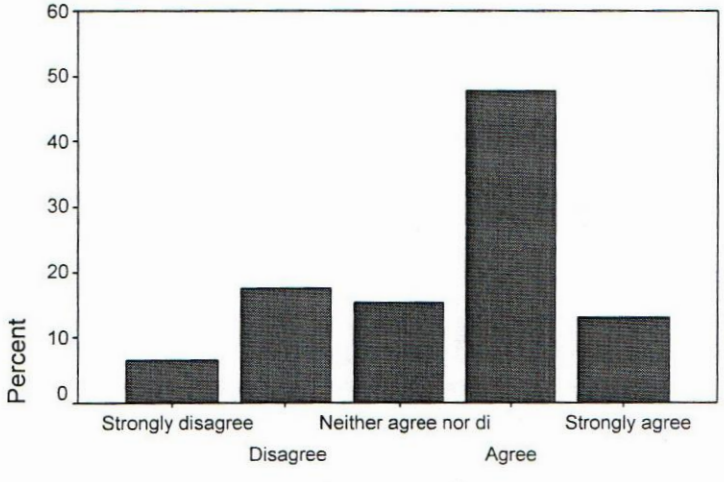
Complexity of accounting standards.

N	**Valid**	**46**
	Missing	**0**
Mean		**3.43**

Complexity of acconting standards

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	3	6.5	6.5	6.5
	Disagree	8	17.4	17.4	23.9
	Neither agree nor disagree	7	15.2	15.2	39.1
	Agree	22	47.8	47.8	87.0
	Strongly agree	6	13.0	13.0	100.0
	Total	46	100.0	100.0	

Complexity of accounting standards as a cause of Accountants failure to use APLC.



Complexity of acconting standards

Statistics

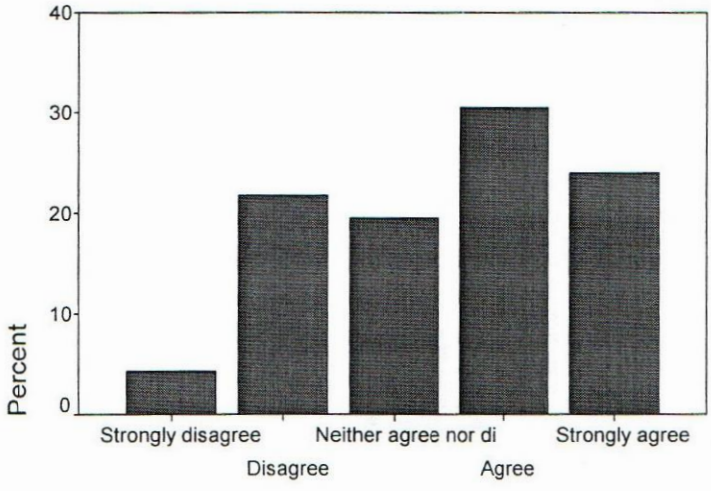
Impracticability of accounting standards on APLC.

N	**Valid**	**46**
	Missing	**0**
Mean		**2.83**

Impracticabiliry of accounting standards on APLC

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	4.3	4.3	4.3
	Disagree	10	21.7	21.7	26.1
	Neither agree nor disagree	9	19.6	19.6	45.7
	Agree	14	30.4	30.4	76.1
	Strongly agree	11	23.9	23.9	100.0
	Total	46	100.0	100.0	

Impracticability of accounting standards on APLC as a cause of their failure.



Impracticabiliry of accounting standards on APLC

Statistics

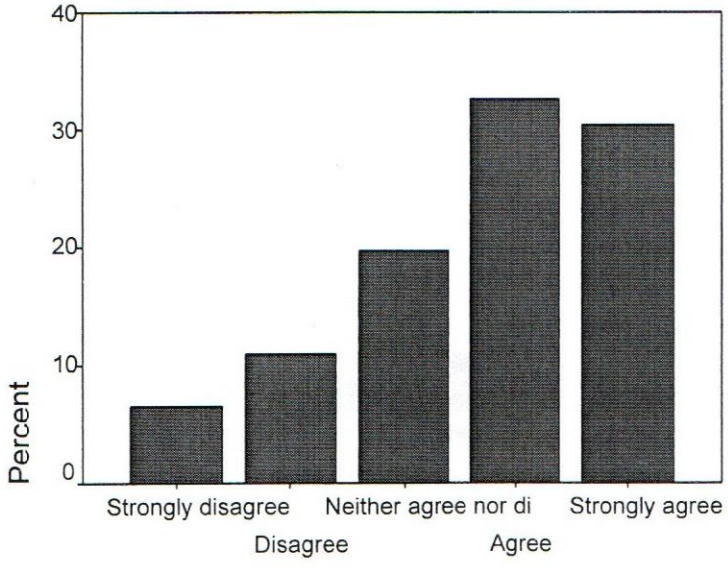
Government insistence on the use of historical accounting methods in dealing with APLC.

N	**Valid**	**46**
	Missing	**0**
Mean		**3.70**

Goverment insistence on the use of historical accounting methods in dealing with APLC

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	3	6.5	6.5	6.5
	Disagree	5	10:9	10.9	17.4
	Neither agree nor disagree	9	19.6	19.6	37.0
	Agree	15	32.6	32.6	69.6
	Strongly agree	14	30.4	30.4	100.0
	Total	46	100.0	100.0	

Government insistence on historical method in dealing with APLC as a cause of the failure.



Statistics

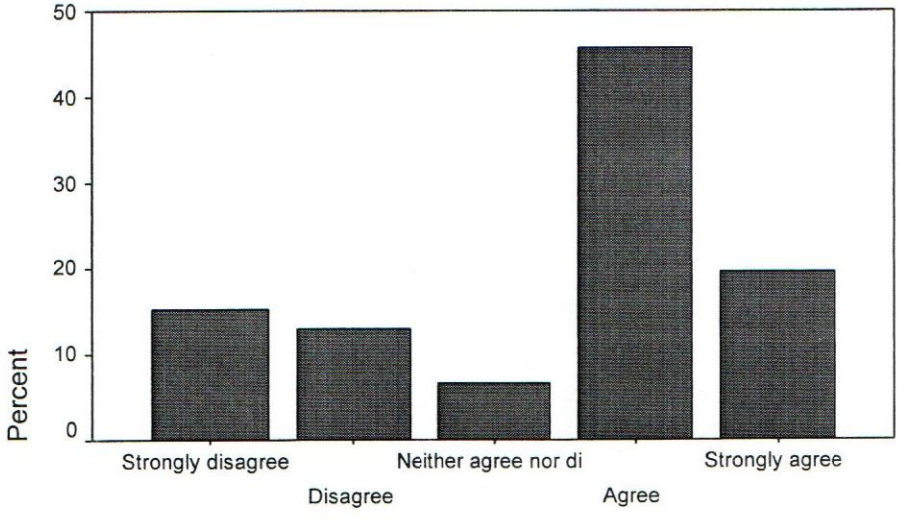
Lack of sound theoretical and conceptual framework on which to base the accounting standards for APLC.

N	**Valid**	**46**
	Missing	**0**
Mean		**3.41**

Lack of sound theoretical and conceptual framework on which to base the accounting standards for APLC

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	7	15.2	15.2	15.2
	Disagree	6	13.0	13.0	28.3
	Neither agree nor disagree	3	6.5	6.5	34.8
	Agree	21	45.7	45.7	80.4
	Strongly agree	9	19.6	19.6	100.0
	Total	46	100.0	100.0	

Lack of a sound theoretical and conceptual framework as a cause of the problem.



Importance of APLC.

Statistics

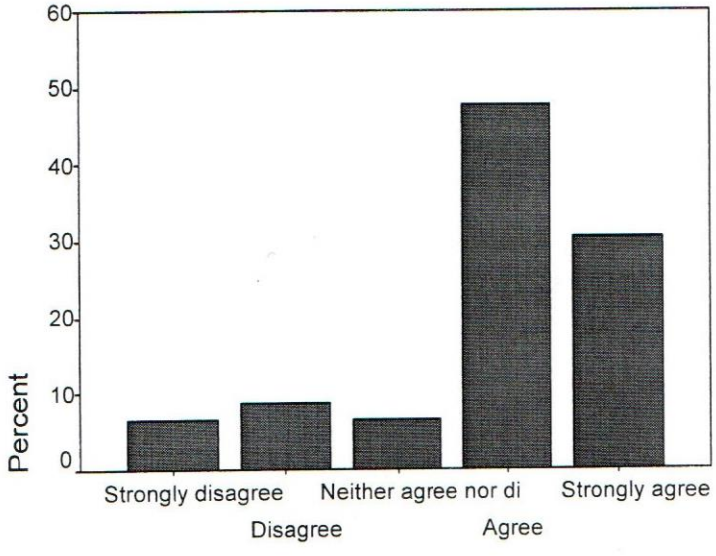
Investment decisions.

N	**Valid**	**46**
	Missing	**0**
Mean		**3.87**

Investment decisions

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	3	6.5	6.5	6.5
	Disagree	4	8.7	8.7	15.2
	Neither agree nor disagree	3	6.5	6.5	21.7
	Agree	22	47.8	47.8	69.6
	Strongly agree	14	30.4	30.4	100.0
	Total	46	100.0	100.0	

APLC as a tool in Making Investment Decisions



APLC is used in Investment decisions

Statistics

Creditors confidence.

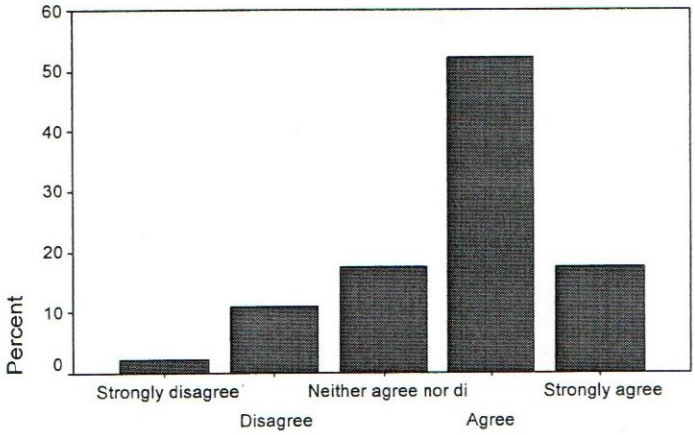
N	**Valid**	**46**
	Missing	**0**
Mean		**3.72**

Creditors confidence

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	2.2	2.2	2.2
	Disagree	5	10.9	10.9	13.0
	Neither agree nor disagree	8	17.4	17.4	30.4
	Agree	24	52.2	52.2	82.6
	Strongly agree	8	17.4	17.4	100.0
	Total	46	100.0	100.0	

Importance of APLC in Creating

Creditor confidence



APLC Helps Creat Creditors confidence

Statistics

General business decision making.

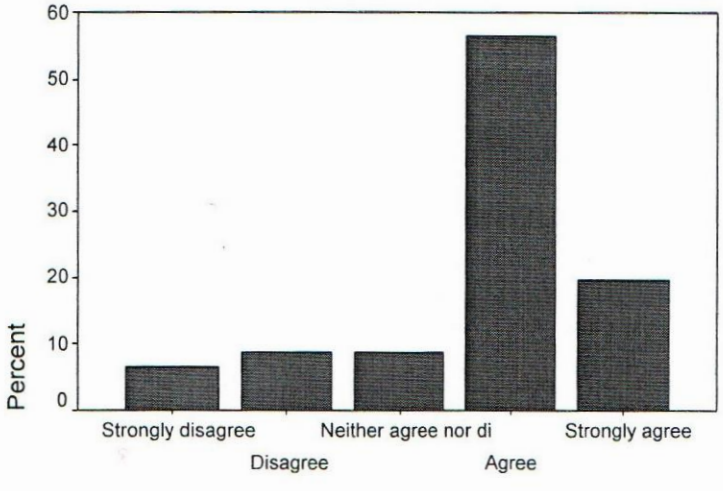
N	**Valid**	**46**
	Missing	**0**
Mean		**3.74**

General business decision-making

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	3	6.5	6.5	6.5
	Disagree	4	8.7	8.7	15.2
	Neither agree nor disagree	4	8.7	8.7	23.9
	Agree	26	56.5	56.5	80.4
	Strongly agree	9	19.6	19.6	100.0
	Total	46	100.0	100.0	

Use of APLC in General business

Decision Making



APLC Aids in General business decision making

Statistics

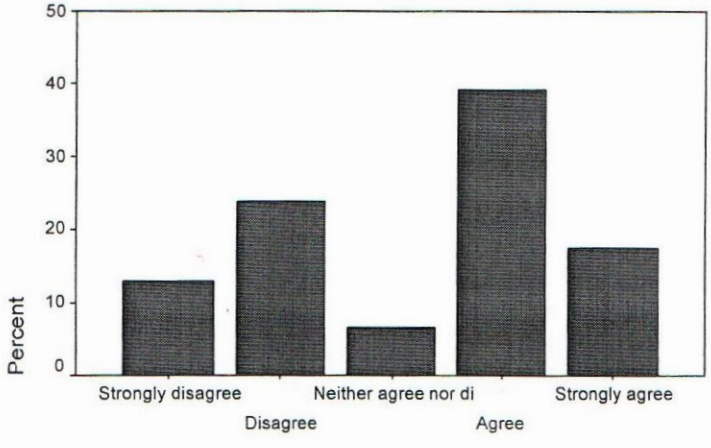
Determination of proper taxation.

N	**Valid**	**46**
	Missing	**0**
Mean		**3.24**

Determination of proper taxation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	6	13.0	13.0	13.0
	Disagree	11	23.9	23.9	37.0
	Neither agree nor disagree	3	6.5	6.5	43.5
	Agree	18	39.1	39.1	82.6
	Strongly agree	8	17.4	17.4	100.0
	Total	46	100.0	100.0	

Use of APLC in Determinig proper taxes



APLC is used in Determination of proper taxation

Statistics

Statistics

Determination of shareholders dividends.

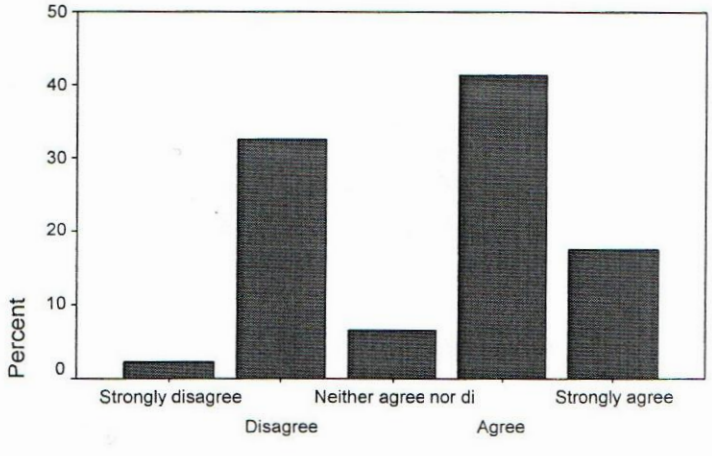
N	**Valid**	**46**
	Missing	**0**
Mean		**3.39**
Std. Deviation		**1.183**

Determination of shareholders divided

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	2.2	2.2	2.2
	Disagree	15	32.6	32.6	34.8
	Neither agree nor disagree	3	6.5	6.5	41.3
	Agree	19	41.3	41.3	82.6
	Strongly agree	8	17.4	17.4	100.0
	Total	46	100.0	100.0	

Use of APLC in Determination of

Shareholdeers Dividends



APLC is Used in Determination of shareholders divided

Statistics

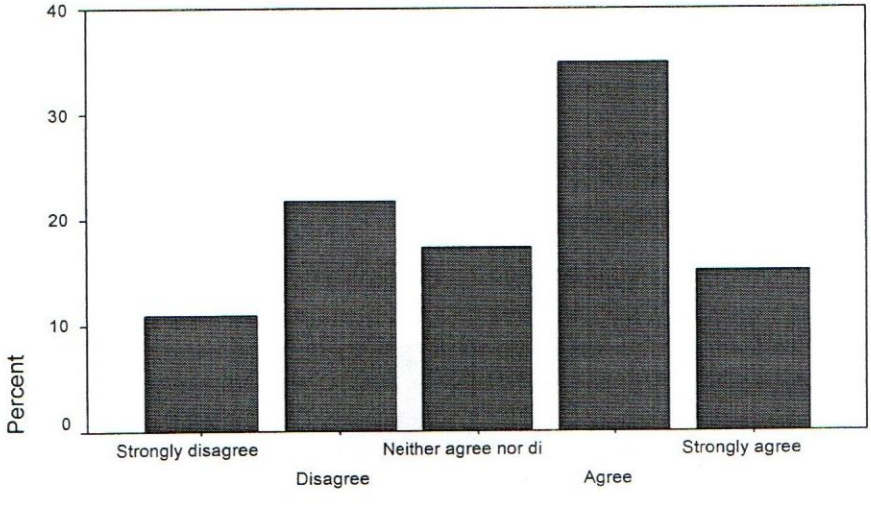
Creation of a strong bargaining background to attract employees.

N	**Valid**	**46**
	Missing	**0**
Mean		**3.22**

Creation of a strong bargain background to attract employees

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	5	10.9	10.9	10.9
	Disagree	10	21.7	21.7	32.6
	Neither agree nor disagree	8	17.4	17.4	50.0
	Agree	16	34.8	34.8	84.8
	Strongly agree	7	15.2	15.2	100.0
	Total	46	100.0	100.0	

Use of APLC to Attract Quality Employees



APLC is Used to Attract Qualified Employees

Statistics

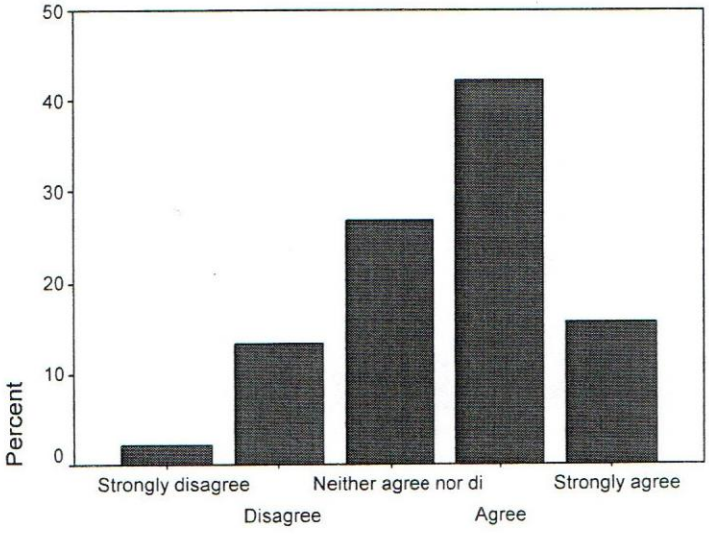
Government policy enhancement.

N	**Valid**	**45**
	Missing	**1**
Mean		**3.56**

Government policy enhancement

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	2.2	2.2	2.2
	Disagree	6	13.0	13.3	15.6
	Neither agree nor disagree	12	26.1	26.7	42.2
	Agree	19	41.3	42.2	84.4
	Strongly agree	7	15.2	15.6	100.0
	Total	45	97.8	100.0	
Missing	System	1	2.2		
Total		46	100.0		

Use of APLC in Government Policy Enhancement



APLC is Used in Government policy enhancement

Statistics

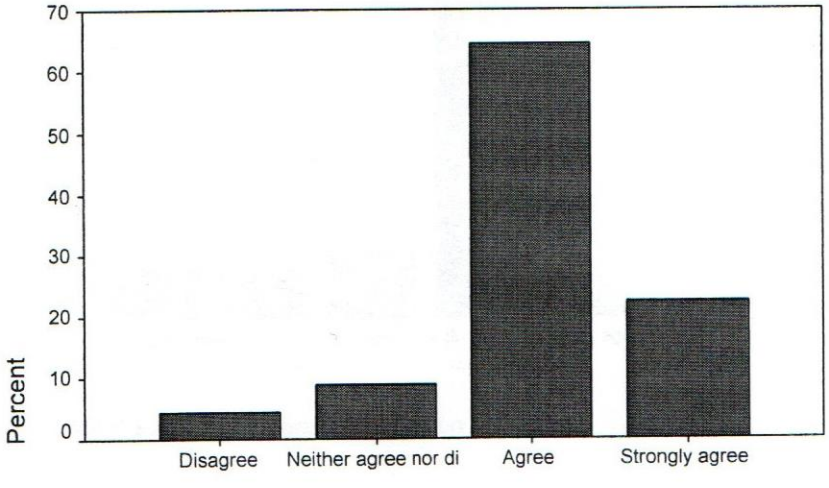
Facing comparability of financial reports in the face of changing prices.

N	**Valid**	**45**
	Missing	**1**
Mean		**4.04**

Facilitating comparability of financial reports in the face of changing prices

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	2	4.3	4.4	4.4
	Neither agree nor disagree	4	8.7	8.9	13.3
	Agree	29	63.0	64.4	77.8
	Strongly agree	10	21.7	22.2	100.0
	Total	45	97.8	100.0	
Missing	System	1	2.2		
Total		46	100.0		

Use of APLC in Facilitating Comparability of Financial Reports in the Face of Changing Prices



APLC Facilitates comparability of financial reports

Statistics

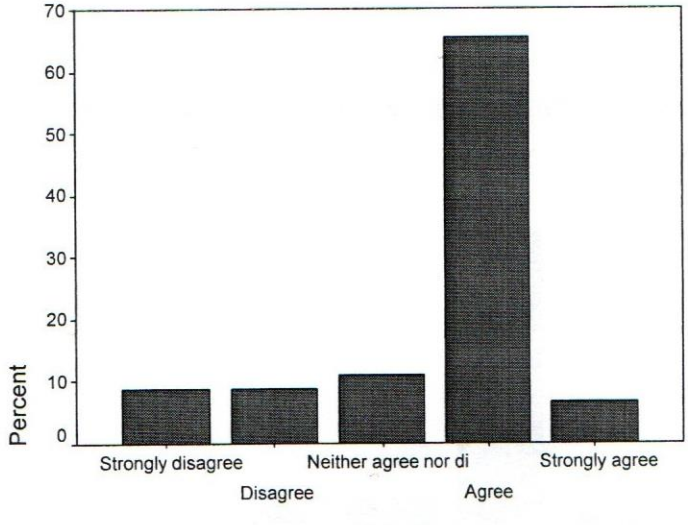
Operational decision

N	**Valid**	**46**
	Missing	**0**
Mean		**3.52**

Operational decision.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	4	8.7	8.7	8.7
	Disagree	4	8.7	8.7	17.4
	Neither agree nor disagree	5	10.9	10.9	28.3
	Agree	30	65.2	65.2	93.5
	Strongly agree	3	6.5	6.5	100.0
	Total	46	100.0	100.0	

Operatioanl Decision



APLC Facilitates Operatioanl decision

Statistics

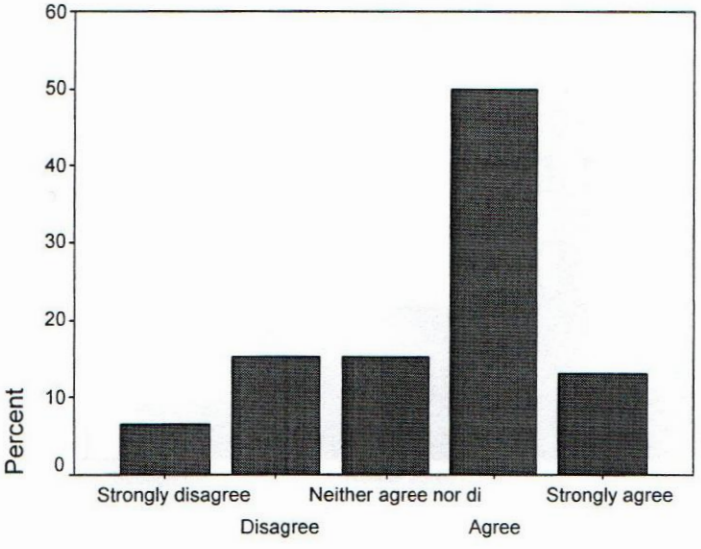
Segregation of investors actual wealth increase.

N	**Valid**	**46**
	Missing	**0**
Mean		**3.48**

Segregation of investors actual wealth increase

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	3	6.5	6.5	6.5
	Disagree	7	15.2	15.2	21.7
	Neither agree nor disagree	7	15.2	15.2	37.0
	Agree	23	50.0	50.0	87.0
	Strongly agree	6	13.0	13.0	100.0
	Total	46	100.0	100.0	

Segregation of investors actual wealth increase



APLC is Useful in Segregation of investors actual wealth ir

Statistics

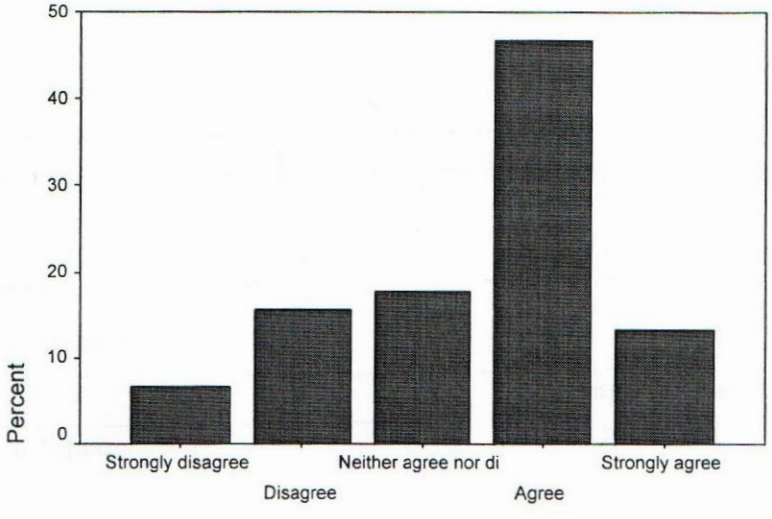
Segregation of investor's actual wealth loss

N	**Valid**	**45**
	Missing	**1**
Mean		**3.44**

Segregation of investors actual wealth loss

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	3	6.5	6.7	6.7
	Disagree	7	15.2	15.6	22.2
	Neither agree nor disagree	8	17.4	17.8	40.0
	Agree	21	45.7	46.7	86.7
	Strongly agree	6	13.0	13.3	100.0
	Total	45	97.8	100.0	
Missing	System	1	2.2		
Total		46	100.0		

Segregation of Investors Actual Wealth Loss



APLC is Useful in Segregation of investors actual wealth loss

APPENDIX THREE
SIGNIFICANCE TESTS

Ho1: Accounting for price level changes is not used in preparing financial statements

Since the establishment of this company has it ever used accounting for the effects of changing prices in preparing financial reports.

	Observed N	Expected N	Residual
Yes	12	20.0	-8.0
No	28	20.0	8.0
Total	40		

Test Statistics

	Since the establishment of this company has it ever used accounting for clients of changing prices in preparing financial reports.
Chi-Square	6.400
df	1
Asymp. Sig.	.011

a. 0 cells (0%) have expected frequencies less than 5. The minimum expected cell frequency is 20.0

Ho3: There is no statistical significance in the perceived importance of accounting for price level changes

Chi-Square Test

Averages for percieved importance

	Observed N	Expected N	Residual
Percieved not important	13	23.0	-10.0
Percieved important	33	23.0	10.0
Total	46		

Test Statistics

	Average for perceived importance
Chi-Square	8.696
df	1
Asymp. Sig.	.003

a. 0 cells (0%) have expected frequencies less than 5. The minimum expected cell frequency is 23.0

APPENDIX FOUR

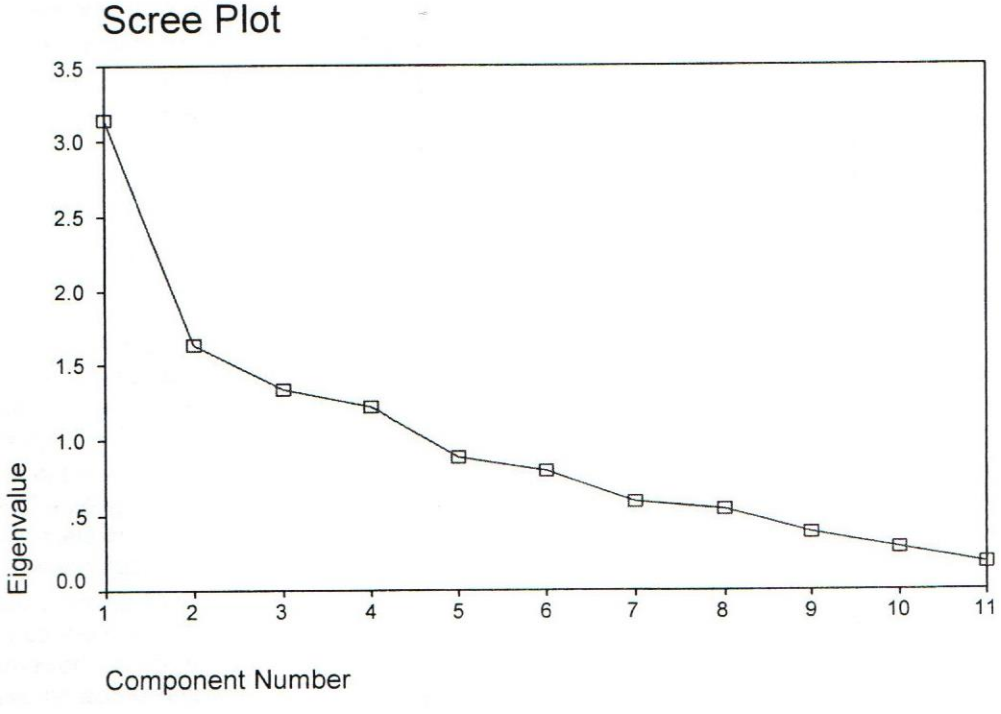
FACTOR ANALYSIS

Identifying the factors affecting the use of accounting for price level changes.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.14	28.50	28.504	3.14	28.50	28.504	2.22	20.17	20.173
2	1.63	14.86	43.367	1.63	14.86	43.367	2.13	19.37	39.544
3	1.34	12.21	55.573	1.34	12.21	55.573	1.65	14.97	54.515
4	1.22	11.13	66.699	1.22	11.13	66.699	1.34	12.18	66.699
5	.888	8.068	74.768						
6	.801	7.280	82.047						
7	.590	5.365	87.412						
8	.542	4.928	92.340						
9	.383	3.481	95.821						
10	.277	2.522	98.342						
11	.182	1.658	100.000						

Extraction Method: Principal Component Analysis.



Interpretation: The total variance explained indicates the amount of variation that each of the factors account for. A 50% and more cumulative explained variance for the extracted factors is an indicator that the extracted factors do a good job at capturing the latent meanings of the other factors.

Determining the no. Of factors to extract: A no. Of methods are available e.g. Kaiser Guttman rule, % of variance and the elbow rule. The elbow rule is how ever the most commonly used. In this rule, factors above the elbow of the scree plot are extracted. Where elbow is not clear, Eigen values (variances) of 1 and above are extracted.

Component Matrix[a]

	Component			
	1	2	3	4
Inadequate training of accountants	.512			
Lack of government guidelines	.628			
Lack of ICPAK guidelines	.742			
Complexity of the subject				.624
Lack of practical methods	.642			
Failure of accountants to reach a consensus on APLC	.727			
Complexity of acconting standards	.732			
Impracticabiliry of accounting standards on APLC		-.652		
Goverment insistence on the use of historical accounting methods in dealing with APLC				
Lack of knowledge of APLC among the consumers of the accounting reports		.652	.504	
Lack of sound theoretical and conceptual framework on which to base the accounting standards for APLC		.677		

Extraction Method: Principal Component Analysis.

a. 4 components extracted.

Rotated Component Matrix[a]

	Component			
	1	2	3	4
Inadequate training of accountants			.745	
Lack of government guidelines	.873			
Lack of ICPAK guidelines	.740			
Complexity of the subject			.763	
Lack of practical methods		.548		
Failure of accountants to reach a consensus on APLC	.566			
Complexity of acconting standards			.811	
Impracticabiliry of accounting standards on APLC		.758		
Goverment insistence on the use of historical accounting methods in dealing with APLC	.708			
Lack of knowledge of APLC among the consumers of the accounting reports				.841
Lack of sound theoretical and conceptual framework on which to base the accounting standards for APLC		.875		

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 6 iterations.

Interpretation: The component matrix shows the correlations that each of the latent factors (components) has with each of the factors intended for data reduction. The component matrix is rotated at 90% (varimax) to help in delineating and interpretation of the factors

Delineating the factors: The delineation of factors (components) from a component matrix is a subjective exercise. The suggested factors for component 1 to 4 respectively are; Lack of guidelines on how to deal with APLC, Lack of feasible methods for APLC, Ignorance or lack of proper training, Ignorance on the part of consumers on the importance of APLC

APPENDIX FIVE

MANN-WHITNEY TEST

Frequencies

Statistics

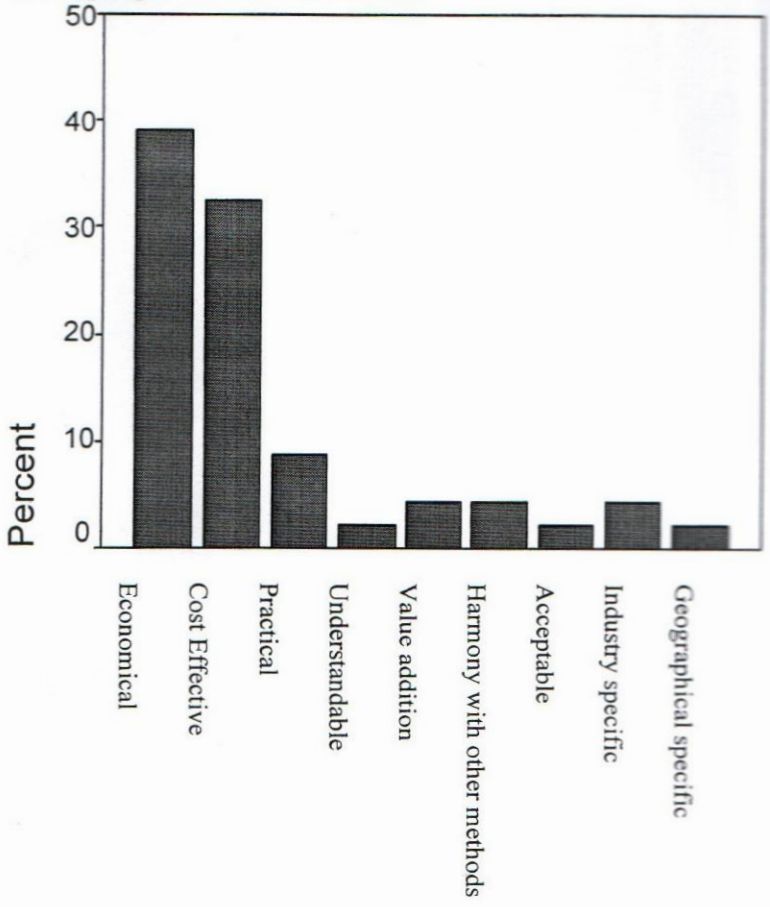
What are the four most important factors that you would consider mandatory for a standard dealing with accounting for the effects of changing prices.

N	Valid	46
	Missing	0

What are the four most important factors that you would consider mandatory for a standard dealing with accounting for the effects of changing prices

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Economical	18	39.1	39.1	39.1
	Cost Effective	15	32.6	32.6	71.7
	Practicability	4	8.7	8.7	80.4
	Understandability	1	2.2	2.2	82.6
	Value addition	2	4.3	4.3	87.0
	Harmony with other accounting practice	2	4.3	4.3	91.3
	Acceptability	1	2.2	2.2	93.5
	Industry specific	2	4.3	4.3	97.8
	Geographical specific	1	2.2	2.2	100.0
	Total	46	100.0	100.0	

What are the four most important factors that you would consider mandatory in developing an APLC standard.



Mann-Whitney Test

Ranks

	Category of organization	N	Mean Rank	Sum of Ranks
Perceived importance of accounting for price level changes	Service	15	25.20	378.00
	Total	31	22.68	703.00
		46		

Test Statistics

	Perceived importance of accounting for price level changes.
Mann-Whitney U	207.000
Wilcoxon	703 000
Z	-.599
Asymp. Sig. (2-tailed)	.549

a Grouping Variable category of organization.