

**Full Length Research Paper**

## An Assessment of Financial Reporting System: The Case of Selected Multi-Purpose Agricultural primary Cooperatives in Toke Kutaye District, West Shawa Zone of Oromia Regional State, Ethiopia.

O. Chandra Sekhara Reddy<sup>1</sup>, V.Natarajan<sup>2</sup> and K.Vasudeva Rao<sup>3</sup>

<sup>1</sup> Associate Professor, Department of Statistics, Ambo University, Ambo, Ethiopia.

<sup>2</sup> Assistant Professor, Department of Co-operatives, Ambo University, Ambo, Ethiopia.

<sup>3</sup> Assistant Professor, Department of Mathematics, Ambo University, Ethiopia.

\*Corresponding author: O. Chandra Sekhara Reddy

**Abstract**

The primary objectives of financial reporting system are to provide relevant information to the users, members, creditors, and others who provide resources to not-for-profit organizations. Those external users of financial report have common interests to assess the services from the organization. An organization provides and its ability to continue to provide those services and how managers discharge their stewardship responsibilities and other aspects of their financial performance. This study investigated the Financial Reporting System of Multipurpose Agricultural Primary Cooperative in case of Toke Kutaye District, West Showa Zone. The general objective of the study was to assess the financial reporting system of the selected Toke kutaye District multi-purpose agricultural cooperative. The sample cooperative was selected purposively, based on the year of the establishment and the cooperative duration of five year work and the availability of financial statements. The primary data was collected from interview Schedule and key informant. For the achievement of the objective of the study quantitative research approach particularly survey design were used and the data obtained were analyzed using descriptive statistics; percentage and Frequency. The main finding of the study on financial reporting system shows that; lack of the book-keeping, lack of the recording transaction procedure, lack of professional accountant employees lack of enough training for committee member on preparation of financial reporting and financial statement, poor transparency of the committee member on financial report poor reporting time plan schedule, poor on the completeness and understandability of the financial reporting systems to decision making are factors that influence financial reporting of the cooperatives. To improve the financial reporting system in cooperatives societies use double entry recording transaction, employee professional accountant, give enough training to committee members, use the reporting format & prepare financial reporting and financial statement by themselves. To reduce error in financial report and increase the completeness and understandability of the financial reporting information to decision making used reporting format show in this paper.

**Key words:** Financial statement, Financial reporting system Accounting procedure, Quality of financial report, Accounting information and recording transaction.

**Introduction**

There are certain organizations, which undertake business activities with the primary objective are to be providing service to its members. Although some amount of profit is essential to survive in the market, their main intention is not to generate profit and grow. They pool available resources from the members, utilize the same in the best possible manner, and the benefits are shared by the members. A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise (James R. Baarda, (2006)<sup>1</sup>

A cooperative is a business voluntarily owned and controlled by its member patrons, and operated for them and by them on a nonprofit or cost basis. It is organized and incorporated to engage in economic activities with certain ideals of democracy, social consciousness, and human relations included. A cooperative provides services and benefits for its members in proportion to the use they make of their organization rather than earning profits for the shareholders as investors. A cooperative is part of free enterprise, competitive, capitalistic system rather than a welfare agency or charitable and benevolent society. The primary goal of a cooperative is to meet members' needs in an economical, efficient manner, whereas the goal in the investor-oriented corporation, the partnership, and the sole proprietorship is to maximize profits for the owners of the business Benard Ankomah Dacosta(2012)<sup>2</sup>

An agricultural cooperative, also known as a farmers' co-operative, is a cooperative where farmers pool their resources in certain areas of activity. A broad typology of agricultural cooperatives distinguishes between agricultural service cooperatives, which provide various services to their individually farming members, and agricultural production cooperatives, where production resources (land, machinery) are pooled and members farm jointly. Agricultural production cooperatives are relatively rare in the world, and known

examples are limited to collective farms in former socialist countries and the kibbutzim in Israel. Worker cooperatives provide an example of production cooperatives outside agriculture.

Agricultural supply cooperatives aggregate purchases, storage, and distribution of farm inputs for their members. By taking advantage of volume discounts and utilizing other economies of scale, supply cooperatives bring down members' costs. Supply cooperatives may provide seeds, fertilizers, chemicals, fuel, and farm machinery. Some supply cooperatives also operate machinery pools that provide mechanical field services (e.g., plowing, harvesting) to their members. The International Cooperatives Alliance defines cooperative, as “an autonomous association of persons, united voluntarily to meet their common economic and social needs through jointly-owned and democratically-controlled organization/enterprise”. In its own definition, the International Labor Organization (ILO) also points out that members accept a fair share of the risks and benefits of their cooperative undertakings (ICAUN). A cooperative has been defined by the Central Council for Agricultural and Horticultural Cooperation as an “association of producers/consumers who together can achieve some commercial objective more successfully than they can as individuals”. Like in many African societies, periods of primitive accumulation in Ethiopia indicate different forms of mutual help and cooperation that can be identified even today.

Agricultural marketing cooperatives provide the services involved in moving a product from the point of production to the point of consumption. Agricultural marketing includes a series of inter-connected activities involving planning production, growing and harvesting, grading, packing, transport, storage, food processing, distribution and sale. Agricultural marketing cooperatives are often formed to promote specific commodities (Demekle Tilahun (2007)).<sup>4</sup>

According to Bezabih Emana (2009) to cooperation among people has existed since history has been record. Traditional forms of cooperation involved community members voluntarily pooling financial resources through "iqub", which was an association of people having the common objectives of mobilizing resources, especially finance, and distributing it to members on rotating basis. There were also initiatives for labour resource mobilization that were to overcome seasonal labor peaks, known as "Jigie", "Wonfel", among others. There also was the *idir*, which was an association for provision of social and economic insurance for the members in the events of death, accident, damages to property, among others. (Bezabih Emana(2009))<sup>3</sup>

The financial reports should provide information about financial performance during a period management discharge it's stewardship responsibility to owners. It should likewise be useful to managers and directors themselves in making decisions on behalf of the owners. He argues that accounting information is very necessary if decisions are to be made accurately and rationally by the various interested parties or users of financial information. These are broadly classified into external and internal users. Where internal users include: - management and employees while the external users include donors, shareholders, creditors, government, competitors and general public. (Indira, 2008)<sup>6</sup>

This importance is recognized in their definition, which considers cooperatives to be: An association of persons who have voluntarily joined together to a common end through the formation of a democratically controlled organization, making equitable contribution to the capital required and accepting a fair share of the risks and benefits of the undertaking, in which the members actively participate. The Cooperative Proclamation No. 147/1998 identified clear goals and authorities, which supported a more conducive legal environment for the formation of Ethiopian cooperatives. The goals include social, economic and other motives that require joint actions for attaining a common target. ( Fikru Bekele (2008))<sup>5</sup>

Preparing reliable financial information is a key responsibility of the management of every public company. The ability to effectively manage the cooperatives business requires access to timely and accurate information. Moreover, investors must be able to place confidence in a cooperative's financial reports if the company wants to raise capital in the public securities markets. Management's ability to fulfill its financial reporting responsibilities depends in part on the design and effectiveness of the processes and safeguards it has put in place over accounting and financial reporting.

Without such controls, it would be extremely difficult for most business organizations especially those with numerous locations, operations, and processes to prepare timely and reliable financial reports for management, investors, lenders, and other users. While no practical control system can absolutely assure that financial reports will never contain material errors or misstatements, an effective system of internal control over financial reporting can substantially reduce the risk of such misstatements and inaccuracies in a company's financial statements. (Kaplan Schweser (2009))<sup>7</sup>

## Materials and Methods

### *An overview of Oromia Regional State*

The National Regional State of Oromia is located within 3<sup>o</sup>24'20"-10<sup>o</sup>23'26"N latitudes and 34<sup>o</sup>07'37"- 42<sup>o</sup>58'52"E longitudes, extending for about eight degrees (8<sup>o</sup>) west to east for about seven degrees(7<sup>o</sup>) north to south or vice versa (excluding Oromia zone of Amhara National Regional state). As a result the Region has physical contacts/ borderlines with all the Regional States of the Federal Democratic Republic of Ethiopia, except Tigray National Regional State. The Region has also international borderlines with Sudan (66km) to the west and Kenya (521km) to the south. The total boundary length of the Regional State of Oromia is about 5700kms of which longest borderline (1860kms) is with the National Regional State of Southern Nation and Nationalities, followed by Somali

National Regional State (1410kms). Similarly the Region shares borderlines with Amhara National Regional State (706kms), Bnishangul-Gumuz National Regional State (690kms), Gambella Peoples National Regional state (255kms) and Afar National regional State (164kms) (BoFED, 2011).

### *An Over View of West Showa Zone*

The study was conducted in Oromia National Regional State in West Showa Administrative Zone in Toke Kutaye District. West Showa Zone is one of the 17 Administrative Zones and the three Urban Administrative councils of Oromia National Regional State. It is located Astronomical grids of  $817^{\circ}$ - $956^{\circ}$ N and  $371^{\circ}$ - $3845^{\circ}$  E. It is bound by Amahara National Regional State in the North, East Wallega Zone in the North West and West, Jimma Zone in the south west, south west showa zone in the south and south east, Addis Ababa City Administrative in the east, north showa zone in the north and north east. As per the population and housing census conducted in 2007 G.C. is concerned, the population of the zone is 2,075,485 of which, 1,035,326 are male and 1,037,159 are female (pop census of Ethiopia 2007).

### *Data Source*

The researcher used primary data. The primary data were collected from committee members, employees of the multi-purpose agricultural cooperatives, who are working in the accounting section of the society, as well as Zonal and District cooperative promotion office experts.

### *Sampling techniques*

To address objectives of the study, Purposive sampling method was used to select sample society. Toke Kutaye District has twelve (12) multi-purpose Agricultural cooperatives. In this study, depending on the year of establishment and document of their financial reporting system the researcher selected three Multipurpose Agricultural cooperatives purposively i.e. Toke Geba Kemisa, Mutulu and Kilinto Multipurpose Agricultural cooperatives (Coop .promotion office of Toke Kutaye, 2014. Finally, respondents were selected as who has key role, and who providing necessary information regarding the issue under the investigation purposively. Accordingly, 50 respondents were selected namely, 21 management committee, 9 control committee, 6 purchasing committee, 3 General management, 3 accountant, 3 cashier and 5 key informant interview members.

### *Data collection*

Both qualitative and quantitative data were used for analytical purpose. In this study the researcher used primary data. This primary data were collected from all management committee, sub-committee and employees of the study area that are work around financial reporting system, from District promotion office and Zonal promotion office especially finance department. The data that were collected by structured interview schedule questionnaire for management committees & employees of the primary cooperatives and Check list and key informant interview necessary information was collected from the District promotion office expert, Zonal auditors and financial report user stakeholders.

### *Data Analysis*

The collected data were analyzed through descriptive statistics by using, frequency, percentage; tabulation by SPSS (Statistical Package for social science) Version 20.0 window was used.

## **Results and Discussion**

The data presented here are obtained from the primary data sources. This primary data was collected through semi structured interview schedule and check list for key informant from the respondent .

### *Background Profile of the Respondents*

These illustrate the respondents in terms of, sex, age, level of education occupation, and working experience.

**Table 1.** Sex of Respondents

Name of the cooperatives		Male	Female	Total
<b>Mutulu</b>	Frequency	15	0	15
	Percentage	100%	0%	100%
<b>Kilinto</b>	Frequency	14	1	15
	Percentage	93.3%	6.7%	100%
<b>Toke Gaba Kamsa</b>	Frequency	15	0	15
	Percentage	100%	0%	100%
<b>Total</b>		<b>44</b>	<b>1</b>	<b>45</b>
		<b>97.8%</b>	<b>2.2%</b>	<b>100%</b>

Source: Survey Result, 2015

The table 1 indicates that, out of 45 total respondents 44(97.8%) were male and 1(2.2%) were female. This shows that the participation of the woman in these cooperative societies is very low, mainly due to work load, domestic and reproductive gender roles women bears in particular and lowers participation in primary cooperatives in general.

Table 2. Ages of Respondents

Age of the respondents	Frequency	Percent
20-30Yrs	12	26.7%
31-40Yrs	22	48.9%
41-50Yrs	11	24.4%
<b>Total</b>	<b>45</b>	<b>100%</b>

As table 2 stated that, 48.9% of sample respondent's age category lies in 31-40 year, 26.1% falls from 20 -30 and 24.4% falls from 41-50 years. Thus, the predominance of the respondents was belonged to (31-40) age group. The majority of the respondents were adult age groups. Adult age groups have the potential combustion to the cooperative in the future if they are trained well about the financial reporting system.

### Educational Level of the Respondents

Table 3. Educational Levels of the Respondents

Name of the cooperative	Illiterate	Primary Level	Secondary level	Diploma	Degree and above	Total
<b>Mutulu</b>	0 0%	5 33.3%	9 60%	1 6.7%	0 0%	15 100%
<b>Kilinto</b>	2 13.3%	7 46.7%	4 26.7%	1 6.7%	1 6.7%	15 100%
<b>Toke Gaba Kamsa</b>	0 0%	5 33.3%	10 66.7%	0 0%	0 0%	15 100%
<b>Total</b>	<b>2</b> <b>4.4%</b>	<b>17</b> <b>37.8%</b>	<b>23</b> <b>51.1%</b>	<b>2</b> <b>4.4%</b>	<b>1</b> <b>2.2%</b>	<b>45</b> <b>100%</b>

Source: Survey Result, 2015

Education may enable user to be aware of the financial reporting system and could reduce the error in the preparing financial statement. Therefore education reduces error and increase quality of the financial report as well as increases the quality characteristics of accounting information in cooperative society. As table 3 shows, the illiterate respondent accounts for 4.4%, primary Level is 37.8%, Secondary level is 51.1%, and Diploma is 4.4% and Degree and above 2.2%. This shows the majority of the respondents (51.1%) were secondary school level and followed by 37.8% of primary level. The majority committee members or workers of the primary cooperative come from the members of societies by voting as the principle of cooperative except temporary employed accountant. In Case of this the reporting if the financial was prepared by external accountant that means District promotion office accountant.

Table 4. Position of the Respondents

Name of the Cooperative	Position of the Respondents					
	Accountant	Manager	Management Committee	Control committee	Cashier	Purchase' committee
Mutulu	1 6.7%	1 6.7%	7 46.7%	3 20.0%	1 6.7%	2 13.3%
Kilinto	1 6.7%	1 6.7%	7 46.7%	3 20.0%	1 6.7%	2 13.3%
TokeGabaKamsa	1 6.7%	1 6.7%	7 46.7%	3 20.0%	1 6.7%	2 13.3%
<b>Total</b>	<b>3</b> <b>6.7%</b>	<b>3</b> <b>6.7%</b>	<b>21</b> <b>46.7%</b>	<b>9</b> <b>20.0%</b>	<b>3</b> <b>6.7%</b>	<b>6</b> <b>13.3%</b>

Source Survey Result, 2015

As table 4 stated that, majority of respondents 21(46.7%) are management committee, 9(20%) of the respondents are control committee, 6(13.3%) purchase committee, 3(6.7%) respondents, the same numbers accountant, manager and cashier. This result shows that, the majority of selected respondent's committee members and followed by control committee in the selected cooperatives societies.

As the table 5 stated that, majority of respondents 77.8 % was working in the cooperative for a period between 1 to 3 years. In addition, 22.2 % of the respondents are working for 4-6 years. The implication of these results shows that, almost all respondents are working relationship with their respective cooperative society for at least 1-3 years, so the period which was long enough for trained well about the financial reporting system for the cooperatives societies.

Table 5. Experience of the Respondent

Experience of respondents in society	Frequency	Percent
1-3Yrs	35	77.8%
4-6Yrs	10	22.2%
<b>Total</b>	<b>45</b>	<b>100%</b>

Source: Survey Result, 2015

Table 6. Preparation of Financial Report

Variable	Response	Mutulu	Kilinto	Toke Gaba kamisa	Total	
Prepare report	Yes	N	9	10	9	28
		percentage	60%	66.7%	60%	62.2%
	No	N	6	5	6	17
		Percentage	40%	33.4%	40%	37.8%

Source: Survey Result, 2015

As the table 6 reveals that, from the total of 45 respondents, 28(62.2%) confirmed as primary cooperatives are preparing the financial reports themselves. The remaining 17(37.8%) of the respondents claimed as primary cooperatives are not preparing financial reports by themselves. Key informant interview also witnessed the same result as only 62.2% said primary cooperatives prepare their financial reports. However regarding the application of financial reporting the researcher in the time observed, that primary cooperatives of the study area were not confidence the preparation of the financial reporting. The majority types of the financial report like balance sheet, income statement and cash flow are prepared by the District accountant experts, so that small number 17(37.8%) of the respondents answer was true. In those primary cooperatives, financial reports are prepared monthly cash flow or trial balance to manage inflow and out flow of their cash resources. This result was supported (USAD, 1998) in financial perspective, managing financial inflow and out flow has important repercussion and is a key method to ensure profitability and sustainability of a given organization.

Table 7. Accounting System

Variable	Response	Name of the cooperative			Total	
		Mutulu	Kilinto	Toke Gabakamisa		
GAAP (General Accepted Accounting principles)	Yes	Frequency	15	15	15	45
		Percentage	100%	100%	100%	100%
	No	Frequency	0	0	0	0
		Percentage	0%	0%	0%	0%

Source: Survey Result, 2015

As the table 7 revealed that, all the respondents confirmed as the Generally Accepted Accounting Principle (GAPP) are applied in the preparation of the financial reporting in their primary cooperatives. All the interviewed responses showed that respondents had been consistently following GAAP, though there were conditions that lead the financial statements to clearly other than unqualified. However regarding the application of GAAP the researcher in the study time observed, that primary cooperatives, were not confidence the applying GAAP. But the interviewed management committee and those District experts & zonal auditor's respondents were not content to disclose the fact.

Table 8. The Society's Chronological Order of Recording Transactions

Variables	Response	Name of the cooperative			Total	
		Mutulu	Kilinto	TokeGaKamisa		
Recording Transaction	Yes	N	10	8	11	29
		Percentage	64.4%	53.3%	73.3%	64.5%
	No	N	5	7	4	16
		Percentage	35.6%	46.7%	26.7%	35.5%

Source: Survey Result, 2015

As table 8 reveals that, from out of 45 respondents 29(64.6%) confirmed as primary cooperatives are recording the transaction accurately and maintained all books systematically. The business transactions are first recorded in daily journal on chronologically order. The remaining, 16(35.4%) of the respondents claimed as the primary cooperatives are did not recording the transaction on time. They did not record the transactions an order in daily journal and they are not record by chronologically order of the transaction. All business transactions must be recorded to the proper journal by double-entry book keeping. To keep this principle in primary cooperative, there should be proper selection of the data, record the book keeping accurately and timely updated, as well as recorded by chronological order of the transaction on daily journal. In opposite to this, these procedures were not implemented in the study area. As noted from key informants, there is no basic training on recording transaction procedure. The problems identified in this area

are the issue of motivation and capacity of the control committee and accountants of the society to undertake recording transaction; especially in Kilinto primary cooperative this problem were found to be very high.

**Table 9.** Maintenance of Book Records by the Society

Variables	Response	Name of cooperative				Total
		Mutulu	Kilinto	Toke GaaK basa		
The society record daily journal.	Yes	Frequency	11	7	10	28
		Percent	73.3%	46.7%	66.7%	62.2%
	No	Frequency	4	8	5	17
		Percent	26.7%	53.3%	33.3%	37.8%
Account record Procedure Manual	Double	Frequency	0	0	0	0
		Percentage	0	0	0	0
	Single	Frequency	15	15	15	45
		Percentage	100%	100%	100%	100%
The society posting General ledger	Yes	Frequency	12	9	11	32
		Percent	80%	60%	73.3%	71%
	No	Frequency	3	6	4	13
		Percent	20%	40%	26.7%	28.9

Source: Primary Data, 2015

As table 9 reveals that from 45 respondents 28(62.2%) confirmed as primary cooperatives are use daily journal. The remaining 17(37.8%) of sampled respondents claimed as their respective primary cooperatives was not using daily journals. As noted by the key informant interview, primary cooperative societies are maintained daily journal and different types of book, but all the cooperative societies accountant has no equal knowledge on using of accounting manual. Regarding posting general ledger, table 4.9 indicate that, from 45 respondents 32(71%) confirmed as primary cooperatives posting the ledger from journal. The remaining 13(28.9%) of the respondents claimed as primary cooperatives was not using general ledgers.

Regarding the accounting procedure, the primary agricultural cooperatives societies are using single entry recording transaction procedure. Discussion with key informant interview at zonal and district level indicates as the cooperative society use double entry recording system but discussants at grass root level confirmed as they are using single entry system. From this we can easily identify the information and communication gap prevailing among District accountant, Zonal Auditor promotion office and workers of the cooperative society.

The challenge observed on the maintenance book account in study areas were, the majority of workers in primary cooperatives were selected respondents members and hence they have lack skill, lack of knowledge in using journal and ledger.

**Table 10.** Monthly Trial Balance

Variable	Response	Name of the cooperative				Total
		Mutulu	Kilinto	Toke Gaba	Kamsa	
Monthly Trial Balance	Yes	N	11	10	12	33
		%	73.3	66.6	80	73.3
	No	N	4	5	3	12
		%	26.7	33.4	20	26.7
	Total	N	15	15	15	45
		%	100%	100%	100%	100%

Source: Primary Data, 2015

The table 10 discuss that, from the total respondents 33(73.3%) confirmed as primary cooperatives are doing adjustment in the trial balance end of the every month. The remaining 12 (26.7%) of sample respondents witnessed as primary cooperatives was not preparing the trial balance end of the every month. The primary cooperative societies prepare the adjustment of the trial balance, but it is not correct as well as the using format trial balance was not full to prepare the trial balance. The preparation of the trial is the one of the outcome of accounting process or account system. However the primary cooperatives in case of study area use single entry system. When they prepare the trial balance it is not give the true picture of financial performance, but they can balance the inflow & out flow of cash and at the end of the year the person who prepare the financial statement maybe adjust and prepare the trial balance.

As table 11 indicates that, majority respondents 25(55.6%) confirmed as primary cooperatives are preparing the financial statement. The remaining 20(44.4%) of the respondents claimed as primary cooperatives are not preparing financial statement by themselves. Key informant interview also witnessed the same result as only 55.6% of primary cooperatives prepare their financial statement. The

financial statement of the primary cooperatives was prepared regularly at the end of the year by the external accountant that means by District accountant.

**Table 11.** Financial Statements of the Primary Cooperative

Variable	Response	Name of t cooperative				
		Mutulu	Kilinto	Toke Geba Kemisa	Total	
Prepare financial statement	Yes	Frequency	9	8	8	25
		Percentage	60%	53.3%	53.3%	55.6%
	No	Frequency	6	7	7	20
		Percentage	40%	46.7%	46.7%	44.4%
	Total	Frequency	15	15	15	45
		Percentage	100%	100%	100%	100%

Source: Primary data, 2015

These financial statements are balance sheet, income statement and cash flow was prepared by promotion office accountants at the end of the year. The cooperatives societies prepare only monthly cash flow to control the finance. The challenges identified in the study areas were, on preparation of the financial statements, the accountants of the cooperative society did not prepare financial statement by themselves. This is mainly because of the absence of training and awareness on preparing the financial statement among accountants. But the responsibility (mandatory) of preparing financial statement is by themselves of accountants and approved by board of directors of societies and the District accountants experts approve the financial statements by professional technique its correctness of the accounting procedures fulfillments' of the reports.

**Table 12.** The quality of the financial report

Name of the cooperative		The quality of the financial reporting			
		Excellent	Very Good	Good	Total
Mutulu	Frequency	2	7	6	15
	Percentage	13.3%	46.7%	40%	100%
Kilinto	Frequency	0	4	11	15
	Percentage	0%	26.7%	73.3%	100%
Toke Gaba Kamisa	Frequency	7	6	2	15
	Percentage	46.7%	40%	13.3%	100%
Total	Frequency	9	17	19	45
	Percentage	20%	37.8%	42.2%	100%

Source: Primary data, 2015

As table 12 reveals that, majority respondents 19(42.2%) confirmed as the quality financial reporting of the primary cooperative good, 17(37.8%) of the respondents witnessed as quality of financial reporting of their primary cooperatives was very good and the remaining 9(20%) of the respondents confirmed as financial reporting of their primary cooperatives were excellent. Key informant interview also witnessed the same result but the primary cooperatives are covering on recoding transaction day to day. In the primary cooperative the other observed problem is the issue of management committee and control committee as they have no financial report schedule and only perform on the District request. When we see quality of the financial reporting independently, in Mutulu multipurpose agricultural cooperative, 7(46.7%) of sample respondents replied as the quality of their financial reporting is very Good, 6(40%) verified as good and the remaining 2(13.3%) witnessed as excellent. In Kilinto multipurpose agricultural cooperative, 11(73.3%) of sample respondents confirmed as the quality of their financial reports are good and the remaining 4(26.7%) witnessed as very good. In Toke Gaba Kamisa multipurpose agricultural cooperative, 7(46.7%) respondents replied as quality of their financial report is Excellent, 6(40%) very Good and the remaining 2(13.3%) confirmed as the quality of their cooperatives financial report is good.

Table 13. Transparency of Financial Reporting

Variable	Response	Name of the cooperative				
		Mutulu	Kilinto	Toke Gaba Kamisaa	Total	
Openness	Yes	Frequency	9	6	10	25
		Percentage	60%	40%	66.7%	55.6%
	No	Frequency	6	9	5	20
		Percentage	40%	60%	33.3%	44.4
Honesty	Yes	Frequency	8	7	7	22
		Percentage	53.3	46.7	46.7	48.9
	No	Frequency	7	8	8	23
		Percentage	46.7	53.3	53.3	51.1
Reliability	Yes	Frequency	10	8	7	25
		Percentage	66.7	53.3	46.7	
	No	Frequency	5	7	8	20
		Percentage	33.3	53.3	46.7	
Total			45	45	45	135

Categorical variable computed at one value (Multiple Responses)

Transparency	Responses		Percent of Cases
	N	Percent	
Yes	72	53.3	159.9
No	63	46.7	140.1
<b>Total</b>	<b>135</b>	<b>100%</b>	<b>300%</b>

Categorical Variable computed as one variable. Percents are above 100% because of Multiple responses

Source: Field Survey, 2015

Table 13 reveals that, the majority respondents; 72(159.9%) confirmed as their primary cooperatives financial statements have been transparent, and the remaining 63 (140.1%) of the respondents claimed as the financial reporting did not transparent in their primary cooperatives. As noted in the key informant interview, all the committee members have no the same commitment for their cooperatives. The challenge of the transparency in case of study area the financial reporting activities performances has the lack of transparency for members in their performances especially Kilinto primary cooperative. They are not strictly following and respect the by-laws cooperatives principle. The control committees are not acting as their responsibility adhered on supervising of the activities movement of the societies. There no appropriate designed way to control the hidden bias, discrepancies & continuous embezzlement & misused of the societies resources by individuals.

When identify the financial transparency varies among multipurpose agricultural primary cooperative in the study areas, as table no: 13 reveal that in Mutulu primary cooperative the majority respondents 27 (60%) confirmed as their primary cooperative financial report has transparent, the remaining 18(40%) of the respondents claimed as the financial reporting in their primary cooperatives did not has transparency. As in Toke Gaba Kamia primary cooperative 24(53.3%) confirmed as their primary cooperative financial report has transparent, the remaining 21(46.7%) of the respondents claimed as the financial reporting in their primary cooperatives did not has transparency. Regarding the Kilinto multipurpose agricultural cooperative, 24 (53.3%) of the respondents claimed as the financial reporting in their primary cooperatives did not has transparency, the remaining 21(46.7%) confirmed as their primary cooperatives financial report has transparent.

#### **Qualitative Characteristics of Accounting Information**

This section analyzes and clearly explores the true qualitative characteristics of accounting information **relevance**; Feedback value, timelines and predictive value. As well as faithful representation (Reliability); completeness, neutrality, free from error, comparable, verifiability and understandability of the financial reporting in primary cooperative society.

#### **Relevance of the Accounting Information**

Relevance means the extent to which the information helps in the decision making process of users through its predictive value, feedback value and time value. It is the capacity of the financial report information to affect a decision maker or user (Ahmed, 2004).

##### **1. Timely information on Financial Report**

Timeliness is related to the relevance of the reports as relevant information has to be timely in order to be useful. Miller and Bahnson (n.d.), argued that financial information during the crisis was not available to decision makers early enough and was not useful to the

decision making process (Siiri, N.D.). The program schedule is provides the financial report information to solve problem that user have predictable. Schedule report is based on an established time, daily, weekly, monthly, quarterly& annually. Hence the primary cooperative society reports daily record transaction submitted the monthly cash flow report to meeting for management committee monthly and prepares financial statement annually. If the management committee always had time on their side they may never make bad decision. However the board of management committee cannot always wait until they have all the facts before they act. Timely financial report information that is sufficiently complete & accurate is more valuable than perfect information that comes too late to use. Therefore primary cooperative financial report must proved and submitted to committee with timely information.

**Table 14.** Timeliness of financial report preparation

Variable	Response		Name of the cooperative			
			Mutulu	Kilinto	TokeGabaKamisa	Total
Time Report	Yes	N	8	8	9	25
		Percentage	53.7%	53.7%	60%	55.6%
	No	N	7	7	6	20
		Percentage	46.3%	46.3%	40%	44.4

Source: Primary data, 2015

As table 14 reveals that, majority 25(55.8%) of respondents confirmed as the Cooperatives are preparing financial statements on timely. The remaining 20(44.2%) of the respondents did not confirmed the primary cooperatives follows timeliness to prepare the financial reporting. The key informant interview also criticized timely financial report of their primary cooperative and hence primary cooperatives has no the constant plan schedule on timeliness report. They were led by the District promotion offices plan. In the study area, financial report is prepared by District accountant and financial report is prepared only one time in the year.

**Table 15.** Feedback relevance on the Financial Reporting System

Variable	Response		Name of the cooperative			
			Mutulu	Kilinto	Toke Gaba Kamisa	Total
Relevance Feedback of the financial reporting	Yes	Frequency	15	15	15	45
		Percentage	100%	100%	100%	100%
	No	Frequency	0	0	0	0
		Percentage	0%	0%	0%	0%

Source: Primary data, 2015

As the table 15 stated that, majority respondents; 45(100%) confirmed as there exist relevant feedback for primary cooperative from auditor, District accountant and general assembly. The main feedbacks given or decision were mainly to improve the recoding transaction. The monthly income and expenditure statement is helpful to minimize the administrative expenses of the Cooperatives. On the basis of this information organization shaping future, and prepare the various budget, control the unnecessary expenses and improve their performance. The same things were identified by key informant interview and the challenges in implementation of effect and there is no close follow up both by cooperative management committee and District promotion office to correct feedback given.

**Table 16.** Relevance Predictive value

Variable	Response		Name of the cooperative			
			Mutulu	Kilinto	Toke Gaba Kamisa	Total
Evaluate or assess financial report.	Excellent	Frequency	9	6	9	24
		Percentage	60%	40%	60%	53.3%
	V. Good	Frequency	6	7	6	19
		Percentage	40%	46.7%	40%	42.2%
	Good	Frequency	0	2	0	2
		Percentage	0%	13.3%	0%	4.5%
	Total	Frequency	15	15	15	45
		Percentage	100%	100%	100%	100%
Measure the quality report.	Excellent	Frequency	6	0	5	11
		Percentage	40	0	33.3	24.43%
	Very Good	Frequency	7	8	10	25
		Percentage	46.7	53.3	66.7	55.6%
	Good	Frequency	2	7	0	9
		Percentage	13.3	46.7	0	20%
	Total	Frequency	15	15	15	45
		Percentage	100	100%	100%	100%

Source: Primary data, 2015

As the table 16 indicates that, 24(53.3%) of the sample respondents confirmed as financial report help user to evaluate or assess the past performance of the primary cooperatives were excellent useful and 19(42.2%) of respondents confirmed that the financial report help user to evaluate or the past and present performance of the primary cooperatives were very good useful and 2(4.5%) of respondents were good useful. In relation to measuring the quality of report 25(55.6%) of the respondents confirmed that the financial report help to measure the quality of report to decision making in primary cooperatives were very good, 11(24.4%) of the respondents confirmed as their financial report help to measure the quality report to decision making in primary cooperatives were excellent and the remaining 9(20%) good for cooperatives society. As the survey result the relevant predictive value study areas are very low. The reason for prevalence of these problems was the management committees of primary cooperatives have no long plan to forecast the future to promote those primary cooperatives. This could be attributed to low literacy rate and lower capacity of these committees to prepare the future plan and forecast the standards of financial position or performance of the of the cooperatives societies.

## 2. Faithful Representation as completeness of the financial report

Faithful representation completeness means that all the information that is necessary for reliability of the financial report is provided. An omission can cause information to be false or misleading and as a result not be helpful to the user of financial report. The financial report information is not complete and as a result not reliability of their values.

**Table 17.** Completeness of the Financial Report

Variable	Response		Name of the cooperative			
			Mutulu	Kilinto	Toke Gaba Kamisa	Total
Completeness of Financial Report	Excellent	Frequency	0	3	8	11
		Percentage	0	20%	53.3%	24.4%
	Very Good	Frequency	8	7	7	22
		Percentage	53.3%	46.7%	46.7%	48.9%
	Good	Frequency	7	5	0	12
		Percentage	46.7%	33.3%	0	26.6
	Total	Frequency	15	15	15	45
		Percentage	100%	100%	100%	100%

Source: Primary data, 2015

As table 17 indicates that, majority respondents 22(48.9%) confirmed as primary cooperatives financial report preparation have been very good completeness, 12(26.6%) of the respondents confirmed as the completeness of the financial reports of their primary cooperatives were good and the remaining 11(24.4%) of the respondents confirmed as the completeness of the financial reports of their primary cooperatives were excellent. The same things were identified in key informants' interview as completeness of the financial reports of primary cooperatives has its own drawbacks. These problems are mainly due to absence of logistics, absence of training for temporary employee, accountant and low level of awareness for committee members. In addition to this, it's noted that committees' motivation on their job were found to be very low. These problems are pervasive especially in Mutulu and Kilinto multipurpose agricultural cooperative.

## Conclusion

The financial reporting performances in the study area lacks transparency for members especially Kilinto primary cooperative. They are not strictly following and respect the by-laws of cooperatives principle. The control committees are not acting as their responsibility adhered on supervising of the activities movement of the societies. There was no appropriately designed way to control the hidden nepotism, discrepancies & continuous embezzlement & misused of the societies resources by individuals. To meet the objective of neutrality and usefulness financial statement or financial reporting, there should be understandability, relevancy, reliability and comparability. Relevancy of the financial statement provides the information which can influence user's economic decision or affect users' evaluation of past events or forecasts of future events. However in the study area, the primary cooperatives have no constant plan/schedule on timeliness of the report. Even though, feedbacks are given mainly to improve the recoding transaction, prepare the trial balance monthly and improve their weaknesses, primary cooperatives management committee and the related stakeholders were not discharging this responsibility.

The user with a basic knowledge of the business and accounting who make a reasonable effort to study the financial statements should be able to readily understand the information of the statements. In case of the study area, comparisons of MAPCs financial report with the other report were found to be invisible. This means at the same time in the same cooperatives, comparing of the financial report with the previous time with current report it doesn't provide necessary information to the users of financial reporting. When we compare the financial report of the primary cooperatives with the similar information and the same entity; all the cooperatives societies financial report doesn't provide necessary information for the user financial report. Additional an understandability of the financial report information for the user of financial reporting to decision making, it has the missing quality of the reporting material in using the format of financial statement and accounting reporting procedure this in case of lack quality financial report for the user information the understandability report is not good satisfaction for decision maker. In general, the

primary cooperatives societies in the study area implement the single entry system, which have no complete recording transaction. To gate the full date to compare the financial report information and understand the information of the financial reporting for the user, double entry recording system is the appropriate way.

### Recommendations

The number of cooperatives currently operating in Toke Kutaye District is increasing at an important rate. Thus, to have assessment financial reporting system within the cooperative & increase self-assurance of the member and deferent user of the financial statement, the researcher at minimum recommends as follows. The following possible recommendations may be used in order to help accountant and management committee members in exercising their professional and legal responsibilities, and in providing decision makers with relevant financial reporting.

- ✓ The accounting document should be reviewed for verifying their completeness, fairness, computing accuracy and legality before being enter into the book.
- ✓ The accountant/bookkeeper/ of the primary cooperatives should be record the business transactions of the society day to day on the daily journal.
- ✓ The recording of the transaction on the daily journal post to the general mainly the Journal.
- ✓ The primary cooperatives bookkeeper or accountant generate the trial balances from the general ledger and adjust the error occurred in the time of recording transaction accounting.
- ✓ To improve the problem of the understandability of the financial reporting information for the user report when the primary cooperatives use double entry system and there financial prepared by computer software it is most excellent.

### References

1. Benard ankomah dacosta(2012). the impact of the use of computerised accounting Systems in financial reporting, a case study of Rural banks, Ghana.
2. James R. Baarda, (2006). Current Issues In Cooperative Finance And Governance. Background and Discussion Paper Cooperative Programs Rural Development U.S. Department of Agriculture.
3. Bezabih Emanah(2009). Cooperatives: a path to economic and social empowerment in Ethiopia International Lab our Organization.
4. Demeke Tilahun(2007); Performance of Coffee Marketing Co-Operatives and Members' Satisfaction In Dale District, Southern Ethiopia.; Haramaya University.
5. Fikru Bekele (2008). Soundness of the Financial reporting practices in selected consumer cooperatives, Addis Ababa University.
6. Indira, A. (2008). Computerized Accounting System. Retrieved on May, 6, 2011
7. Kaplan Schweser (2009): *Financial Reporting and Analysis*. Kaplans Inc.USA.