ACCOUNTING & FINANCE REVIEW

IJAFR VOL 14 NO 2 (2023) P-ISSN 2576-1285 E-ISSN 2576-1293

Available online at https://www.cribfb.com
Journal homepage: https://www.cribfb.com/journal/index.php/ijafr
Published by CRIBFB, USA

AN ANALYSIS OF THE FACTORS AFFECTING THE IMPLEMENTATION OF CAMBODIAN FINANCIAL REPORTING STANDARD FOR NOT-FOR-PROFIT ENTITIES

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ARTICLE INFO

Article History:

Received: 15th September 2023
Revised: 10th November 2023
Accepted: 26th November 2023
Published: 3rd December 2023

Keywords:

Cambodian Financial Reporting Standard for Not-For-Profit-Entities, Logit Regression Model, Exploratory Factor Analysis, Maximum Likelihood Estimation.

JEL Classification Codes:

M10, M40, M41, M48

ABSTRACT

The adoption of the Cambodia Financial Reporting Standard (CFRS) for Not-For-Profit Entities (NFPEs) is crucial for both the entities themselves and the Accounting and Auditing Regulator (ACAR). Despite the large number of registered not-for-profit entities in Cambodia, not all of them have embraced the use of CFRS. This study aims to analyze the factors that influence the likelihood of adopting CFRS for NFPEs through a logit regression model. Six factors are identified, including three observed variables (entity size, fear of penalties, and ease of accessing funds) and three latent variables (valuation of accounting items, entities' readiness, and consistency with tax regulations). Data was collected from 109 entities. The empirical findings reveal that five out of the six factors are statistically significant in explaining the likelihood of entities adopting CFRS for NFPEs. However, the entities' readiness to adopt CFRS was found to be statistically insignificant. The estimated parameter values for the significant factors align with expectations. The Pseudo-R2 suggests that approximately 61.8 percent of the variation in the dependent variable can be attributed to the independent variables. It is important for not-for-profit entities and the ACAR to consider these significant factors when promoting the adoption of CFRS for NFPEs. Future research could further investigate the reasons behind the lack of significance in the entities' readiness factor and explore additional factors that may influence the likelihood of CFRS adoption.

INTRODUCTION

Financial transparency is vital for both for-profit and not-for-profit entities, requiring them to prepare and publish financial reports that comply with accounting standards. Compliance with international standards not only attracts domestic investors but also foreign investors. In Cambodia, the National Accounting Council (NAC) enforces compliance with accounting and auditing standards, playing a crucial role in ensuring financial transparency. The adoption of International Financial Reporting Standards (IFRS) under the name Cambodia International Financial Reporting Standards (CIFRS) and the Cambodia Financial Reporting Standard (CFRS) for Not-For-Profit Entities (NFPEs) has been mandated for various entities. However, little to no research has been conducted on the obstacles associated with adoption of international financial reporting standards by Cambodian entities, particularly in the context of CFRS for NFPEs.

The aim of this research is to identify predictive factors affecting the compliance of CFRS for NFPEs in Cambodia using Explanatory Factors Analysis (EFA). The three primary variables examined are Valuation of Accounting Items (VAI), Entities' Readiness to Adopt CFRS (ERC), and Inconsistency with Tax Regulation (ITR). These variables will be integrated into a logit regression model to predict the likelihood of CFRS adoption by NFPEs in Cambodia.

The relevance of this research topic lies in addressing the obstacles faced by NFPEs in Cambodia in adopting the CFRS. By identifying factors that influence compliance, this study can provide insights to NFPEs, the Accounting and Auditing Regulator (ACAR), and other relevant stakeholders on how to promote and facilitate the adoption of CFRS for NFPEs. Enhancing the compliance of NFPEs with CFRS can lead to increased financial transparency, improved institutional

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https://doi.org/10.46281/ijafr.v14i2.2133

To cite this article: Lim, S., & Flores, E. P. (2023). AN ANALYSIS OF THE FACTORS AFFECTING THE IMPLEMENTATION OF CAMBODIAN FINANCIAL REPORTING STANDARD FOR NOT-FOR-PROFIT ENTITIES. *International Journal of Accounting & Finance Review, 14*(2), 37-47. https://doi.org/10.46281/ijafr.v14i2.2133

reputation, and better access to funding and support.

The research will employ EFA to analyze the factors influencing the likelihood of adopting CFRS for NFPEs in Cambodia. A logit regression model will be used to integrate the three primary variables (VAI, ERC, and ITR) and predict the probability of CFRS adoption. Data will be collected from a sample of 109 entities to ensure a comprehensive analysis.

The main objective of this study is to identify the predictive factors affecting the compliance of CFRS for NFPEs in Cambodia. Hypotheses related to entity size, fear of penalties, ease of attracting funds, valuation of accounting items, entities' readiness, and inconsistency with tax regulations will be tested using the logit regression model. Furthermore, an EFA will be conducted to establish constructs based on observed items that predict the factors influencing CFRS adoption.

This study is divided into six chapters. Chapter 1 presents the introduction, while chapter 2 provides the literature review. Chapter 3 explains the materials and methods used in the research, and chapter 4 presents the research results. Furthermore, chapter 5 contains the discussions, and chapter 6 indicates the conclusions.

LITERATURE REVIEW

The globalization and international trade have provided investors with opportunities to expand their wealth beyond national boundaries. This economic trend has been instrumental in driving growth by increasing production and consumption. However, to facilitate informed investment decisions, the need for a single uniform set of accounting principles cannot be overstated. Accurate and reliable information is crucial for investors and analysts to make meaningful comparisons among companies operating in different market sectors. In response to this need, the International Financial Reporting Standards (IFRS) have been developed to provide standardized accounting rules for financial statements. The IFRS has gained widespread adoption in over 166 jurisdictions across the globe. Scholarship and research demonstrate the extensive benefits of implementing IFRS, such as the provision of comparable and transparent financial statements (Nassar et al., 2014; Brüggemann, 2011; Houqe et al., 2016). However, it is also important to recognize the potential challenges and consequences associated with the rapid implementation of such a significant reporting standard. As a result, research on the benefits and obstacles related to the adoption of international accounting standards is crucial for a comprehensive understanding of the advantages and challenges faced by relevant stakeholders. Numerous studies have been conducted over the past decades to investigate the advantages and challenges of adopting these standards.

Extensive research has investigated the relationship between IFRS adoption and the cost of equity capital (Uwalomwa et al., 2016) and variations in IFRS adoption across countries (Ball, 2016). Other studies explore the influence of institutional factors on IFRS adoption in developing countries (Pricope, 2016), the impact of mandatory IFRS adoption on financial reporting (Cascino & Gassen, 2014), and the challenges faced by accounting professions during IFRS implementation (Dauda et al., 2015; Zakari, 2014; Faraj & El-Firjani, 2014; Taiwo & Adejare, 2014; Ferati et al., 2021).

Culture has been recognized as a significant factor influencing accounting practices and the adoption of IFRS (Gray, 1988; Mukoro & Ojecka, 2011; Borker, 2013). The literature suggests that the challenges in IFRS adoption are influenced by national culture, traditions, and unique environments in different countries (Gernon & Wallace, 1995; Zakari, 2013; Palea, 2013). Additionally, studies have examined the value relevance of IFRS financial statements (Gjerde et al., 2008), the impact of globalization on IFRS adoption (Irvine & Lucas, 2006), and the factors influencing the adoption of IFRS in developing countries (Zéghal & Mhedhbi, 2006; Ta et al., 2021).

Research has also evaluated the likelihood of IFRS adoption based on variables such as company size, internationalization level, auditor reputation, and legal framework (Pietilä, 2017; Bonito & Pais, 2018). Challenges in successfully adopting IFRS, such as the expenses and the need for continuous amendments, have been identified (Gibru & Aynalem, 2019).

Recent studies have contributed to the existing literature on IFRS adoption and its challenges and benefits. The research conducted by Song and Trimble (2022) provides a valuable dataset that includes comprehensive information on IFRS adoption dates and types for 195 countries and territories. This study serves as a crucial resource to understand the global landscape of IFRS adoption. Specifically focusing on the adoption process of IFRS in Nigeria, WALI (2022) emphasizes the need for a well-established legal and regulatory framework, while also emphasizing the importance of awareness campaigns and training programs. This research underscores the significance of institutional support and preparation for effective IFRS implementation.

Furthermore, studies have delved into the adoption of IFRS for small and medium-sized enterprises (SMEs) in various countries. Investigating the adoption of IFRS for SMEs in Ghana, Sappor et al. (2023) identify factors that influence adoption, such as coercive isomorphism and environmental factors. Their findings shed light on the complexity of the adoption process and highlight the need to consider contextual factors. Similarly, Alhato (2023) examines the obstacles and benefits of adopting IFRS in Jordan, emphasizing the importance of understanding international accounting standards and their implications for companies operating in different jurisdictions. This research underscores the necessity of recognizing the advantages and challenges of IFRS adoption in specific national contexts. DEBEBE (2023) focuses on assessing the benefits and challenges of IFRS adoption for small and medium enterprises in Ethiopia. The study highlights the significance of education and training in overcoming implementation challenges and emphasizes the importance of building knowledge and skills to successfully adopt IFRS.

Moreover, studies have explored IFRS implementation in specific countries and its impacts on reporting standards and the accounting profession. Tlemsani et al. (2023) explore the implementation of IFRS in Saudi Arabia, revealing significant differences between Generally Accepted Accounting Principles (GAAP) and IFRS reporting standards. This study underscores the need for alignment between different reporting frameworks and recognizes the challenges associated with such implementation. Examining the impact of IFRS adoption on the accounting profession in Uzbekistan, Jasur (2023)

highlights the challenges practitioners face during the transition period, while also identifying potential opportunities. This research sheds light on the professional implications of IFRS adoption and provides insights into how accounting professionals can navigate the changes effectively. Additionally, Khan et al. (2021) investigate the factors influencing IFRS adoption and its impact on firm performance in Pakistan. Their research provides a comprehensive understanding of the relationship between IFRS adoption and organizational outcomes, emphasizing the importance of both external and internal factors in the adoption process.

Some researchers have proposed models and frameworks to enhance understanding of IFRS adoption and its impact. Abdul and Abdullah (2022), for instance, discuss the emergence of IFRS as a means to achieve financial reporting uniformity across borders. They propose a model that integrates IFRS constructs with foreign direct investment (FDI), robust financial information reporting, transparency, and comparability. Gonçalves et al. (2022) contribute to the literature by examining factors that influence the implementation of IFRS for SMEs in Brazil. Their research identifies inconsistencies and incomprehensibility as major barriers to adoption, shedding light on the challenges faced by SMEs in effectively adopting IFRS.

Furthermore, the relationship between the adoption of IFRS for SMEs and national culture has garnered attention in research. Mhedhbi and Essid (2022) find that higher levels of individualism are associated with a lower likelihood of IFRS adoption among SMEs. This research emphasizes the influence of national cultures on the adoption and implementation of internationally recognized accounting standards like IFRS.

The above literature covers various aspects such as benefits, challenges, and factors influencing IFRS implementation. It highlights the importance of a uniform set of accounting principles to support informed investment decisions in the globalized economy. Researchers have examined the impact of IFRS adoption on the cost of equity capital, variations in adoption, institutional factors, cultural influences, value relevance of financial statements, and factors influencing adoption in different countries. Recent studies have contributed to the existing literature by providing valuable datasets, examining the adoption of IFRS for SMEs, and proposing models and frameworks to understand the adoption and impact of IFRS.

However, there is a lack of research on the challenges associated with implementing accounting standards in Cambodia, specifically the CFRS for NFPEs. The Ministry of Economy and Finance (MEF) has issued regulations for the adoption of the CIFRS for for-profit entities, including the CFRS for NFPEs (Ministry of Economy and Finance, 2009, 2011; Cambodian Financial Reporting Standards for Not-for-Profit Entities, 2018). The NAC and the Law on Corporate Accounts, Their Audit and The Accounting Profession enforce compliance with accounting and auditing standards in Cambodia (Council for the Development of Cambodia, 2002).

To address this research gap, this study aims to utilize EFA to identify factors influencing the adoption of CFRS for NFPEs in Cambodia. The objective is to contribute to the knowledge on CFRS adoption for NFPEs and provide insights for NFPEs, the ACAR, and other stakeholders to enhance compliance with CFRS.

Based on the literature review and the specific context of Cambodia, the following hypotheses are formulated:

Hypothesis 1: The larger the size of the entity, the higher the probability of CFRS adoption by the entity.

Hypothesis 2: The greater the entity's fear of being penalized by the ACAR, the higher the probability of CFRS adoption by the entity.

Hypothesis 3: The more the entity believes that using CFRS would attract more funds from donors, the higher the chance that the entity will adopt CFRS.

Hypothesis 4: The more difficult it is for the entity to learn about the valuation of accounting items using CFRS, the less likely it is that the entity will adopt CFRS.

Hypothesis 5: The lower the entity's level of readiness for adopting CFRS, the less likely the entity will adopt CFRS.

Hypothesis 6: The greater the inconsistency between CFRS and tax regulation that the entity has learned, the less likely it is that the entity will adopt CFRS.

MATERIALS AND METHODS

This section commences with an explanation of the logit regression model specifications and how the sample parameters of the model are being estimated. In the second part, factors that might have a significant influence on the probability of the adoption of CFRS are described by the use of Exploratory Factor Analysis (EFA). The research design, sample size determination, and how data are being collected are all presented in the third part of this section.

Logit Regression Model

$$CFRS\_Adoption_i = \beta_0 + \beta_1 NW_i + \beta_2 FP_i + \beta_3 EF_i + \beta_4 VAI_i + \beta_5 ERC_i + \beta_6 ITR_i + \varepsilon_i \quad (1)$$

Where, $CFRS\_Adoption$ is a dummy variable (1 indicates CFRS for NFPEs adopter and 0 otherwise), NW is a number of workers represented the size of an organization, FP indicates "Organization use CFRS because of fear of being penalized by the Accounting and Auditing Regulator of Cambodia (ACAR)", EF denoted as "Organization use of CFRS will make it easy to attract funds from donors". Each variable is measured using a five-level Likert scale. The identification of the last three variables of the regression, Valuation of Accounting Items (VAI), Entities' Readiness to Adopt CFRS (ERC), and Inconsistency with Tax Regulation (ITR) are explained in the EFA section. β_j are parameters to be estimated, where $j = 0, 1, \cdots, 4$. The unobserved variables are put into the ε and i is the number of entities, $i = 1,2, \cdots, n$. The estimation

method employed is Maximum Likelihood Estimation.

Table 1. Factors Influencing CFRS Adoption

Items		Factors
	Factor 1: Valuation of Accounting Items (VAI)	
1	VAI1	It is difficult to understand the procedures in applying CFRS
2	VAI2	It is difficult to understand CFRS accounting policies
3	VAI3	It is difficult to measure assets and liabilities value according to CFRS
4	VAI4	It is difficult to measure income and expense according to CFRS
5	VAI5	The entity had to implement additional control systems to monitor CFRS compliance
6	VAI6	The entity had to change its Information System (IT) system to suits CFRS
	Factor 2: Entities' Readiness to Adopt CFRS (ERC)	
7	ERC1	CFRS increases staff training needs
8	ERC2	CFRS adoption increases in the cost of preparing financial reports
9	ERC3	There is a lack of guidance about how to prepare financial reports according to CFRS
10	ERC4	There are no Khmer language translation of CFRS for NFPEs
	Factor 3: Inconsistency with Tax Regulation (ITR)	
11	ITR1	Using CFRS will generate new financial report for taxation purposes
12	ITR2	The inconsistency between taxation legal requirements and CFRS

Exploratory Factor Analysis (EFA)

The main purpose of EFA is to identify items that predict the factors influencing CFRS adoption for NFPEs. This study has identified twelve items that fall into three main factors related to the practical difficulties of adopting CFRS. The first factor, labeled "Valuation of Accounting Items (VAI)," comprises six items. The second factor, "Entities' Readiness to Adopt CFRS (ERC)," encompasses four items. The third factor, "Inconsistency with Tax Regulation (ITR)," includes two items.

Research Design

To gather data on CFRS adoption for NFPEs, a structured questionnaire was created using Google Forms. The NFPEs under consideration were categorized into three distinct groups: Non-Government Organizations (NGOs), Associations, and Civil Society Organizations (CSOs). To identify factors influencing entities' decisions regarding CFRS adoption for NFPEs, a survey questionnaire employing multiple-choice questions, Likert scale measurement, nominal questions, and dichotomous questions was developed. The questionnaire consisted of three sections:

- Respondent Entity Information
- General Information about Financial Reporting Standard Adoption
- Challenging factors that entity encountered in complying with CFRS adoption

The questionnaire was initially developed in English, followed by a Khmer translation at the end of all questions.

Sample Size

Sample size is determined based on a formula developed by Djarwanto and Subagyo (2013).

$$n = \frac{z^{1/2}\sigma}{\epsilon} \tag{2}$$

Where,

n : Number of samples
z : Area of standard normal curve
σ : Standard deviation
ϵ : Error

With reference to the normal distribution table, the value of $z^{1/2}$ is 1.96. If standard deviation is set to be 0.5 and the error is 0.01, the sample size is 98 entities.

Data Collection

A list of NFPEs has been extracted from the Cambodia Yellow Pages and Google website. A trained data collection team has familiarized themselves with all the items in the questionnaire before commencing fieldwork. Entities are randomly selected from the list, and the team performs a telephone call in advance to verify the existence and operation of the entity. Once at the entity, the team approaches the Accounting or Finance Department and attempts to contact a person who can complete the questionnaire. An online questionnaire is shared with the respondent, and the team remains nearby during the questionnaire completion process. This allows them to provide immediate feedback and support if the respondent has any issues or concerns regarding the questionnaire items.

Before the official survey, a pilot survey is conducted on five respondents from five NFPEs. The feedback obtained from the pilot survey is carefully considered in order to make any necessary improvements to the questionnaire.

RESULTS

This section is divided into four parts. Firstly, the frequency distribution and cross-tabulation of all entities participating in the study are described. Secondly, the results of the exploratory factor analysis (EFA) are discussed. Thirdly, the logit model's prediction capacity is assessed, and the estimated results of the model using maximum likelihood estimation (MLE) are presented. Lastly, the hypotheses testing is conducted.

Table 2. Entity Types, Frequency

Type of Entities	Frequency	Percent	Valid Percent	Cumulative Percent
NGOs	97.00	89.00	89.00	89.00
Associations	2.00	1.80	1.80	90.80
Civil Society Organizations	10.00	9.20	9.20	100.00
Total	109.00	100.00	100.00	

Among the 109 reliable respondents, 89 percent are NGOs, 1.80 percent are Associations, and 9.20 percent are Civil Society Organizations (CSOs). The sample size is divided into two groups: CFRS Adoption and CFRS Non-Adoption. CFRS represents CFRS for NFPEs. A cross-tabulation is performed to analyze the relationship between the type of entities and their adoption of CFRS.

Table 3. Cross-tabulation between Type of Entities and CFRS Adoption

Type of Entities	CFRS Adoption		Total
	CFRS Non-Adoption	CFRS Adoption	
NGOs	71	26	97
Associations	0	2	2
Civil Society Organizations	5	5	10
Total	76	33	109
Chi-Square Tests			
	Value	**df**	**Asymptotic Significance (2-sided)**
Pearson Chi-Square	7.003[a]	2	0.03
Likelihood Ratio	7.038	2	0.03
Linear-by-Linear Association	3.563	1	0.059
N of Valid Cases	109		
a. 3 cells (50.0 percent) have expected count less than 5.			
The minimum expected count is .61.			

Out of the 109 entities, 33 are classified as CFRS adapters and 76 as non-adapters. Among the NGOs, 26 are CFRS adapters and 71 are non-adapters. Both Associations that participated in the research are CFRS adapters. Out of the surveyed Civil Society Organizations, 50 percent are CFRS adapters and 50 percent are non-adapters. The Pearson Chi-Square value is 7.003 with a p-value of 0.03, which is less than the 0.05 or 5 percent significance level. This indicates a significant difference between the CFRS adapters and non-adapters. The analysis reveals that there is a relationship between the type of entities and their adoption of CFRS. In the subsequent step, the items that are used as predictors of factors influencing the probability of adopting CFRS for NFPEs will be analyzed.

Table 4. Exploratory Factor Analysis (EFA)

	Loading Factors		
	Factor 1	**Factor 2**	**Factor 3**
	VAI	**ERC**	**ITR**
Factor 1: Valuation of Accounting Items (VAI)			
It is difficult to understand the procedures in applying CFRS	0.775		
It is difficult to understand CFRS accounting policies	0.881		
It is difficult to measure assets and liabilities value according to CFRS	0.888		
It is difficult to measure income and expense according to CFRS	0.430		
The entity had to implement additional control systems to monitor CFRS compliance	0.454		
The entity had to change its Information System (IT) system to suits CFRS	0.476		
Factor 2: Entities' Readiness to Adopt CFRS (ERC)			
CFRS increases staff training needs		0.917	
CFRS adoption increases in the cost of preparing financial reports		0.694	
There is a lack of guidance about how to prepare financial reports according to CFRS		0.551	
There are no Khmer language translation of CFRS for NFPEs		0.673	
Factor 3: Inconsistency with Tax Regulation (ITR)			
Using CFRS will generate new financial report for taxation purposes			0.919
The inconsistency between taxation legal requirements and CFRS			0.438
Eigenvalues	6.167	1.202	1.004
Variance Explained, percent	47.236	8.029	3.679
Cumulative Variance, percent	47.236	55.265	58.945
KMO = 0.892			
Bartlett's Test of Sphericity:			

Degree of freedom (df) = 66	
Chi-Square = 787.888	
p-value = 0.000	

The adequacy of the sample was assessed using the Kaiser-Meyer-Olkin (KMO) measure, which yielded a value of 0.892. This value is considered good as it is close to the desired threshold of 0.9. The Bartlett's Test of Sphericity was also conducted, resulting in a calculated Chi-Square of 787.888 with 66 degrees of freedom (df) and a *p*-value of 0.000. This *p*-value is less than 0.01, indicating that the result is highly statistically significant.

To determine the loading factor for each item, a threshold of 0.40 was set. Any item with a loading factor below this threshold was omitted. The results of the EFA in Table 4 showed that there was a total of twelve items that exceeded the threshold. Of these, six items were classified under Factor 1, four items under Factor 2, and two items under Factor 3. Additionally, the cumulative variation explained by these twelve items was 58.945 percent, spread across the three factors.

The cumulative variation for Factor 1, Valuation of Accounting Items (VAI), accounted for 47.236 percent of the total variation. This increased by 8.029 percent when Factor 2, Entities' Readiness to Adopt CFRS (ERC), was included, bringing the total variation for these two factors to 55.265 percent. Furthermore, when Factor 3, Inconsistency with Tax Regulation (ITR), was added, the variation increased by another 3.679 percent, resulting in a cumulative variation of 58.945 percent.

Table 5. Hosmer and Lemeshow Test

Chi-Square	**2.453**				
p-value	**0.964**				
df	**8**				
Contingency Table					
	CFRS Adoption = CFRS Non-Adoption		**CFRS Adoption = CFRS Adoption**		Total
	Observed	**Expected**	**Observed**	**Expected**	
1	11	11	0	0	11
2	11	11	0	0	11
3	11	11	0	0	11
4	11	11	0	0	11
5	11	10.995	0	0.005	11
6	10	10.725	1	0.275	11
7	8	7.451	3	3.549	11
8	3	2.573	8	8.427	11
9	0	0.255	11	10.745	11
10	0	0.002	10	9.998	10

Using the factor scores generated from the three factors, each consisting of 109 observations, a logit regression model was developed to predict the probability of CFRS adoption. The model included an intercept and a cut value of 0.5. Upon examining Table 6, it was found that the null model correctly predicted 76 out of 109 entities as CFRS Non-Adopter, yielding a prediction accuracy of 69.7 percent. However, 33 entities observed to be CFRS Adopter were erroneously predicted as CFRS Non-Adopter by the model. The exponential of the intercept, Exp(B), or the odds ratio, was calculated to be 0.43. This indicates a 57 percent greater likelihood of not being a CFRS Adapter.

To evaluate the predictive capacity of the model, the Hosmer and Lemeshow Test was conducted. The Chi-Square value obtained was 2.453, with a corresponding *p*-value of 0.964. This *p*-value is greater than the 5 percent significance level (0.05), suggesting that the model does not suffer from misspecification in terms of its predictive capacity. The 10th category of the predicted category contingency table presented in Table 7 revealed that the expected value of CFRS Adopter was 9.998, which closely matched the observed value of 10. This comparison indicates that the model has a high predictive capacity.

Table 6. Classification Accuracy of the Null Model

			Predicted		**Percentage Correct**
			CFRS Adoption		
			CFRS Non-Adoption	**CFRS Adoption**	
Observed	**CFRS Adoption**	**CFRS Non-Adoption**	76	0	100
		CFRS Adoption	33	0	0
	Overall Percentage				69.7
Constant is included in the model.					
The cut value is .500					

The model's predictability significantly improved from 69.7 percent to 94.5 percent when six additional variables - NW, FP, EF, VAI, ERC, and ITR - were included in the model alongside the intercept. The logit regression model estimated results indicated that out of the 76 CFRS Non-Adapters, 74 were correctly predicted, resulting in an impressive 97.4 percent accuracy. Additionally, 33 of the observed CFRS Adapters were accurately predicted by the model, achieving an 87.9 percent prediction accuracy.

Table 7. Hosmer and Lemeshow Test and Its Contingency Table

Hosmer and Lemeshow Test:					
Chi-Square	**2.453**				
***p*-value**	**0.964**				
df	**8**				
Contingency Table					
	CFRS Adoption = CFRS Non-Adoption		**CFRS Adoption = CFRS Adoption**		**Total**
	Observed	**Expected**	**Observed**	**Expected**	
1	11	11	0	0	11
2	11	11	0	0	11
3	11	11	0	0	11
4	11	11	0	0	11
5	11	10.995	0	0.005	11
6	10	10.725	1	0.275	11
7	8	7.451	3	3.549	11
8	3	2.573	8	8.427	11
9	0	0.255	11	10.745	11
10	0	0.002	10	9.998	10

The estimated parameter (B) for the variable NW is 6.212, which is positive and statistically significant at the 1 percent level, as evidenced by a probability value of 0.007. This indicates that a one-unit increase in NW is associated with a 6.212 increase in the logit variable, indicating a similar increase in the probability of being a CFRS adapter.

The odds ratio for the NW variable, calculated by taking the exponential of its slope parameter, is 498.640. This odds ratio can be interpreted similarly to unstandardized beta (β) weights, suggesting that for every one-unit increase in NW, there is a 498.640-times greater likelihood of adopting CFRS when accounting for individual differences in the other independent variables. A one-unit increase in FP is predicted to increase the logit variable by 3.867. The null hypothesis is rejected at the 1 percent significant level due to the low probability value. Keeping the other independent variables unchanged, a one-unit increase in FP is associated with a 47.777-times greater likelihood of entity adoption of CFRS.

Similarly, a one-unit increase in EF is estimated to increase the likelihood of CFRS adoption by 5.940. The estimated slope coefficient for EF is 1.782, and the null hypothesis, stating that the population parameter of EF is equal to zero, is rejected at the 5 percent level. Of the three predicted variables from the EFA, VAI and ITR are statistically significant at the 1 percent and 10 percent levels, respectively, in explaining the logit variable. The sign of the two predicted sample parameters is as expected. The odds ratio for VAI is 0.016, indicating a lower likelihood of CFRS adoption when VAI increases. The odds ratio for ITR is 0.162, suggesting a decreased likelihood of CFRS adoption in the presence of ITR.

Table 8. Estimated Result of Logit Model

			Predicted		**Percentage Correct**		
			CFRS Adoption				
			CFRS Non-Adoption	**CFRS Adoption**			
Observed	**CFRS Adoption**	**CFRS Non-Adoption**	74	2	97.4		
		CFRS Adoption	4	29	87.9		
	Overall Percentage				94.5		
The cut value is .500							
Variables			B	S.E.	Wald	Sig.	Exp(B)
NW			6.212	2.307	7.247	0.007	498.640
FP			3.867	1.462	6.996	0.008	47.777
EF			1.782	0.888	4.021	0.045	5.940
VAI			-4.145	1.557	7.089	0.008	0.016
ERC			-1.413	1.008	1.965	0.161	0.243
ITR			-1.823	1.053	2.994	0.084	0.162
Constant			-37.890	12.984	8.516	0.004	0.000
Number of observation		109					
Log Likelihood		28.813					
Omnibus Tests of Model Coefficients:							
Chi-square		104.859					
***p*-value**		0.000					
df		6					
Pseudo R^2		0.618					

The Omnibus Tests of Model Coefficients, with 6 degrees of freedom, results in a Chi-Square value of 104.859. The probability value for this calculated Chi-Square is less than the 1 percent significant level, leading to the rejection of the null hypothesis that all slope coefficients are simultaneously equal to zero. The measurement of the best fit for the model is based on the Pseudo-R^2. The findings of this research indicate that 61.8 percent of the variability in the dependent variable can be explained by the independent variables.

Table 9. Hypothesis Testing

No.	Hypotheses	Wald	p-value	Decision
Hypothesis 1	The larger the size of the entity, the higher the probability of CFRS adoption by the entity.	7.247	0.007	Accept
Hypothesis 2	The greater the entity's fear of being penalized by the ACAR, the higher the probability of CFRS adoption by the entity.	6.996	0.008	Accept
Hypothesis 3	The more the entity believes that using CFRS would attract more funds from donors, the higher the chance that the entity will adopt CFRS.	4.021	0.045	Accept
Hypothesis 4	The more difficult it is for the entity to learn about the valuation of accounting items using CFRS, the less likely it is that the entity will adopt CFRS.	7.089	0.008	Accept
Hypothesis 5	The lower the entity's level of readiness for adopting CFRS, the less likely the entity will adopt CFRS.	1.965	0.161	Reject
Hypothesis 6	The greater the inconsistency between CFRS and tax regulation that the entity has learned, the less likely it is that the entity will adopt CFRS.	2.994	0.084	Accept

This study has formulated six hypotheses. To examine each hypothesis separately, the researchers conducted the Wald test. According to the findings presented in Table 9, only hypothesis 5 was rejected due to its p-value being higher than the predetermined significance level of 5%. Notably, hypotheses 1, 2, and 4 exhibited statistical significance at a 1% level of significance. Furthermore, hypotheses 3 and 6 were found to be significant at 5% and 10% levels of significance, respectively. In conclusion, out of the six hypotheses formulated, only hypothesis 5 was rejected.

DISCUSSIONS

This study successfully identified six factors, consisting of three observed variables and three unobserved variables (latent variables), that can be used to predict the likelihood of not-for-profit entities adopting CFRS for NFPEs. The observed variables include entity size, concern about penalties by ACAR, and ease of evaluating funds from foreign donors. The latent variables include Valuation of Accounting Items (VAI), Entities' Readiness to Adopt CFRS (ERC), and Inconsistency with Tax Regulation (ITR). To estimate the VAI construct, six observed variables were used, all of which had loading factors greater than 0.4. The prediction of ERC was evaluated using four observed variables, all of which had loading factors exceeding the threshold. Similarly, the two observed variables developed to estimate the ITR latent variable also had loading factors above the threshold. The adequacy of the sample was evaluated using the Kaiser-Meyer-Olkin (KMO) measure, which yielded a value of 0.892. This value indicates satisfactory sample sufficiency as it is close to the desired threshold of 0.9. The Bartlett's Test of Sphericity resulted in a calculated Chi-Square of 787.888 with 66 degrees of freedom (df), and a highly statistically significant p-value of 0.000, indicating the presence of significant relationships.

The estimated parameter for NW is 6.212, with a significant positive relationship at the 1 percent level, supported by a low probability value of 0.007. A one-unit increase in NW corresponds to a 6.212 increase in the logit variable, representing a similar increase in the probability of being a CFRS adapter. The odds ratio for NW is 498.640, indicating that a one-unit increase in NW results in a 498.640-fold increase in the likelihood of adopting CFRS, while controlling for other independent variables. Similar findings were found in previous studies conducted by Pietilä (2017) in the European Union and Ta et al. (2021) in Vietnam, highlighting the importance of entity size in predicting the adoption of accounting standards. In regards to FP, a one-unit increase is estimated to result in a 3.867 increase in the logit variable. The null hypothesis is strongly rejected at the 1 percent significance level due to the low probability value. Holding other independent variables constant, a one-unit increase in FP leads to a 47.777 times greater likelihood of CFRS adoption by an entity. Similarly, a one-unit increase in EF is associated with a 5.940 increase in the probability of CFRS adoption. The estimated slope coefficient for EF is 1.782, and the null hypothesis that the population parameter of EF is equal to zero is rejected at the 5 percent level. This finding aligns with Pricope (2016) study, which suggests that developing countries' adoption of accounting standards is influenced by mimetic pressure from developed countries.

The EFA predicted three variables, with VAI and ITR found to be statistically significant in explaining the logit variable at the 1 percent and 10 percent levels, respectively. The expected signs were observed for both predicted sample parameters. The odds ratio for VAI is 0.016, indicating a lower likelihood of CFRS adoption as VAI increases, while the odds ratio for ITR is 0.162, suggesting a decreased likelihood of CFRS adoption in the presence of ITR. The Omnibus Tests of Model Coefficients, with 6 degrees of freedom, resulted in a Chi-Square value of 104.859. The calculated Chi-Square probability value was less than the 1 percent significance level, leading to the strong rejection of the null hypothesis that all slope coefficients are simultaneously equal to zero. This indicates that the model's slope coefficients are jointly significant in explaining the variation in the dependent variable. Based on the Pseudo-R^2 measurement, which assesses the best fit of the model, the results show that approximately 61.8 percent of the variability in the dependent variable can be explained by the independent variables.

CONCLUSIONS

This research aimed to identify factors that influence the adoption of CFRS for NFPEs. The study found that entity type is significantly related to CFRS adoption, with NGOs being the highest adopters and civil society organizations having a 50/50 adoption rate. The Exploratory Factor Analysis (EFA) identified three factors: Valuation of Accounting Items (VAI), Entities' Readiness to Adopt CFRS (ERC), and Inconsistency with Tax Regulation (ITR). These factors explained 58.945 percent of the total variation in CFRS adoption.

The logit regression model developed using the factor scores showed a prediction accuracy of 69.7 percent for identifying CFRS non-adopters, but with some misclassification of CFRS adapters. However, when additional variables were included in the model (entity size, concern about penalties, ease of evaluating funds, VAI, ERC, and ITR), the prediction accuracy improved to 94.5 percent for CFRS non-adopters and 87.9 percent for CFRS adapters.

Additionally, the findings revealed that increased law enforcement by the regulator and the belief that using CFRS would attract more donor funds were associated with a higher likelihood of adoption. However, difficulties in understanding the valuation of accounting items and encountering inconsistencies with tax regulations were related to a decreased likelihood of adoption.

The findings of this study have practical implications for not-for-profit entities and policymakers. Understanding the factors that influence CFRS adoption can help entities make informed decisions about their financial reporting practices, and policymakers can develop targeted interventions to promote CFRS adoption. For instance, policies could focus on providing support and resources to smaller entities or addressing concerns about penalties. Furthermore, to promote CFRS adoption for NFPEs, it is recommended to establish a training program to enhance the qualifications of accountants working with NFPEs and address their perceived difficulties in using the standard. Efforts should also be made to align CFRS with tax regulations and educate donors about the importance of CFRS to increase the likelihood of adoption by entities.

However, it is important to acknowledge the limitations of this study. The sample size was relatively small and focused on entities in Cambodia, limiting the generalizability of the findings. Additionally, the study did not conduct validity tests on the established constructs. Future research should consider conducting a larger-scale study with a more diverse sample and utilize confirmatory factor analysis to validate the constructs.

Author Contributions: Conceptualization, S.L. and E.P.F.; Methodology, S.L. and E.P.F.; Software, S.L. and E.P.F.; Validation, S.L. and E.P.F.; Formal Analysis, S.L. and E.P.F.; Investigation, S.L. and E.P.F.; Resources, S.L. and E.P.F.; Data Curation, S.L. and E.P.F.; Writing – Original Draft Preparation, S.L. and E.P.F.; Writing – Review & Editing, S.L. and E.P.F.; Visualization, S.L. and E.P.F.; Supervision, S.L. and E.P.F.; Project Administration, S.L. and E.P.F.; Funding Acquisition, S.L. and E.P.F.. Authors have read and agreed to the published version of the manuscript.
Institutional Review Board Statement: Ethical review and approval were waived for this study, due to that the research does not deal with vulnerable groups or sensitive issues.
Funding: The authors received direct funding from CamEd Business School for this research. The grant number is 02-2023.
Acknowledgments: We would like to express our sincerely thanks to CamEd Business School for financial support.
Informed Consent Statement: Informed consent was obtained from all subjects involved in the study.
Data Availability Statement: The data presented in this study are available on request from the corresponding author. The data are not publicly available due to restrictions.
Conflicts of Interest: The authors declare no conflict of interest.

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