



EVALUATING THE EFFECT OF INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARD 41 ON DEBT RISK MANAGEMENT PRACTICES IN NIGERIA

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Abstract: This study examines the effect of the International Public Sector Accounting Standard (IPSAS) 41 on debt risk management practices in Nigeria's public sector. The study's population comprised 631 individuals. Primary data were collected from 200 staff members across Nigeria's Debt Management Offices, and an ordinal logistic regression analysis was employed. The study found that fair value classification, subsequent measurement, initial recognition, and fair value hedges significantly improve debt risk monitoring. In contrast, amortised cost, initial measurement, derecognition, cash flow hedges, foreign operation net investment hedges, and all disclosure requirements showed limited impact. The results indicate that the implementation of IPSAS 41 provisions can strengthen Nigeria's debt management capacity. These findings contribute to the discourse on public sector accounting reforms by providing empirical evidence of the standard's effectiveness.

Keywords: Debt risk management practice, IPSAS 41

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1. INTRODUCTION

Globally, poor debt risk management practices have resulted in debt unsustainability (Sandow *et al.*, 2022). A common issue in this lies in the lack of a clear and standardised accounting framework. For instance, the IMF reports that 60% of low-income countries were at high risk of debt distress in 2022 due to inconsistent debt classification and measurement practices (Chabert *et al.*, 2022). Similarly, Sri Lanka's debt default in 2022 was driven by unclear financial disclosures and insufficient fiscal monitoring (Onyekwena & Ekeruche, 2019).

Likewise, Nigeria's debt risk management has been facing challenges in recent times. In this regard, Nigeria's external debt exceeded ₦63.1 trillion in 2024 (NBS *et al.*, 2025). Nigeria's debt risk management strategies have struggled with political interference, lack of clarity, inconsistencies in debt reporting, corruption, bureaucracy, and an underdeveloped domestic debt market (Ezeudu, 2023; Razlog *et al.*, 2020; Rivetti, 2021; Ugoala, 2017). Similarly, Eze (2020) opined that frequent changes in oil prices and exchange rates have posed a major challenge. Furthermore, the mechanisms used for mitigating risks have not been effective, nor have benchmarking and stress testing tools been efficient in developing nations (OECD, 2005).

These issues and their consequences highlight the importance of adopting IPSAS for effective debt risk management. Nigeria adopted IPSAS to improve financial reporting, accountability, and transparency (Ademola *et al.*, 2020). IPSAS 41 provides a framework for recognising, classifying, measuring, and reporting financial instruments, including debt instruments (Mattei *et al.*, 2020). The framework encompasses fair value accounting, hedge accounting practices, and valuation methodology (OECD, 2005). Additionally, IPSAS emphasises extensive disclosures regarding borrowing arrangements (Rompotis & Balios, 2023). Based on this, this study assesses the effect of IPSAS 41 on debt risk management in the Nigerian public sector.

This study is imperative because previous research has addressed various aspects of public debt management and IPSAS adoption separately. For instance, Amato *et al.* (2024) examined the quality of public agencies in debt risk management in Europe. While Rahmawati *et al.* (2024) limited their study to the effect of risk management on the cost of debt, Wang *et al.* (2023) investigated the impact of fintech on implicit debt risk. The available studies on

Nigeria's public debt situation have focused on the effect of public debt on the economy while neglecting risk factors and the impact of accounting practices (Alessa, 2024; Olaoye & Alabadan, 2024; Chap & Liu, 2024; Kudrjashov, 2024).

However, it is believed that a detailed investigation of the influence of the adoption of IPSAS 41 on public debt risk management will provide information on the appropriate accounting framework to strengthen the debt risk management system. While transparency and accountability are key factors in sound public finance management, this study will assess how the adoption of IPSAS will enhance these factors in the Nigerian context.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Effective accounting practices are crucial for debt risk management systems. While public debt levels have risen globally, especially in emerging economies such as Nigeria, this has heightened concerns about fiscal sustainability and debt risk. Studies on debt risk management indicate that the adoption of IPSAS 41 is crucial for managing debt unsustainability. While IPSAS 41 establishes classification, measurement, recognition, hedge accounting, and disclosure requirements, debt risk management practices are represented by debt risk monitoring. This literature review critically assesses the theoretical and empirical evidence regarding the impact of various components of IPSAS 41 on structures of debt risk management practices.

2.1. Classification of Financial Instruments under IPSAS 41 and Debt Risk Monitoring

The classification of financial instruments is a crucial aspect of the International Public Sector Accounting Standard (IPSAS) 41 (Lukova, 2021). While forming the basis of accounting for debt instruments, the relationship between the classification of financial instruments and debt risk monitoring in the public sector is a critical area of research. However, the impact of the classification of financial instruments on debt risk monitoring remains debated in the literature, with differing views. From an agency theory perspective, proper classification of financial instruments under International Public Sector Accounting Standard 41 (IPSAS 41) reduces information asymmetry between public sector agents and principals (Onuora & Uche, 2024).

Empirical research usually affirms the positive impact of the classification of financial instruments under IPSAS 41 on debt risk monitoring. By enforcing stringent classification rules, Onyilo and Okoye (2021) opined that IPSAS 41 helps to curtail opportunistic behaviours, enhance fiscal transparency, and strengthen monitoring frameworks. Wong (2020) stated that proper accounting practices help the government to avoid hidden financial vulnerabilities. Eshiet *et al.* (2024) and Balogun and Fatogun (2022) asserted that the adoption of IPSAS had significant positive effects on the timeliness, accountability and credibility of annual reports. From a global perspective, Alhanafi and Arabiat (2024) showed that adopting these standards improves financial statement preparation, boosts economic growth, and contributes to sustainability.

However, studies like Eshiet *et al.* (2024) that examined the Nigerian Debt Management Office's implementation of IPSAS focused more on the quality of financial reporting than on a thorough assessment of debt risk management. In-depth research on the precise effects of IPSAS adoption on debt risk management practices in Nigeria's public sector has been underexplored. Furthermore, most of the research (e.g., Wong, 2020) focused on fiscal risk management and transparency. There was no thorough analysis that connected the application of IPSAS to these debt issues. Accordingly, the study postulated:

The implementation of IPSAS 41's classification does not significantly affect debt risk management in Nigeria's public sector.

2.2. Recognition of Financial Instruments under IPSAS 41 and Debt Risk Monitoring

Accounting, recording and reporting are core functions of debt management (Cangöz, 2022). Proper recognition of debt instruments plays a crucial role in debt risk monitoring as it promotes the integration of accounting and debt management systems. According to agency theory, recognition serves as a tool for accountability. Transparent recognition of liabilities enables principals, such as creditors, regulators, and the public, to more effectively monitor debt exposure (Onyilo & Okoye, 2021).

Empirical studies generally support the positive effect of recognition of financial instruments under IPSAS 41 and debt risk monitoring. For instance, Cangöz (2022) found that sound accounting and reporting practices, albeit recognition, enhance decision-making, reduce fraud, and minimise funding

costs. In the same vein, Onuora and Uche (2024) concluded that IPSAS adoption positively affects Nigeria's public financial management by promoting accountability and transparency. From 173 jurisdictions from 2000 to 2022, Masoud (2024) opined that adopting IPSAS significantly improved financial transparency and public sector debt monitoring.

Similarly, Ibrahim (2022) suggested that enhancing IPSAS adoption and improving financial management practices could positively impact ethical behaviour in debt monitoring. Ajuonu and George (2024) found a positive effect of IPSAS adoption on public financial management. Mohammed *et al.* (2022), based on agency theory, found that recognition has a significant positive impact on accountability, financial management, and transparency. Ben *et al.* (2024) showed that IPSAS adoption increases transparency and accountability, leading to fewer corruption perceptions. While all these studies focus on the broad aspect of IPSAS 41, however, there is limited research on how recognition under IPSAS 41 affects debt risk monitoring in Nigeria. Accordingly, the study postulated:

The IPSAS 41's recognition requirement does not significantly affect debt risk management in Nigeria's public sector.

2.3. Measurement of Financial Instruments under IPSAS 41 and Debt Risk Monitoring

The implementation of International Public Sector Accounting Standard (IPSAS) 41, Financial Instruments, significantly enhances the transparency, accountability, and reliability of financial reporting in the public sector (Muraina & Dandago, 2020). One of its core contributions lies in the measurement of financial instruments, which plays a critical role in effective debt risk monitoring. Under IPSAS 41, financial instruments are measured at either amortised cost or fair value, depending on the entity's business model for managing the instruments and the contractual cash flow characteristic (Daniil, 2025). Also, transparent measurement practices align with agency theory, as they enhance accountability by allowing principals to monitor government borrowing behaviour and fiscal discipline (Akujuru, 2024).

Several studies suggest that proper measurement of financial instruments is beneficial to debt risk monitoring. For example, using a framework from all 50 states' statutory codes, Jose (2022) showed that measurement negatively

impacts borrowing costs, leading to lower borrowing costs. Similarly, Ye *et al.* (2023) found that operational risk, information risk, and agency risk all have an impact on the relationship between strategic deviation and debt cost. Tursoy *et al.* (2022) found that IPSAS adoption correlates with increased access to external financing, consistent with higher credibility from better measurement of financial instruments and debt. The study of Ekni and Georgieva (2025) noted that IPSAS 41 adapts recognition/measurement to public-sector realities, improving the visibility of true obligations and thus the quality of debt-risk monitoring.

Despite the growing body of literature highlighting the benefits of IPSAS 41, a significant research gap remains in understanding how the specific measurement choices under IPSAS 41 affect debt risk management in different public sector contexts. While existing studies (e.g., Jose, 2022; Ye *et al.*, 2023; Tursoy *et al.*, 2022; Akujuru, 2024) establish a general link between transparent financial reporting and improved debt outcomes, they often treat IPSAS implementation in general terms. Based on this, the study postulated that:

IPSAS 41's measurement requirement does not significantly affect debt risk management in Nigeria's public sector.

2.4. Hedge Accounting Model under IPSAS 41 and Debt Risk Monitoring

IPSAS 41 introduces a principles-based hedge accounting model that allows public sector entities to account for designated hedging relationships to better reflect in risk management strategies (IPSASB, 2019). Recent studies emphasise that hedge accounting under IPSAS 41 is not merely a reporting tool but a mechanism for improving debt risk monitoring. By enabling governments to better reflect their use of derivatives in financial statements, hedge accounting enhances the relevance and reliability of information used in debt risk assessment. From an agency theory perspective, hedge accounting under IPSAS 41 strengthens accountability by reducing information asymmetry (Akujuru, 2024).

Studies have shown different results on the effect of hedge accounting and debt risk monitoring. In this regard, Allini *et al.* (2024) discovered that those using hedge accounting reported a significant rise in capital investments, implying a direct link between good risk management through hedging.

Similarly, Irwin (2020) showed that, in many countries, the use of hedge accounting helps in the early detection of fiscal problems. Rahmawati *et al.* (2024) discovered that efficient risk management is related to lower debt costs paid by lenders. Nonetheless, comprehensive research on how debt risk monitoring is influenced by hedge accounting in the public sector is low. Based on this, the study postulated that:

IPSAS 41's hedge accounting model does not significantly improve debt risk management in Nigeria's public sector.

2.5. Disclosure Requirements under IPSAS 41 and Debt Risk Monitoring

Governments are not risk-free and the failure of fiscal management in the public sector has an economic impact. Based on this, public sector entities are now required to provide detailed disclosures about their financial instruments, including credit risk indicators, expected credit losses, and the methodologies used for risk assessments (Shasat, 2023). Thai and Birt (2019) opined that financial instrument-related risk disclosures provide useful information to equity investors, with liquidity risk shown to be the most informative risk disclosure. Agency theory assumes that such provision enables effective debt monitoring.

Empirical evidence on the relationship between disclosure and debt risk monitoring has generated a lot of debate. Thai and Birt (2019) opined that financial instrument-related risk disclosures provide useful information to equity investors, while Nguyen and Hoang Dinh (2021) revealed that the disclosure of risk management tools in their annual reports has better asset utilisation and higher liquidity. In the same vein, da Silva *et al.* (2021) found that risk management positively affects hedge disclosure practices but not the quality of accounting disclosure. Again, Misztal (2021) emphasised that governments must have strong risk management practices and public debt frameworks in place to restrict exposure to market risk, debt financing or rolling risk, liquidity risk, credit, settlement, and operational risk.

Similarly, Also, Ahmad and Al-Deehani (2023) found a negative correlation between the debt/GDP ratio and GDP growth rate, and debt defaults can be explained by savings and growth. Barucci *et al.* (2025) revealed that developing countries have limited incentives to address climate risk, and bond spreads' sensitivity to climate vulnerability remains modest. A study by

Rho and Saenz (2021) asserted that the impact of disclosure on the debt-to-GDP ratio, international reserves, and GDP per capita on sovereign default probability. In this regard, the studies reviewed provide valuable insights into debt risk and related factors. However, the study did not explore how varying levels of disclosure affect exposure to different types of risks, particularly in developing economies. Based on this, the study postulated that:

IPSAS 41's disclosure requirements do not significantly influence debt risk management in Nigeria's public sector

Conceptual Framework

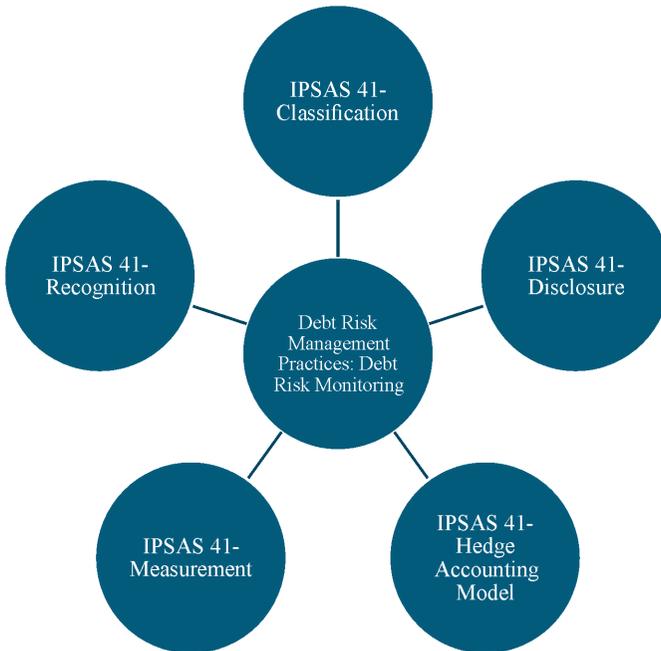


Fig. 1: Conceptual Framework

3. METHODOLOGY

This study used a survey research design. While primary data was used, information was sourced from the staff of the Debt Management Office. This study's population was 631 staff at debt management offices in Abuja and the 2 states in Nigeria (DMO Annual Report & Statement of Accounts - Debt Management Office Nigeria, 2025). The sample size is 200. While a structured questionnaire was adopted, a closed-ended questionnaire with two sections was

used to gather participant responses. This was divided into two sections. The responses were assessed using a 5-point Likert scale.

3.1. Validity and Reliability of the Instrument

Cronbach's Alpha approach was used in this study to address the limitations of using primary data. The internal consistency reliability test conducted returned a high Cronbach's Alpha of 0.9634 on average. This suggests excellent internal consistency among the variables used in the study. Also, the item-test correlation values were substantially high, ranging from 0.7154 to 0.8724 (Hedge Accounting Disclosures). This implies that each item contributes significantly to the overall reliability of the scale. Similarly, the item-rest correlations were consistently high. The lowest value observed was, in this regard, 0.6691, which is still considered acceptable. The inter-item covariances range from 0.1097 to 0.1109. This suggests that responses are consistently distributed across items. The overall alpha of 0.9634 indicates that all variables were reliable.

Table 1: Cronbach's Alpha

ITEM	OBS	SIGN	ITEM-TEST Correlation	ITEM-REST Correlation	Average Interitem Covariance	APLHA
DRMO	200	+	0.7854	0.7500	0.1097066	0.9615
ClasAC	200	+	0.8292	0.8032	0.1101643	0.9606
ClasFVTSD	200	+	0.8418	0.8179	0.1102568	0.9604
MeaIR	200	+	0.8196	0.7921	0.1104199	0.9608
MeaDR	200	+	0.7984	0.7674	0.1105117	0.9612
MeaIM	200	+	0.7361	0.6923	0.1105120	0.9627
MeaSM	200	+	0.8466	0.8230	0.1099523	0.9603
HedgeFVH	200	+	0.8634	0.8431	0.1102088	0.9600
HedgeCH	200	+	0.8219	0.7946	0.1103165	0.9607
Hedge FONIH	200	+	0.7824	0.7493	0.1108635	0.9615
DiscSFI	200	+	0.8275	0.8014	0.110448	0.9606
DiscNER	200	+	0.8589	0.8379	0.110189	0.9601
DiscHAD	200	+	0.8724	0.8540	0.1105286	0.9599
DiscAP	200	+	0.7853	0.7519	0.110473	0.9614
Test scale					0.1103839	0.9634

Source: Researcher's computations

3.2. Model Specification

This study's model definition specified the mathematical justification for the model used. This was based on a theoretical analysis of the correlations between all the variables. This was based on the Amato *et al.* (2024) model.

$$DRM = F (IPSAS 41) \quad \text{EQN 1}$$

Based on objective 1, the following model was designed.

$$DRM = F (ClasFL) \quad \text{EQN 2}$$

$$DRMI = \beta_0 + \beta_1 ClasAC + \beta_2 ClasFVTSD + \epsilon \quad \text{EQN 3}$$

Where:

ClasAC = Measured at Amortised Cost,

ClasFVTSD = Measured at Fair Value through Surplus or Deficit (FVTSD)

The dependent: DRM is debt risk management represented by:

DRMO = Debt risk monitoring

Based on objective 2, the following model was designed.

$$DRM = F (RecFI) \quad \text{EQN 4}$$

$$DRMI = \beta_0 + \beta_1 MeaIR + \beta_2 MeaDR + \epsilon \quad \text{EQN 5}$$

Where:

MeaIR = Initial recognition

MeaDR = Derecognition

Based on objective 3, the following model was designed.

$$DRM = F (MeasFL) \quad \text{EQN 6}$$

$$DRMO = \beta_0 + \beta_1 MeaIM + \beta_2 MeaSM + \epsilon \quad \text{EQN 7}$$

Where:

MeaIM = Initial Measurement

MeaSM = Subsequent Measurement

Based on objective 4, the following model was designed.

$$DRM = F (HedgeAcc) \quad \text{EQN 8}$$

$$DRMO = \beta_0 + \beta_1 HedgeFVH + \beta_2 HedgeCH + \beta_3 HedgeFONIH + \epsilon \quad \text{EQN 9}$$

Where:

HedgeFVH = Fair Value Hedge

HedgeCH = Cashflow hedge

HedgeFONIH = Foreign Operation Net Investment Hedge

Based on objective 5, the following model was designed.

$$DRM = F(DiscReq) \tag{EQN 10}$$

$$DRMO = \beta_0 + \beta_1 DiscSFI + \beta_2 DiscNER + \beta_3 DiscHAD + \beta_4 DiscAP + \epsilon \tag{EQN 11}$$

Where:

DiscSFI = Significance of Financial Instruments

DiscNER = Nature and Extent of Risks

DiscHAD = Hedge Accounting Disclosures

DiscAP = Accounting Policy

β_0 : constant, and $\beta_1, \beta_2, \beta_3, \beta_4$, and β_5 represents the coefficient of IPSAS 41 adoption.

ϵ : Error term.

3.3. A-Priori Expectation

According to the theories applied and the literature analysis in the study, it is anticipated that $\beta_1, \beta_2, \beta_3, \beta_4$, and β_5 will be greater than zero.

3.4. Data Analysis Techniques

The collected data were carefully evaluated using descriptive statistics and ordinal logistic regression analyses.

4. ANALYSIS OF RESULTS AND DISCUSSION OF FINDINGS

4.1. Descriptive Statistics

This section describes and characterises the aspects of the dataset used in the investigation.

4.1.1. Demographic Information

As shown in Table 2, the study surveyed 200 respondents. 60.5% (121) of these respondents were male, while 39.5% (79) were female. In terms of age distribution, most respondents fell within the 40–49 years age bracket (44.5%). 25.5 % of the respondents were aged 50 and above, while 27.5% were within the 30–39 years category. Only 2.5% of respondents were between 20–29 years. This suggests a predominantly experienced and mid-to-senior-level workforce.

In terms of professional roles, 39.5% of respondents served as Debt Management Officers. While 22% of the respondents were accountants, 20% were auditors. Also, 18.5% of the respondents were financial analysts. Conversely, 39.5% of respondents had 5–10 years in public sector finance. While 35.5% of the respondents had 11–15 years of experience, 13.5% had over 16 years in finance. The remaining 11.5% had less than 5 years. This suggests that the majority of respondents had considerable exposure to public finance.

In relation to experience in IPSAS, 39.5% of respondents had between 5–10 years of IPSAS experience. While 34.5% respondents had less than 5 years, 20% had 11–15 years. The remaining 6% of the respondents had more than 16 years. This indicates that while IPSAS implementation is relatively recent in Nigeria, there is a substantial number of professionals with moderate experience in its application.

Table 2: Demographic Statistics

<i>Gender</i>	<i>Freq.</i>	<i>Percent</i>	<i>Cum.</i>
Female	79	39.5	39.5
Male	121	60.5	100
<i>Age</i>			
20–29 years	5	2.5	2.5
30–39	55	27.5	30
40–49	89	44.5	74.5
50 and above	51	25.5	100
<i>Position</i>			
Accountant	44	22	22
Auditor	40	20	42
Financial Analyst	37	18.5	60.5
Debt Management Officer	79	39.5	100
<i>Experience in Finance</i>			
Less than 5 years	23	11.5	11.5
5–10 years	79	39.5	51
11–15 years	71	35.5	86.5
16 years and above	27	13.5	100
<i>Experience in IPSAS</i>			
Less than 5 years	69	34.5	34.5
5–10 years	79	39.5	74
11–15 years	40	20	94
16 years and above	12	6	100

Source: Researcher's computation

4.2. Ordinal Nature of the Debt Risk Monitoring

Based on the nature of the data gathered, the dependent variables exhibit categorical features. This informs the use of ordinal logistic regression analysis in the study.

4.3. Model 1's Regression Assumptions' Verification and Diagnostics

4.3.1. Multicollinearity

VIF was used to detect multicollinearity among ClasAC and ClasFVTSD in a regression model. A VIF value of 1 indicates no multicollinearity, while values exceeding 10 are often considered problematic. Based on this, the Variance Inflation Factor (VIF) results presented indicate that both Amortised Costs and Fair Value Through Surplus or Deficit are not related. Also, the mean VIF of 1.72 suggests that there is no multicollinearity between the ClasAC and ClasFVTSD.

Table 3: Variance Inflation Factor

<i>Variable</i>	<i>VIF</i>	<i>1/VIF</i>
ClasAC	1.72	0.581451
ClasFVTSD	1.72	0.581451
Mean VIF	1.72	

Source: Researcher's computation

4.3.2. Debt Risk Monitoring and Measured at Amortised Cost, Measured at Fair Value through Surplus or Deficit.

4.3.2.1 *Proportional Odds*: The approximate likelihood-ratio test of the proportional odds (or parallel lines) was conducted in the study. This test evaluates whether the relationship between ClasAC, ClasFVTSD, and the odds of being in higher versus lower categories of Debt Risk Monitoring is the same across all response thresholds. The test result yielded a chi-square statistic of 9.76 and a p-value of 0.1349. Since the p-value (0.1349) is greater than the significance level of 0.05, the study failed to reject the null hypothesis that the proportional odds assumption holds. Therefore, the ordered logistic regression model is appropriate.

4.3.2.2. Ordered Logistic Regression on Debt Risk Monitoring and Measured at Amortised Cost, Measured at Fair Value through Surplus or Deficit.

The ordered logistic regression model examined the effect of Amortised Costs and Fair Value Through Surplus or Deficit (FVTSD) on Debt Risk Monitoring. Overall, the model is statistically significant, as indicated by a Wald chi-square (χ^2) value of 18.78 with a p-value of 0.0001. This suggests that the predictors jointly explain a significant portion of the variation in the outcome.

Similarly, Amortised Costs has a coefficient of 0.915 with a p-value of 0.052. This implies a positive but insignificant relationship. In practical terms, for a one-unit increase in Amortised Costs, the odds of being in a higher category of Debt Risk Monitoring increase by a factor of 0.915. Also, Fair Value Through Surplus or Deficit has a coefficient of 1.030 and a p-value of 0.021. This suggests a strong positive relationship with Debt Risk Monitoring. Specifically, a one-unit increase in the FVTSD variable increases the odds of higher debt monitoring levels by 1.030.

Table 4: Ordinal Logistic Regression for Objective 1

<i>DRMO</i>	<i>Coef.</i>	<i>Std. Err.</i>	<i>z</i>	<i>P>z</i>	<i>[95% Conf.]</i>	<i>Interval]</i>
ClasAC	0.9147	0.4705	1.94	0.052	-0.0076	1.8369
ClasFVTSD	1.0304	0.4465	2.31	0.021	0.1553	1.9055
_con	1.8047					
Wald chi2(2)	18.78 (0.0001)					
Pseudo R2	0.0339					
Log pseudolikelihood	-206.71697					
likelihood-ratio test of proportionality of odds	9.76 (0.1349)					

Source: Researcher's computation

4.4. Model 2's Regression Assumptions' Verification and Diagnostics

4.4.1. Multicollinearity

In a regression model, multicollinearity between MeaIR and MeaDR was found using VIF. Both MeaIR and MeaDR have VIF values of 1.62, according to the results of the Variance Inflation Factor (VIF), with matching tolerance values (1/VIF) of roughly 0.618. The mean VIF of 1.62 in this instance indicates that the MeaIR and MeaDR do not exhibit significant multicollinearity.

Table 5: Variance Inflation Factor

Variable	VIF	1/VIF
MeaIR	1.62	0.618602
MeaDR	1.62	0.618602
Mean VIF	1.62	

Source: Researcher's computation

4.4.2. Debt Risk Monitoring and Initial Recognition and Derecognition

4.4.2.1. *Proportional Odds*: The approximate likelihood-ratio test of proportional odds determines whether MeaIR, MeaDR, and debt risk monitoring have a consistent relationship at all response levels. The test results showed a chi-square statistic of 2.71 and a p-value of 0.8438 as well. Because the p-value is higher than the significance level of 0.05, the investigation did not reject the null hypothesis that the proportionate odds assumption is correct.

4.4.2.2. *Ordered Logistic Regression on Initial Recognition and Derecognition*: The model yields a Wald chi-square statistic of 18.32 with a p-value of 0.0001. This indicates that MeaIR, MeaDR, taken together, significantly predict variations in DRMO. The pseudo-R-squared of 0.0279 suggests that about 2.8% of the variability in DRMO is explained by MeaIR and MeaDR. In the same vein, with a coefficient of 0.9888 and a p-value of 0.025, MeaIR has a positive and statistically significant effect on DRMO. This implies that respondents report higher agreement with sound initial recognition practices under IPSAS. In odds terms, each unit increase in Initial Recognition multiplies the odds of a higher level of Debt Risk Monitoring by 0.9888. Again, Derecognition, although positively associated with DRMO (coefficient = 0.6972), is not statistically significant at the 5% level ($p = 0.095$). The model demonstrates that Initial

Table 6: Ordinal Logistic Regression

DRMO	Coef.	Std. Err.	z	P>z	[95% Conf.	Interval]
MeaIR	0.9887	0.4405	2.24	0.025	0.1252	1.8522
MeaDR	0.6971	0.4179	1.67	0.095	-0.1220	1.5164
_con	1.1846					
Wald chi2(2)	18.32(0.0001)					
Pseudo R2	0.0279					
Log pseudolikelihood	-207.99					
likelihood-ratio test of proportionality of odds	2.71(0.8438)					

Source: Researcher's computation

Recognition practices under IPSAS have an insignificant and positive impact on how public sector entities monitor debt risks.

4.5. Model 3's Regression Assumptions' Verification and Diagnostics

4.5.1. Multicollinearity

Using VIF, multicollinearity between MeaIM and MeaSM was discovered in a regression model. According to the results of the Variance Inflation Factor (VIF), the VIF values for both MeaIM and MeaSM are 1.45, with corresponding tolerance values (1/VIF) of around 0.6898. In this case, the mean VIF of 1.45 suggests that there is no significant multicollinearity between the MeaIM and MeaSM.

Table 7: Variance Inflation Factor

Variable	VIF	1/VIF
MeaIM	1.45	0.689876
MeaSM	1.45	0.689876
Mean VIF	1.45	

Source: Researcher's computation

4.5.2. Debt Risk Monitoring and Initial Measurement and Subsequent Measurement

4.5.2.1. Proportional Odds: The approximate likelihood-ratio test of proportional odds determines whether MeaIM and MeaSM, and debt risk monitoring have a consistent relationship at all response levels. The test results showed a chi-square statistic of 2.71 and a p-value of 0.8438 as well. Because the p-value is higher than the significance level of 0.05, the investigation did not reject the null hypothesis that the proportionate odds assumption is correct.

4.5.2.2. Ordered Logistic Regression on Initial Measurement and Subsequent Measurement: Overall, the model is statistically significant with a p-value of 0.0000 and a Wald chi-square value of 16.17. This implies that the result variable is significantly impacted by the independent variables. On the other hand, the Initial Measurement has a p-value of 0.092 and a positive coefficient of 0.5723. This implies that initial measurement techniques do not appear to have a significant effect on the possibility of better debt risk monitoring in this model. Similarly, the subsequent measurement is statistically significant ($p = 0.000$) with a coefficient of 2.1036. This implies that subsequent measurement

techniques do appear to have a significant effect on the possibility of better debt risk monitoring in this model.

Table 8: Ordinal Logistic Regression

<i>DRMO</i>	<i>Coef.</i>	<i>Std. Err.</i>	<i>z</i>	<i>P>z</i>	<i>[95% Conf.]</i>	<i>Interval]</i>
MeaIM	0.5723	0.3401	1.68	0.092	-0.0943	1.2390
MeaSM	2.1036	0.6083	3.46	0.000	0.9113	3.2959
_con	3.4747					
Wald chi2(2)	16.17 (0.0003)					
Pseudo R2	0.0592					
Log pseudolikelihood	-201.29					
likelihood-ratio test of proportionality of odds	1.63 (0.9502)					

Source: Researcher's computation

4.6. Model 4's Regression Assumptions' Verification and Diagnostics

4.6.1. Multicollinearity

VIF was used to identify multicollinearity between HedgeFVH, HedgeCH, and HedgeFONIH in a regression model. The Variance Inflation Factor (VIF) data show that the VIF values for both HedgeFVH, HedgeCH, and HedgeFONIH are 2.20, 2.18, and 1.92 respectively. In this situation, a mean VIF of 2.10 indicates that there is no significant multicollinearity between HedgeFVH, HedgeCH, and HedgeFONIH respectively.

Table 9: Variance Inflation Factor

Variable	VIF	1/VIF
HedgeFVH,	2.20	0.454679
HedgeFONIH	2.18	0.458911
HedgeCH,	1.92	0.521930
Mean VIF	2.10	

Source: Researcher's computation

4.6.2. Debt Risk Monitoring and Fair Value Hedge, Cashflow Hedge and Foreign Operation Net Investment Hedge

4.6.2.1. *Proportional Odds*: In this test, the reported chi-square value is 17.86, and the associated p-value is 0.0568. Since the p-value is less than 0.05, the

study did not reject the null hypothesis that the proportional odds assumption holds. This indicates that the effect of the predictor variables is consistent across all categories of the dependent variable.

4.6.2.2. Ordered Logistic Regression on Debt Risk Monitoring and Fair Value Hedge, Cashflow Hedge, and Foreign Operation Net Investment Hedge: The overall model is statistically significant, as indicated by the Wald chi² value of 20.09 and a p-value of 0.0002. This implies that, collectively, the explanatory variables significantly predict variations in the levels of debt risk monitoring. Also, Fair Value Hedge has a positive and statistically significant effect on debt risk monitoring. With a coefficient of 1.69 and a p-value of 0.002, it suggests that entities that adoption of fair value hedging practices are significantly more likely to report higher levels of debt risk monitoring. Again, Cash Flow Hedge has a positive but statistically insignificant coefficient of 0.538 ($p = 0.278$). This indicates that, although the direction of influence is positive, there is insufficient evidence to conclude that cash flow hedging has a meaningful impact on debt risk monitoring within this model.

Likewise, Foreign Operation Net Investment Hedge has a negative and statistically insignificant coefficient (coef = -0.323; $p = 0.508$). This implies no meaningful association between this type of hedge and levels of debt risk monitoring.

Table 10: Ordinal Logistic Regression

<i>DRMO</i>	<i>Coef.</i>	<i>Std. Err.</i>	<i>z</i>	<i>P>z</i>	<i>[95% Conf.</i>	<i>Interval]</i>
HedgeFVH,	1.6877	0.5426	3.11	0.002	0.6242	2.7513
HedgeFONIH	0.5381	0.4958	1.09	0.278	-0.4336	1.5099
HedgeCH,	-0.3234	0.4888	-0.66	0.508	-1.2815	0.6345
_CON	1.7396					
Wald chi2(2)	20.09 (0.0002)					
Pseudo R2	0.0363					
Log pseudolikelihood	-206.19					
likelihood-ratio test of proportionality of odds	17.86 (0.0568)					

Source: Researcher's computation

4.7. Model 5's Regression Assumptions' Verification and Diagnostics

4.7.1. Multicollinearity

Results from the Variance Inflation Factor (VIF) measure the degree of multicollinearity across the model's independent variables. All variables have a mean VIF of 2.46, with values ranging from 2.06 to 2.72. These numbers indicate that multicollinearity is not a significant concern in this model because they are well below the widely used criterion of 5.

Table 11: Variance Inflation Factor

Variable	VIF	1/VIF
DiscNER	2.72	0.367577
DiscHAD	2.65	0.377297
DiscSFI	2.40	0.417424
DiscAP	2.06	0.486230
Mean VIF	2.46	

Source: Researcher's computation

4.7.2. Debt Risk Monitoring and Significance of Financial Instruments, Nature and Extent of Risks, Hedge Accounting Disclosures, and Accounting Policy

4.7.2.1 Proportional Odds: The p-value for this test is 0.8224, while the reported chi-square value is 7.51. The investigation did not reject the null hypothesis that the proportionate odds assumption is true because the p-value was less than 0.05. This suggests that the predictor factors' impact is constant across all dependent variable categories.

4.7.2.2. Ordered Logistic Regression on Debt Risk Monitoring and Significance of Financial Instruments, Nature and Extent of Risks, Hedge Accounting Disclosures and Accounting Policy: The model is statistically significant, as indicated by a Wald chi-square of 15.10 and a p-value of 0.0045. This suggests that the independent variables jointly explain variation in the dependent variable. The model's pseudo-R-squared of 0.0432 indicates a modest explanatory power. Individually, the Significance of Financial Instruments has a positive coefficient of 1.0065 and a p-value of 0.084. This suggests an insignificant but positive association with debt risk monitoring.

Also, the Nature and Extent of Risks has a positive coefficient (1.0214) but is not statistically significant ($p = 0.131$). Similarly, Hedge Accounting

Disclosures show a positive coefficient (0.8278) but with a p-value of 0.266. This indicates no statistically significant impact. Accounting Policy has the lowest coefficient (0.3453) and is not statistically significant ($p = 0.451$).

Table 10: Ordinal Logistic Regression

<i>DRMO</i>	<i>Coef.</i>	<i>Std. Err.</i>	<i>z</i>	<i>P>z</i>	<i>[95% Conf.]</i>	<i>Interval]</i>
DiscSFI	1.0064	0.5832	1.73	0.084	-0.1367	2.1497
DiscNER	1.0213	0.6759	1.51	0.131	-0.3035	2.3462
DiscHAD	0.8277	0.7447	1.11	0.266	-0.6319	2.2874
DiscAP	-0.3453	0.4576	-0.75	0.451	-1.2423	0.5517
_CON	3.1696					
Wald chi2(2)	15.10 (0.0045)					
Pseudo R2	0.0432					
Log pseudolikelihood	-203.37					
likelihood-ratio test of proportionality of odds	7.51 (0.8224)					

Source: Researcher's computation

4.9. Discussion of Findings

Under IPSAS 41-related classifications, Amortised Cost and Fair Value Through Surplus or Deficit (FVTSD) showed relevance in debt risk monitoring models. Also, FVTSD consistently exhibited a statistically significant positive effect. This implies that classifying financial instruments at fair value improves debt monitoring efficiency. This assertion was confirmed by Castañeda-Rodríguez (2022) and Lessambo (2022). Again, Yassine *et al.* (2024) found that IPSAS implementation may play a role in enhancing public financial reporting. From the standpoint of Agency Theory, the statistically significant results for classification reflect mechanisms that reduce information asymmetry. This suggests that transparent and market-reflective accounting practices reduce agency problems (Wardoyo *et al.*, 2022; Payne & Petrenko, 2019).

Similarly, when considering IPSAS 41-related measurements, subsequent measurements consistently demonstrated significant positive relationships with debt risk monitoring models. This implies that re-evaluating financial instruments over time enhances public sector debt management effectiveness. Conversely, the Initial Measurement exhibited a weaker but insignificant

influence. These results affirm Lessambo (2022)'s opinion, which highlighted the value of IPSAS 41 in promoting long-term fiscal sustainability. Also, the results align with Chatti *et al.* (2024) and Oliynyk *et al.* (2023), who found significant relationships between IPSAS measurement and debt risk outcomes.

Likewise, initial recognition was a significant predictor of debt risk monitoring. This reinforces the importance of accurate recognition processes in enhancing debt transparency and portfolio outcomes. Derecognition showed a consistent but statistically insignificant positive effect on DRMO. This finding aligns with Cangöz (2022), who found that sound accounting and reporting practices minimise funding costs. Also, Onuora and Uche (2024) concluded that IPSAS adoption positively affects Nigeria's public financial management. In the same vein, Masoud (2024) found that adopting IPSAS significantly improved financial transparency and public sector accountability.

Among hedge-related variables—Fair Value Hedge, Cash Flow Hedge, and Foreign Operation Net Investment Hedge—only Fair Value Hedge consistently exhibited a significant positive impact on debt risk monitoring. This suggests that entities applying fair value hedge accounting are more likely to achieve better debt risk monitoring. This finding agrees with Allini *et al.* (2024), who opined that there was a direct link between good risk management through hedging and overall corporate growth.

In terms of disclosure, information on the nature and extent of risks, hedge accounting details, and accounting policies rarely reached statistical significance, despite often showing positive coefficients. This suggests that while disclosures are conceptually important, their practical impact on debt outcomes may depend on other contextual or enforcement factors. This outcome agrees with the findings of da Silva *et al.* (2021), who found that risk management positively affects hedge disclosure practices. In this regard, the limited significance of disclosures may reflect persistent agency gaps (Kartiko *et al.*, 2018). This supports arguments by Hendrastuti and Harahap (2023) that, without adequate oversight or incentive alignment, agents may only selectively apply IPSAS principles.

5. CONCLUSION AND RECOMMENDATIONS

The study investigated the effect of IPSAS 41 on debt risk management practices. Ordinal regression results showed Fair Value Through Surplus or Deficit (FVTSD)

significantly enhanced DRMO. Subsequent Measurement consistently improved DRMO. Initial Recognition significantly predicted DRMO, while Derecognition was insignificant. Fair Value Hedge significantly improved DRMO, while Cash Flow Hedge and Foreign Operation Net Investment Hedge did not aid DRMO. All Disclosure variables insignificantly predicted DRMO.

Based on these findings, the following recommendations were made. Firstly, the Office of the Accountant-General of the Federation (OAGF), Financial Reporting Council of Nigeria (FRCN), Debt Management Office (DMO), and Federal Ministry of Finance (FMF) should prioritise training and capacity building for finance professionals to effectively implement fair value classification. Secondly, the significant influence of Subsequent Measurement on debt risk management practices underscores the need for robust systems to regularly re-evaluate financial instruments per IPSAS 41 standards. Regular Revaluation of financial instruments should be institutionalised by OAGF, DMO, Office of the Auditor-General for the Federation (OAuGF) and National Council on Public Financial Management Reform to ensure accurate and up-to-date debt reporting.

Thirdly, Initial recognition policies should be standardised by FRCN, OAGF and the Public Accounts Committee to enhance transparency in debt reporting. Derecognition guidelines should be clarified to ensure consistent application and avoid misclassification risks. Fourthly, Fair value hedging should be encouraged due to its positive impact on debt risk monitoring. DMO, Central Bank of Nigeria (CBN), FMF and OAGF should provide technical assistance to MDAs on the use of fair value and cash flow hedging instruments for debt portfolios.

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