Accruals Accounting in Government – Developments in Malaysia

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ABSTRACT Accruals accounting by governments has been successfully adopted in several countries. This study examines the move to accruals accounting in the United Kingdom and compares this with developments in Malaysia. In the UK, it is argued that the principles of accruals accounting were introduced primarily for managerial accounting and control purposes. Malaysia has also focused primarily on management accounting initiatives for the development of governmental accounting and is now considering the use of accruals accounting in an attempt to improve further its financial management procedures. The work draws on the results of a questionnaire survey of government accountants in Malaysia.

KEY WORDS: Government accounting, accruals accounting, Malaysia, United Kingdom, management accounting initiative

Introduction

Although there has been much debate over the use of accruals accounting for the accounts of national governments, the actual take up has been limited. Since the adoption of accruals accounting by the New Zealand government in 1990 only a small number of additional countries (including Australia, Canada, the UK and the USA) have made the change. This is in spite of the strong encouragement for accruals accounting by the public sector committee of the International Federation of Accountants (IFAC) – the body responsible for developing international public sector accounting standards. An obvious benefit of accruals accounting is that it focuses on the resources consumed in each accounting period in providing services, rather than simply the cash paid and therefore attempts to reflect the full cost of service provision. This, it is argued, leads to improved performance measurement and accountability and control, encourages the more efficient use of resources and provides a better basis for comparison with alternative service providers.1

On the other hand there are significant difficulties associated with the introduction of accruals accounting. Not least of these is that of identifying and valuing the wide range of assets that exist in the public sector. The difficulty is not
restricted to cultural and heritage assets such as art and museum collections, public monuments, national parks, and so on but also to infrastructure assets such as roads. The subjectivity that affects asset valuation and depreciation expenses in business accounting is likely to be significantly more pronounced in governmental accounting. Compared to cash accounting the accounting and administrative costs associated with accruals accounting will be much higher and it is not at all clear whether the additional costs are justifiable in terms of the additional information benefits that accruals accounting might provide.

In the private sector it is assumed that there is a strong user need for decision-relevant information which provides a periodic measure of an entity’s financial performance (profit and loss account) and financial position (balance sheet) and this can only be satisfied by the use of accruals accounting. However, most government services are not evaluated in terms of profits earned or loses incurred and there is no equivalent to the private sector’s need for information for investment decision purposes. In fact, whichever basis is used for preparing the ex-post financial accounts of governments and local governments, there is little evidence that these highly aggregated accounting statements are actually used by any of the potential external user groups for accountability and performance evaluation purposes, or even for any purpose. Rutherford (1992: 270), for example, argues that ‘the difficulty of identifying in practice external users of public sector financial statements tends to confirm the a priori conclusion reached earlier that there are no rational reasons why such parties should wish to use these financial statements’. Similarly, Jones (1992: 262) states, somewhat trenchantly, that ‘the publication of financial statements is not in the public interest because the public has no interest’. This theme is developed further in the context of local government accounting by Jones and Pendlebury (2004), who argue that the only purpose of local authority accounts is to provide an implicit assurance to external users that proper accounting is in place. This does not mean that the published financial accounts of governments are not required. Their publication is an essential part of accountability because they provide an audited record of the financial transactions of the period. Even though there is no evidence of any widespread public interest in this information the fact that it is placed on record means that it can be scrutinized if the need arises. However, if this is the main purpose of the ex-post financial statements of governments then it seems unlikely that this alone would justify the significant effort involved in changing to accruals accounting. It is likely, therefore that more compelling reasons exists to explain the growing support for the use of accruals accounting by governments.

One author who is closely associated with attempts to explain why changes in governmental accounting take place is Professor Klaus Lüder. Lüder’s contingency model, first outlined in Lüder (1992) and subsequently modified in Lüder (1994) and Godfrey et al. (1996), suggests that accounting innovation can be traced to stimuli which affect the attitudes and behaviour of users and producers of accounting information (including politicians, administrators and the public). Offsetting these positive forces for change are the implementation barriers. Examples of stimuli for change in Lüder (1994) are fiscal stress, financial scandal or some dominant doctrine and implementation barriers include the legal
system, the size of jurisdiction and availability of qualified staff. Although the contingency models were based on a study of developed economies they do offer a starting point for assessing the potential for a switch to accruals accounting by less developed economies.

Malaysia offers a typical example of a less developed economy. It is a fast growing, politically stable economy with government expenditure running at approximately 40 per cent of gross domestic product. This study examines the potential for the introduction of accruals accounting by the Malaysian government and attempts to answer the following research questions:

1. Are there similarities between the development of governmental accounting in the UK and developments in Malaysia?
2. What is the perception of government accountants in Malaysia towards current governmental accounting and reporting practices?
3. What is the opinion of government accountants in Malaysia on the likely developments in governmental accounting and reporting practices?

The first stage of this examination is to trace the origins of the move to accruals accounting in the UK and to compare this with developments in Malaysia. This is discussed in the next section (section 2). The third section contains a discussion and analysis of the views and perceptions of government accountants in Malaysia that were obtained by means of a 2001 questionnaire. The final section discusses the conclusions that can be drawn from this examination.

**Accruals Accounting in Government**

In the UK the attempts to implement the recommendations of the 1968 ‘Fulton Report’ (H.M. Government, 1968) for the introduction of accountable management have had a far-reaching effect. The Fulton Committee was set up in 1966 to ‘examine the structure, recruitment and management... of the Home Civil Service, and to make recommendations’ (H.M. Government, 1968: 2). The report recommends (51) that the executive activities of government departments should be organized ‘in such a way that the principles of accountable management can be applied’. The report defines accountable management as: ‘holding individuals and units responsible for performance measured as objectively as possible’ (51), and goes on to point out that this requires accountable units to be identified within government departments so that ‘output can be measured against costs or other criteria and where individuals can be held personally responsible for their performance’. The Fulton Report recognized that for accountable management to work properly there needed to be improvements in the accounting system in use and provided an early recognition of the limitations of traditional vote accounting, which was criticized for being incapable of identifying ‘complete cost figures for the work and expenditure of individual divisions and branches or for particular activities...’ (51). The limitations of traditional governmental accounting, and in particular cash accounting, were once again recognized in the 1982 Financial Management Initiative (FMI). The FMI developed further the Fulton Committee’s call for the introduction of accountable management and stated that managers at all levels were to have:
(a) a clear view of their objectives and the means to assess and, whenever possible, measure outputs or performance in relation to those objectives;
(b) well-defined responsibility for making the best use of their resources including a critical scrutiny of output and value for money; and
(c) the information (particularly about costs), the training and the access to expert advice that they need to exercise their responsibilities effectively.

(H.M. Government, 1982: 5)

A key requirement of these principles of good financial management is that of information about costs and outputs. The FMI criticized existing governmental accounting systems on two grounds. In the first place management accounting was restricted to measuring the cost of inputs rather than relating inputs to activities or outputs. Secondly the cash-flow focus of input calculation was seen as too narrow because good financial management requires that a manager ‘should be concerned with his total costs and not simply with his annual cash flow’ (25). The FMI goes on to point out that costs ‘such as the accruing liability for superannuation, are relevant to decisions which involve a choice between staff and other resources’ and that sometimes a ‘manager uses resources which include capital items like buildings and stocks acquired in the past, and these can be a major factor in the costs of his operation’ (p.25). This clearly indicates a recognition of the need for the principles of accruals accounting to be used, not for financial reporting purposes but to meet the aims of management control by permitting the full cost of resources consumed to be clearly shown. Accruals accounting has therefore not been introduced to satisfy the needs of external users because external users have no needs. It is essentially serving a management accounting function by helping departments manage resources and to be accountable for the full costs of the resources consumed. This then raises the question, articulated by Jones (1998: 13), of ‘why the whole framework of resource accounting is built upon GAAP, which is a financial accounting framework, rather than on a management accounting framework’. Likierman (2000), who is closely associated with the introduction of resource accounting and budgeting in the UK central government, distinguishes between its use for public accountability purposes and its use internally within government departments for decision taking and discusses the potential for resource accounting and budgeting to improve management. The management accounting purpose of accruals accounting is also supported by Robinson (1998: 22) who argues that a key claim for the need for information on the full cost of services that accruals accounting provides is that this is essential for the purposes of:

- performance monitoring, including benchmarking and analysis of performance trends; and
- the costing of in-house bids for competitive tendering purposes, and the specification of in-house purchase provider contracts.

Although Robinson goes on to point out the flaws in the use of accruals accounting for these purposes, there seems little doubt that the reason for the introduction of accruals accounting in the UK government was primarily to serve
the managerial requirements of improved cost measurement, resource manage-
ment and performance evaluation and control. This is what Lüder (1994: 10)
describes as a managerialism driven approach:

The managerialism-driven approach is mainly stimulated by fiscal stress
and in the first place aimed at contributing to more efficient and effective
public sector management. This approach therefore is primarily
concerned with reforming governmental internal (managerial)
accounting but improvements in financial accounting and reporting
sometimes is [sic] a by-product of the innovation process.

Malaysia offers a further example of a country which has focused on
management accounting initiatives for the development of governmental
accounting. An early initiative was the reform of the budgeting process. Prior to
1968 Malaysia adopted a line item budget focusing on inputs. The system
emphasized ‘control, conformity with rules, and the legality of expenditure’
(Dean, 1989: 43). In 1968 public sector financial management underwent a major
reform with the introduction of a new budgeting system called the Programme
Performance Budgeting System (PPBS).

PPBS was implemented in 1969 with a former controller of the United States
General Services Administration acting as budget adviser. The system was
envisaged to ‘help government administrators to think and plan in terms of
programme objectives and the most efficient and economical way of attaining
them [and] to establish budget priorities between competing programmes’ (Dean,
1989: 64). However, the success of the system was limited by lack of skills in
human resources, incompatibilities between accounting and budgeting systems,
lack of management commitment and difficulties in determining programme
structures and performance measurement (Dean, 1989).

In the 1980s, as a result of problems associated with PPBS, particularly on the
implementation of the performance measurement and programme evaluation, a
Modified Budgeting System (MBS) was devised. MBS was premised on the
PPBS, with the main objective being to increase the efficiency in the financial
management of government, specifically, to increase accountability among
controlling officers and programme and activities managers. Controlling officers
were given authority to manage financial resources under the principle of ‘let
managers manage’ (MAMPU, 2000). MBS was introduced on a pilot basis in
1990. The system was implemented in all Federal Agencies in five phases between
1992 and 1995. The implementation of MBS was expedited when the government
set up computer networking in 1994. The change in budgeting system required a
change in information. In order to assess the cost-effectiveness of a programme
under MBS, full cost information was required. The introduction of the Micro
Accounting System (MAS) in 1992, which is similar to activity-based-costing,
supplemented the information produced by the cash-based accounting system for
MBS.

Financial management in the government includes planning processes,
implementation and control on the use of assets and public financial resources.
In an attempt to increase efficiency in financial management, the Malaysian public
The service has taken the following steps:

(a) Strengthened the implementation of the micro accounting system.
(b) Strengthened the implementation of a standard computerized accounting system in statutory bodies.
(c) Ensured follow up actions on the Auditor General’s Report.
(d) Improved the assets and stores supplies management systems. (MAMPU, 2000)

MAS was also introduced to enhance the financial management and performance of public sector organizations and was designed to achieve the following objectives:

- facilitate the collection, processing and preparation of cost information;
- prepare information on cost efficiently and in a more flexible manner;
- produce reliable cost information;
- contribute to the optimization of the use of resources.

The emphasis of the Malaysian government on management accounting is clearly stated in the Manual of MAS:

[MAS] is another step towards strengthening management accounting at the department level. Its implementation would further improve the strategic planning process and engender the optimal utilisation of resources. In general, the implementation of [MAS] would further enhance accountability in the Public Service. (MAMPU, 1992: 1)

A further implementation of MAS is the need to record assets and depreciation so that a measure of asset utilization can be obtained. As stated in the Manual of MAS, ‘the cost of utilising capital assets should be determined by taking into consideration depreciation, maintenance and the cost of operations’ (MAMPU, 1992: 10).

The latest developments in the Malaysian governmental accounting system are the business reengineering process and information technology (IT) strategic plan. Both of these are geared towards developing a new and integrated federal government accounting system. The objectives of these efforts are to improve efficiency in accounting and financial planning, improve management of government funds and improve the monitoring mechanism. According to a circular issued by the Accountant General’s Department (AGD), the new system is ‘expected to be flexible and in compliance with accounting standards based on cash or accrual basis, or a hybrid of both’ (AGD, 2003a: 1). The AGD had also put forward the accrual accounting migration conceptual plan in which it is planned that the government would adopt accrual accounting by 2008. The accrual accounting system will be part of the support system for the Government Financial Management Accounting System (GFMAS) (AGD, 2003b).

Information technology has played a major part in the development of governmental accounting and has been a key factor in the introduction of the MBS and MAS. Accounting innovation in Malaysia has focused on management accounting and fits the managerialism driven approach outlined by Lüder. If, as a
Table 1. Opinion on objectives of financial reporting in Malaysia

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Analysis</th>
<th>Level of Importance</th>
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<tr>
<td></td>
<td>n</td>
<td>x</td>
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<tr>
<td>1. To indicate whether resources were obtained and used in accordance with legally adopted budget</td>
<td>26</td>
<td>6.77</td>
</tr>
<tr>
<td>2. To indicate whether resources were obtained and used in accordance with legal and contractual requirements, including financial limits established by appropriate legislative authorities</td>
<td>26</td>
<td>6.65</td>
</tr>
<tr>
<td>3. To provide information about the sources, allocation and uses of financial resources</td>
<td>26</td>
<td>6.62</td>
</tr>
<tr>
<td>4. To provide information about how the entity financed its activities and met its cash requirements</td>
<td>25</td>
<td>5.64</td>
</tr>
<tr>
<td>5. To provide information that is useful in evaluating the entity’s ability to finance its activities and to meet its liabilities and commitments</td>
<td>26</td>
<td>4.96</td>
</tr>
<tr>
<td>6. To provide information about the financial condition of the entity and changes in it</td>
<td>26</td>
<td>5.15</td>
</tr>
</tbody>
</table>

Level of importance on a scale of:
1 = not at all important  2 = not important  3 = slightly unimportant  4 = neutral
5 = slightly important  6 = important  7 = very important

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Table 2. Opinion on whether financial reports should be improved

<table>
<thead>
<tr>
<th>Level of Agreement</th>
<th>Analysis</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
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<tr>
<td></td>
<td>n</td>
<td>x</td>
<td>no.</td>
<td>%</td>
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<td>%</td>
<td>no.</td>
<td>%</td>
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<tr>
<td>Total</td>
<td>25</td>
<td>4.92</td>
<td>1</td>
<td>4</td>
<td>3</td>
<td>12</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>Disagree vs. agree</td>
<td></td>
<td></td>
<td>6</td>
<td>24%</td>
<td>4</td>
<td>16</td>
<td>4</td>
<td>16</td>
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</tbody>
</table>

Level of agreement on a scale of:
1 = strongly disagree  2 = disagree  3 = slightly disagree  4 = neutral
5 = slightly agree    6 = agree    7 = strongly agree
Method and Results

In an attempt to obtain views and opinions on current financial accounting and reporting practices as well as opinions on the likely developments and innovations in external financial reporting by the Malaysian government, a questionnaire survey of a sample of government accountants was undertaken. The Accountant General of Malaysia’s department provided the names and addresses of 77 federal and state government accountants and the questionnaire was mailed to them in April 2001. A total of 27 completed questionnaires were returned, a usable response rate of 35 per cent. An analysis of the job category of the respondents revealed that 6 were directors, 2 were deputy directors, 4 were state treasurers, 12 were accountants and 3 were assistant accountants.

Because of their close involvement with the preparation of governmental accounting information, the respondents were in a position to provide informed and expert opinions on the objectives of financial reporting by the Malaysian government and the factors that they felt to be important in the development of government accounting. Table 1 provides an analysis of the opinions of the questionnaire respondents on the objectives of financial reporting. The objectives listed in this question are those identified in International Public Sector Accounting Standard No 1 (IFAC, 2000) and the respondents were asked for their opinion on the importance of each objective on a scale ranging from 1 (not at all important) to 7 (very important).

The accounting basis used by the federal and state governments in Malaysia is that of modified cash accounting (a cash basis of accounting throughout the year but modified to include those transactions that relate to the financial year that occurred within one month of the year end). The first three of the objectives in Table 1 are consistent with a cash basis of accounting and it is therefore not surprising to see that these objectives scored mean responses of close to 7 (very important). The distribution of responses confirms this, with at least 92 per cent of the respondents stating that each of these objectives was important or very important. A more surprising result is that objectives 4, 5 and 6, although clearly regarded as less important than the first three objectives, still scored a mean of close to 5 (slightly important). These objectives, particularly the last two, are more closely associated with the information provided by accruals accounting. This would seem to suggest that many of those closely involved with the preparation of governmental accounts in Malaysia see a need for the use of accruals accounting rather than modified cash.

The questionnaire survey also sought to elicit opinions on whether the financial reports of the Malaysian government should be improved. As shown in Table 2, overall, 60 per cent of the respondents agreed that financial reports should be improved whilst 24 per cent disagreed.

The question on which Table 2 is based invited respondents to indicate the kinds of improvements they felt should be introduced and space was provided in the
questionnaire for this information to be written in. Many respondents took the opportunity to write in comments and it was clear from these that it was generally felt that the current government accounting system is sufficient for providing financial information about government activities. Even so, there was also a clearly felt need for a movement towards accruals accounting. Among the suggestions offered for improvements in financial reports were: the need to have information on cost of output, the need to report performance measurement, the need for more reliable and transparent reports, the need to report based on accruals accounting and the need to provide separate reports for each Ministry.

The factors that the questionnaire respondents felt to be important in the development of government accounting are reported in Table 3. The factors included in this table are adapted from Lüder (1992, 1994).

The results show that ‘increased professionalism’ is regarded as the most important factor, with a mean score of close to 7. Also 96 per cent of the respondents felt this to be an important or very important factor. The questionnaire sought background information about the respondents and this revealed that only 9 of the 27 respondents were professionally qualified. It may well be that as the proportion of accountants employed by the Malaysian government that are professionally qualified increases then this will lead to even stronger support for changes in the accounting basis. This is because accruals accounting dominates the training and qualification requirements of professional accountancy bodies and obviously dominates accounting practices in the business sector. In an era in which many governments of developed economies have shown a preference for the adoption of private sector practices into the management of government services then it is likely that a profession such as accounting, which is dominated

<table>
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<th>Factors</th>
<th>Analysis</th>
<th>Level of Importance</th>
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<tr>
<td></td>
<td>n  x</td>
<td>1  2  3  4  5  6  7</td>
</tr>
<tr>
<td>Increased professionalism</td>
<td>27  6.63</td>
<td>– – 1 – – 6 20</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1 (4%)</td>
</tr>
<tr>
<td>Technological change</td>
<td>27  6.22</td>
<td>1 – – 1 2 8 15</td>
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<tr>
<td></td>
<td></td>
<td>1 (4%)</td>
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<tr>
<td>Demand from general public</td>
<td>25  5.57</td>
<td>2 1 1 6 8 7</td>
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<tr>
<td></td>
<td></td>
<td>3 (12%)</td>
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<tr>
<td>Financial crisis</td>
<td>25  5.40</td>
<td>1 2 – 3 3 9 7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3 (12%)</td>
</tr>
<tr>
<td>Political incentives</td>
<td>25  4.73</td>
<td>2 – 3 7 3 2 8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5 (20%)</td>
</tr>
<tr>
<td>Demand from creditors</td>
<td>24  4.29</td>
<td>1 4 2 5 5 6 1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7 (29%)</td>
</tr>
</tbody>
</table>

Table 3. Important factors in the development of governmental accounting in Malaysia

Level of importance on a scale of:

1 = not at all important  2 = not important  3 = slightly unimportant  4 = neutral
5 = slightly important  6 = important  7 = very important
by private sector practice, would encourage the use of this in the public sector. Also, the role of consultants in developments in the financial management practices of the Malaysian government is likely to be influential in this regard. Consulting firms often draw heavily on private sector experiences and these would also tend to support the use of accruals accounting. The question on which Table 3 is based also offered the opportunity for respondents to write in additional comments. An analysis of these reveals further support for a change to accruals accounting, with 6 of the respondents specifically mentioning this as a necessary development in governmental accounting.

It can also be seen from Table 3 that technological change is perceived to be an important factor in the development of governmental accounting, with 92 per cent of the respondents recording this as important or very important. This is perhaps unsurprising given the important role that technology has already played in the introduction of MBS and MAS. On the other hand the level of importance attached to demand from the public, with 84 per cent perceiving this to be important or very important, is more surprising given the discussion earlier of the lack of interest in the financial accounts of governments that has been found in other studies. However, the public presumably do have a concern over the value for money that is being achieved on their behalf and perhaps the respondents here were contemplating developments in performance reporting by the government. There was reasonably strong support for financial crisis as a factor affecting accounting development. Financial crisis does focus attention on priorities and support the need for full cost information and the deficiencies of cash based accounting in providing this.

Discussion

When assessed against the stimuli for change in governmental accounting and the barriers to change as outlined in Lüder (1992 and 1994) it seems clear that it is a managerialism driven stimulus that best explains the UK government’s change to accruals accounting. The desirability identified in the Fulton report and developed further in the 1982 Financial Management Initiative of holding managers to account for the full cost of resources consumed and the output achieved from those resources has been a key feature of attempts to improve the efficiency and effectiveness of public sector management. Cash accounting was obviously deficient for this purpose because of its failure to measure the full cost of resources consumed and so accruals accounting, which is the method widely used by the private sector, was eventually implemented. This is entirely consistent with the UK’s acceptance of what Olson et al. (1998: 18) describe as the reforms of ‘new public financial management’. Olson et al. identify five categories of new public financial management reforms and these include: the use of ‘accruals-based financial statements across government departments and sectors’; ‘commercially-minded, market oriented management systems and structures to deal with the pricing and provision of public services’; an emphasis on performance measurement and the use of financial and non-financial performance indicators; the use of budget delegation ‘coupled with the attempted integration of both financial and management accounting systems and also economic-based
information sets'; and the involvement of internal and external audit with monitoring service delivery and examining value for money. Over the past 30 years or so all of these reforms have been firmly embraced by the UK public sector.

The situation in Malaysia is very similar. An analysis of the stimuli for change would reveal very little support for a need to change to accruals accounting for external financial reporting purposes. However, Malaysia does seem to have accepted the doctrine of the superiority of the private sector's management practices. Administrative reforms have led to the use of such private sector developed practices of total quality management and quality circles and these have led to the implementation of the micro accounting system, which draws heavily on the activity based costing approach devised in the private sector. The willingness in Malaysia to adopt private sector solutions, including many of the reforms of new public financial management, combined with the pressures facing any government of achieving the best value from the resources available, suggest that accrual accounting's ability to provide a measure of the full cost of resources consumed, rather than simply the cash payments, might be an attractive option.

However the implementation barrier of qualified staff availability is likely to be of more importance in Malaysia than the UK. As in many developing economies, there is a shortage of professionally qualified accountants and the demand for these from the private sector bids up the price beyond public sector salary levels. The government would need to overcome the problem of recruiting and retaining qualified accounting staff and although developments in the use of IT might help to alleviate this problem, it is likely that a significant and expensive reliance on consultants would be needed. The Malaysian government does provide incentives for its accounting staff to obtain professional qualifications. These incentives include the reimbursement of the annual fees of professional bodies and scholarships for government accountants to undertake courses that lead to professional accounting qualifications.

Implications

This work used an exploratory approach to understand accounting developments in the Malaysian government. The study could be extended by broadening the categories of respondents to include, for example, the users of governmental financial information and professional accountants. Their views would be a useful contribution to the debate concerning any changes that might be needed to the governmental accounting system in Malaysia. Increasing the range and number of respondents might also enable a more positivist approach to be adopted and allow for the statistical testing of hypotheses. There is also a need to ascertain the extent to which accruals accounting is already used in the various bodies and organizations that make up what is broadly thought of as the Malaysian government. This would provide a useful basis for identifying the efforts likely to be needed to bring about a comprehensive change. For many parts of the Malaysian government the efforts and associated costs are likely to be significant. Because of the obvious difficulties facing any attempt to measure the actual benefits this rules out a conventional cost-benefit analysis and so it would seem essential to obtain as
broad a range of opinions as possible on the perceived benefits. This provides further support for the need to extend the scope of the survey.

If accruals accounting is introduced by the Malaysian government then the experience from other countries points to the need for a comprehensive and well-planned training programme. This will obviously be required for the preparers of accounting information but will also be particularly important for the users of the information. Many of the benefits of accruals accounting will be lost if the information it provides is not used effectively.

Conclusions
An examination of recent developments in Malaysian governmental accounting reveals a clear willingness to embrace many of the features of new public financial management. This is very similar to the experience of the UK. However one key difference between the two countries is that the UK government has now completed the lengthy switch to full accruals accounting and budgeting for all aspects of government activity. It is argued in this study that the main impetus for this reform was the need for improved information for financial management and control. This survey of Malaysian government accountants reveals that although the current accounting and reporting system was generally felt to have met its main objectives there was also a clearly felt need for improvements, including a move to accruals accounting. Such a move is now under active consideration and given that the costs are likely to be significant it would seem sensible to extend the scope of this survey and seek as broad a range of authoritative opinions on the likely benefits as possible.

Notes
1 For a summary of the benefits of accruals accounting see, for example, H.M. Government (1994); Evans (1995); Guthrie (1998).
2 For a discussion of the accounting treatment of cultural and heritage assets and infrastructure assets see, for example, Mautz (1988); Pallot (1990); Stanton & Stanton (1998); Barton (1999); McGregor (1999).
3 In the UK the term used for the accruals accounting system used in central government is ‘resource accounting and budgeting’. Resource accounting essentially follows the techniques of accruals accounting and resource budgeting involves the planning and controlling of public expenditure on a resource accounting basis. The first set of published resource accounts was for the 1999/2000 financial year.
4 The actual questionnaire used in this survey covered a broad range of questions about the accounting practices and procedures of the Malaysian government and also sought perceptions about the purpose, quality and potential for the improvement of government accounting. Many of the issues covered in the full questionnaire were not relevant to the aims of this study. The questions that were relevant are as follows:

* A question which asked respondents to indicate the importance they attached (on a 7-point scale) to the financial reporting objectives of the Malaysian government. The responses are reported in Table 1.
* A question which asked respondents to indicate their level of agreement (on a 7-point scale) with the statement that ‘the financial reports provided by government to external users should be improved’. The responses are reported in Table 2. This question also provided space for examples of areas for improvement to be ‘written in’ by respondents.
A question which asked respondents to indicate the importance they attached (on a 7-point scale) to factors which might affect the development of Malaysian governmental accounting. The responses are reported in Table 3. This question also provided space for respondents to 'write-in' other factors that they felt to be important in the development of governmental accounting.

The questionnaire also asked for background information on the respondents covering their experience, qualifications, and so on. The complete anonymity of all respondents was assured.

References


