

Conceptual Understanding In Managing Change Towards Accrual Based Accounting In Malaysian Public Sector

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Abstract

A change management from cash to accrual method of accounting is important because it enables more efficient and effective fiscal management where accrual accounting will facilitate the costing of resources, which is essential to the effectiveness of Outcome Based Budgeting in promoting the sustainability of fiscal policies (Becker, Defond, Jiambalvo and Subramanyam 1998). In cash basis accounting systems, expenses are not recorded on the financial statements until they have been paid. Due to unpaid bills cannot be shown on the books, it is extremely difficult to accumulate cash reserves to pay them because of the current tax laws. Malaysian government has announced the need to change to International Public Sector Accounting Standards (IPSAS) accrual-based accounting by 2015. Thus, it is important for Accountants General Department Malaysia (AG) to change management from cash method to accrual method due to the information contained in reports prepared on an accrual basis is useful both for accountability and decision-making. Therefore, the objective of this study is to review the concepts, theories and previous research on the change management towards accrual based accounting from customers and employees perspectives.

Keywords: Change Management, Accrual Accounting Basis, Cash Accounting Basis.

Introduction

Malaysian government has raised concerns over whether the cash basis of accounting is adequate for governmental accounting and reporting especially in the recent development of governmental activities (Saleh, 2007). Previously, accrual accounting was seen to be an alternative for a better reporting of government activities and it was considered to be only appropriate in the private sector (Ellwood and Newberry, 2007). Meanwhile, the use of cash versus accrual accounting has been debated continuously by previous researcher; yet, accrual accounting has been adopted in the governments of several countries including United Kingdom (Ball and Shivakumar, 2004), Australia (Carlin and Guthrie, 2003), and Netherland (Peter Van Der, 2005).