

The Shift from Cash to Accrual Budgeting in the Malaysian Public Sector

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Abstract

Purpose: This qualitative study mainly aims to examine the awareness of budget preparers on accrual-based budgeting in the Malaysian Public sector and their perception of its challenges. Specifically, the objectives of this paper are twofold. Firstly, to provide a critical review of the literature on the accrual-based budgeting. Secondly, to examine the awareness of budget preparers of the key concepts of accrual-based budgeting and its challenges to successfully implement accrual-based budgeting in Malaysia.

Design/Methodology/Approach: This study employs face-to-face and semi-structured interviews conducted with six (6) budget preparers who have been carefully identified and selected within the public sector in Malaysia.

Findings: Our results indicate that there is a high level of awareness of accrual-based budgeting among budget preparers, but this is not the case with other employees who do not have hands-on practice in accounting. Our findings also reveal that knowledge and understanding, upper management enforcement and aggressive promotion is important in determining awareness of accrual budgeting. A further examination of implementation challenges reveals that understanding, cost increment, resistance to change, information and training are the main concerns in implementing accrual-based budgeting. Our results are very similar to studies in other countries.

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Practical Implications: This study sheds light on awareness of the concept of accrual-based budgeting among budget preparers in the Malaysian public sector and has certain implications pertaining to policy-making.

Originality/Value: Our study is among the first to provide an in-depth analysis of accrual-based budgeting in the Malaysian setting. The findings of this study are expected to provide information to regulators and standard setters on the awareness and the implementation issue of accrual-based budgeting.

Keywords: Accrual-based budgeting, public sector, qualitative, awareness, challenges