

Malaysian Public Sector Accounting Standards (MPSAS) Implementation in State Governments of Malaysia: Status and Challenges

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Abstract

Purpose: This paper aims to share the experience of state governments in Malaysia in implementing the Malaysian Public Sector Accounting Standards (MPSAS).

Methodology/Approach: A mixed methods study involving questionnaire survey and interview was employed. The study covers all 13 state governments of Malaysia. A total of 147 accounting and finance staff responded to the questionnaires and 12 interview sessions were held in 12 states involving the state treasurers.

Findings: Similar challenges observed in other countries in implementing IPSAS prevailed in the 13 state governments, which are (i) resources related to lack of competent accounting and finance staff, and lack of IT facilities and IT support; (ii) accounting and reporting issues related to difficulties in assets, liabilities, revenue and expenses recognitions and measurement; and (iii) top management commitment in ensuring successful change management programmes. However, many of those challenges have been tackled except for the application of MPSAS, where trained staff is still lacking.

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Research Limitations/Implications: This paper explores the implementation of accrual accounting via the computerised accounting system used by the state governments in Malaysia. The system caters to both MPSAS accrual accounting and cash accounting reports. Production of MPSAS accrual accounting reports has not been made mandatory. Thus, the discussion in this paper is limited to respondents' experience with the computerised MPSAS-based accrual accounting system used to produce cash accounting reports.

Practical implications: Findings from this paper provide insights for state governments to plan for effective implementation of MPSAS.

Originality/value: This paper discovers the real issues faced by the state governments of Malaysia in implementing MPSAS.

Keywords: Accrual accounting, IPSAS, MPSAS, public sector, developing countries.