

Financial Management in the Malaysian Public Sector: The Dynamics of Accrual Accounting in the Administrations of Two Hybrid Statutory Bodies

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Abstract

Purpose: This study aimed to examine the experiences of two statutory bodies, anonymised as Alpha and Omega, in implementing accrual accounting and the challenges they faced in fully implementing the Malaysian Public Sector Accounting Standards (MPSAS).

Design/ Methodology/ Approach: A comparative case study approach was adopted in this study. Secondary data analysis, a series of focus group discussions and semi-structured interviews with key actors involved in implementing accrual accounting in Alpha and Omega were also undertaken.

Findings: The findings revealed that both statutory bodies utilised Malaysian Financial Reporting Standards (MFRS), owing to their business subsidiaries, which are required to prepare financial statements according to MFRS. Alpha and Omega prefer to continue using MFRS instead of MPSAS due to the challenges in preparing consolidated financial statements. Besides, MFRS is appropriate for the needs of their business operations.

Research Limitations/ Implications: This study is confined to two statutory bodies. Future research should consider the impact of MPSAS adoption on other hybrid statutory bodies.

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Practical Implications: The study demonstrates that adopting a different accrual accounting system is challenging for government organisations. It also highlights that MPSAS may not best reflect the operating nature of hybrid statutory bodies.

Originality/ Value: Prior studies focused on government entities' first-time adoption of accrual accounting. This study differs as it examined the challenges government entities face when transitioning from one accrual accounting system to another.

Keywords: Public sector accrual accounting, MPSAS, statutory bodies, Malaysia.