



**FAKULTAS EKONOMI
UNIVERSITAS ANDALAS**

THESIS

**PERCEPTION OF THE GOVERNMENT OFFICERS ON THE ADOPTION OF CASH
TOWARDS ACCRUAL ACCOUNTING IN INDONESIA
(CASE STUDY IN PADANG CITY)**

**Submitted in partial fulfillment of the requirement for
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ABSTRACT

The aims of this research are to elicit the view of government officers related to the current governmental accounting and their response regarding the adoption of full accrual accounting in Indonesia. The desire to move to full accrual accounting actually has been considered seriously. It is proven by the existence of Peraturan Pemerintah 24/2005, UU 17/ 2003, and Permendagri 59/ 2007 that support the reforms in Indonesian's public sector accounting. This research uses questionnaire as an instrument to obtain information from local government officers who have responsibility to execute accounting activity and get involve in preparing government's financial report related to their perception towards the current governmental accounting and the adoption of full accrual accounting in Indonesia. The results indicate that the switch to full accrual accounting needs to be done in Indonesia to support the improvement of transparency and accountability. But, there are some technical problems that must be considered during the implementation of full accrual accounting in Indonesia.

Keyword: Indonesia, Public sector accounting reforms, Governmental accounting basis, Cash towards accounting, Accrual accounting

CHAPTER I

INTRODUCTION

1.1 Background

During the last decade the public sector has been affected by the introduction of significant reforms in the public sector accounting. These reforms are needed to enhance public sector efficiency, which latter known as the main point of NPM (New Public Management) concept, in order to avoid the scarcity of resources in public sector (Vinnari and Nasi, 2008). Since the demand for public services is invariably greater than the resources.

One of the public sector reforms that has become controversial in its implementation is the adoption of accrual accounting as basis in preparing financial statements. Actually, the use of the cash or accrual basis of accounting was seen as a great divide between the public and private sector with the public sector practicing cash accounting, and the private sector using accrual methods. 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 (Saleh and Pendlebury, 2006).

Although most government services are not evaluated in terms of profits earned or losses incurred and there is no equivalent to the private sector's need for information for investment decision purposes, the encouragement to adopt accrual accounting in government entities has been considered seriously. It is proven by

the existence of a set of standards for public sector financial reporting on the accrual basis of accounting that has been developed by IFAC (International Federation of Accountants) with the support of IMF, the World Bank, the Asian Development Banks and others. This implementation of accrual accounting in government is expected can provide more accurate measurement and communication of financial position and performance and improve accountability and transparency (Pallot, 1997; Ryan, 1998; and van der Hoek, 2005). It also can be used as a tool to promote increased efficiency and effectiveness of public administration and effective management of both assets and resources, which in turn contribute to improved performance.

In fact, whichever basis is used for preparing the 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. 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 (2000), 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.

CHAPTER V

CONCLUSION

5.1 Conclusion

This research is conducted to acquire the perception of local government officers towards the adoption of full accrual accounting in Indonesia and their views towards the existing governmental accounting and reporting practices. This is an explorative research that uses primary data and secondary data whereby data were obtained through the distribution of questionnaire and by observing literature such as books, magazines, economic journals, newspapers, and articles from websites

This research results that the majority of local government officers in Padang city (about 84,1% of respondent) preferred to use accrual accounting rather than continuing to use cash based accounting for recording government transaction. Although in Indonesia, the use of modified cash accounting has been able to meet the main objectives of financial report.

Most of them agree that the adoption of accrual accounting within Indonesian government can provide information that can give any positive contribution to the quality of decision. But based on the experiences of other countries that have employed accrual accounting, respondents also realize that there are technical problems during the implementation of full accrual accounting in Indonesia, like problems in identifying all fixed assets owned by government units and the lack of additional resources, manpower and funding needed for assets evaluation.

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