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Moving Towards a Better Governance: Implementation of Accruals Accounting in Public Sector

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Abstract
The Malaysian government had made the announcement of reforming the public sector accounting by changing from cash accounting system to accruals accounting system. When the government made the announcement, it gave a huge shock to the preparers of the governmental financial reporting. It is believed that by the year 2015, all components of public sector would fully adopt the accruals accounting system. The time to prepare for the implementation process is short compared to other countries that have successfully implemented the accruals accounting in their public sector. When assessed against the stimuli for change in public sector accounting the barriers to change as outlined in Lüder Contingency Model is seems clear that it is a managerialism driven stimulus that best explains the Malaysian government’s change to accruals accounting. Therefore, it urged the preparers of the public sector financial report, whom in this case are the public sector accountants, to be ready for the change. One of the limitation barrier that affect the effectiveness of accruals accounting system in public sector accounting is the attitude of the user of the accounting system. The objective of the study is to examine the mediating effect of attitude on perception of public sector accountants towards the intention to implement the accruals accounting system in public sector. Questionnaires were distributed and analyzed using Likert scale. It was found that attitude and perception do contribute towards the intention of the accountants to implement accruals accounting in public sector.

Keywords: Accruals Accounting, Public Sector Accountant, Attitudes and Perceptions
Introduction

It was in 2011, the Government of Malaysia announced the move to adopt accruals accounting for better fiscal discipline management. Now, Malaysia is in the final stage of making final preparations in adopting accruals accounting. The advantages and disadvantages of accruals accounting was debated by many researchers in past studies. The advantages can be seen in private sector experience of projecting a comprehensive and accurate picture of financial position that can enhance transparency and accountability of financial management. The adoption of accruals accounting by public sector organizations can be seen as self-evident on a number of levels. Self-appointed experts and pressure groups abound, all within their own good cause, and all trying to convince states, corporations and individuals how much better off they would be, if they would change to accruals accounting. It is presumably public sector may enjoy the same benefit if they are to adopt accruals accounting system.

A study by IFAC (2000) identifies several reasons for adoption of accruals accounting; provide users with financial information about resources controlled by an entity, the cost of its operation, enhanced cash flow information, and other financial information useful in assessing financial position and changes in financial position, and in assessing whether the reporting entity is operating economically and efficiently. More importantly, the information provide by using accruals accounting can change the way managers think and operate enhance user’s decision-making activities, and thus, enhance public sector accounting accountability. Accruals accounting is essential if financial reporting provide a much more objective measurement in evaluating the government’s performance in terms of service costs, efficiency and accomplishment. Regardless of the advantages, there are still many challenges in adopting accruals accounting in public sector that need to be address in order for the implementation process to run smoothly. There are several concerns regarding the adoption of accruals accounting in public sector such as the users’ lack of knowledge in accruals accounting, lack of organizational support from the top management, and the complexity of valuating the government assets of which consist of public assets for example heritage assets (Mohamed-Azhari & Mohamed, 2015).

The OECD (1993) warns that the introduction of such a system entails substantial investment and demands a change in the management culture of public agencies in terms of understanding how to use additional information, understanding the potential benefits provided by the new system, accepting of the system’s validity, and committing to making the shift to the new system. Therefore, the key success for implementation of an accruals accounting system depends on understanding and willingness of the individual to support the new change (Hepworth, 2003). The question now arises: how are the preparers of public sector financial information acceptance towards the change of financial reporting method in the public sector accounting? Acceptance is an act of accepting something. In full definition acceptance is when a person enter a state of mind in which he or she agrees either expressly or by conduct to the act or offer of another so that a contract is concluded an the parties become legally bound.

Employee’s attitude and management of implementation are some of the factors that may influence the process of adopting accruals accounting in public sector (Carlin, 2003). Attitude can be defined as a mental state of readiness to act based on experience and influence on the individual’s mood (Allport, 1935). Basically, attitude is a combination of personality, beliefs, values behaviours and motivations. Based on Allport definition of attitude, it helps to identify
how the employees perceive and behave toward the situation or object. Thus, in this case attitude towards may give an impact on how the public sector accountant behave towards change in the public sector accounting system.

Factors associated with changes in employee’s attitude have an effect towards implementing a new accounting system in public sector accounting system among public sector accountants. Therefore, such changes require public sector accountants to learn the new accounting system which is from cash basis to accruals basis. The prolonged use of cash basis within the public sector can cause some of the existing accounting system user reluctant to change. A positive attitude change is associated with evidence of motivated behaviour, while negative change was linked to less motivated behaviour.

Employee is considered as a blood stream for any organization. The accomplishment of disaster of the firm depends on its employee performance. Knowledgeable and skilful employees proved to be a major source of competitive advantage in a global market (McKinsey, 2006). Employees are the most valuable asset of every organization as they can make or break the organization’s reputation and can adversely affect profitability. Without proper training, employees both new and current do not receive the information and develop the skill sets necessary for accomplishing their tasks at their maximum potential. In the case of determining the success of implementing accruals accounting in public sector deem to be in the hands of public sector accountants. It require the knowledge, skill and abilities of the preparers to prepare and collect the right accounting information. So to ensure the preparers are well equipped with the knowledge and skill, the government provides training as to optimize the preparer’s potential.

The main objective of this study is to assess the mediating effect of attitude on perception of public sector accountants who are the preparers of public sector accounting information towards the intention to implement accruals accounting system in public sector. The survey was based on the hypothesis that preparers with a positive attitude is more willing to participate with the implementation process. This study used questionnaires as a tool in gathering information regarding preparer’s attitudes toward change of accounting system in public sector.

**Literature Review and Hypotheses Development**

Accruals accounting is a method that measures the financial performance and financial position of an entity to recognize the effects of transactions or events as they occur. As for cash accounting is different from accruals since it recognize cash or its equivalent, either when it is received or paid. The move from cash accounting to accruals accounting in Malaysia public sector is generally because Malaysia is in the process of becoming part of developed countries. There are several benefits that accruals accounting can provide in terms of improving the public sector financial reporting (Connolly & Hyndman, 2006; Lye, Perera & Rahman, 2004; Ryan, 1998). Accruals accounting enables the government to gain access on accurate financial information for the purpose of accountability. Thus, the migration to accruals accounting within an accounting environment will improve the quality of decision making in the public sector.

As for the current accounting practice such as cash-based accounting is said to have the virtues of simplicity and objectivity which is preferable in the public sector accounting. Due to those virtues, accounting records in the public sector seem to be easy and less complex where there is no recognition of non-current assets, receipts and payments when there is actual cash
received and paid. However, this method shows that it lacks the effective accounting reports because with cash-based accounting system, it does not reflect the true value of public sector performance. Based on previous literature suggests that there have been both positive and negative impacts after the adoption of accruals accounting in public sector. Nonetheless, to obtain consistent evidence about the results of the adoption of accruals accounting in public sector is difficult due to a lack of information about long-term effects (Pallot, 2001). Several evidence on the effectiveness of accruals accounting in public sector can be found in developed countries such as United Kingdom, Australia and New Zealand. But the transition to accruals accounting took them several years to complete and there were a lot of complications and challenges that they needed to confront with. While in Malaysia, the idea of implementing accruals in the public sector arose in year 2000 as for the first implementation phase started in 2010 and full implementation of accruals accounting is expected to complete by the year 2015. Based on past experiences, it takes from five to ten years for a country to complete the conversion to accruals accounting. But given example from developed countries such as New Zealand, they took ten years to complete the process of changing to accruals accounting. On the other hand, the United Kingdom and Sweden are reported to take seven and eight years respectively.

The realization of the accruals accounting benefits may take time despite being able to produce a true and fair view of financial report and provide better resource management. Up until now in Malaysia public sector perspective, only the advantages of accruals accounting have been brought up and this is because the risks and disadvantages of accruals accounting can only be assessed after the successful implementation the accruals accounting policy itself. The process of changing from cash accounting to accruals accounting is deemed to be unnecessary due to uncertainty of risk that the government is unable to assess (Wynne, 2004). As Likierman (2000, p253) asserts, ‘A full analysis will only be possible once the new systems have been working for a number of years’. Some believe that the nature of accruals accounting is not suited with the public sector style. Because public sector unlike private sector, is a non-profit organization and their performance measurement is different (Rowles, 2004). Furthermore, the nature of economic reasoning in this sector is different from private sector where public assets such as heritage type assets and environmental assets are known as ‘public’ goods (Ouda, 2004).

A study by Lüder (1994) identifies the factors influence the innovation in public sector accounting system. One of the factors is stimuli that exist at the beginning of the change. The announcement made by Malaysian government in 2010 act as the stimuli. Therefore, it urges the preparers of public sector financial report, whom in this case the public sector accountant, to be ready for the change. But due to the disadvantages of accruals accounting acknowledge by many preparers, they are reluctant to change. The willingness to change from the preparers of public sector financial information are influenced by their basic attitude. In Lüder Contingency Model one of the factor that can hamper the process of innovation in public sector accounting is their attitude towards change. This is called one of the implementation barriers. Implementation barriers are factors that prevent the successful of implementation process in public sector accounting innovation. For example, lack of employee competency in understanding the accruals accounting concept, change in technology, and recognition of assets and liability. For the barriers to be overcome, employee attitudes and behaviours to accept the change should be taken into account for the successful of implementation process (Faghihi & Allameh, 2012).
An attitude is referred to as a hypothetical construct representing an individual’s level of like or dislike for an item (Dunham, 1989). Based on the definition given by the authors, a member’s attitude can play an important role in determining whether the person chooses to support or resist a change. Elias (2009) defined attitudes towards organisational change as an employee’s positive or negative reaction in judging the change initiative implemented by their organisation. Furthermore, he states that the attitude is considered as positive when the employee perceived that the changes would give them benefit and vice versa. Therefore, if the attitudes are positive, then the change would most likely be successful. But if the attitudes are negative, then the employees would not likely want to participate with the system change, thus impairing the successfulness of the implementation process.

The previous literature suggests that accountants and finance officers working in the public sector departments who employed accruals accounting have a positive attitude towards the implementation of accruals accounting (Lapsley, 1986; Jones and Puglisi, 1997). Meanwhile, Tiron Tudor and Blidisel (2007) find that public sector accountants who employed accruals-based accounting system during their professional career in the private sector have a positive attitude in the application of accruals accounting compared to those who are working in entities which employ cash accounting.

Dunham et al. (1989) suggested that there are three types of attitudes toward change, namely cognitive, affective and behavioural. The cognitive component of an attitude refers to the opinion or perception of a person regarding the information received which he or she believes to be true. The affective component refers to the attitude of a person has toward the object which involves evaluation expressed in form of like or dislike for the object. The behavioural tendency relates with how the person intend to behave towards the object.

Therefore, attitude mediates the relationship between perception and behavioural intention. According to Davis (1991) perception is divided into two parts which are perceived usefulness and perceived ease of use. Perceived usefulness is defined as to the degree which a person believes that using a particular system would enhance his or her job performance. While, perceived ease of use is specified as the degree which a person believes that using a particular system would be free from effort. Based on both Dunham (1989) and Davis (1991) findings, if the public sector accountants believe that the change to accruals accounting may give benefit to their department (perceived usefulness) and the changes does not give them any major concerns (perceived ease of use), with the mediating effect of attitude towards change, they are willing changing the accounting system (behavioural intention). Therefore, the study proposes the following hypothesis:

H 1: There is a significant influence of public sector accountants’ perception on the implementation of accruals accounting system.

H 2: There is a positive relationship between the perceptions of public sector accountants and their attitude towards the implementation of accruals accounting system.

H 3: There is a positive relationship between the public sector accountant’s attitudes towards the implementation of accruals accounting system.

H 4: Attitudes act as a mediating effect on the perceptions toward implementing accruals accounting system.

While attitude played an important role to determine whether the preparers are willing to change to the new accounting system. Organizational support from the top management is
also important to ensure the preparers adapt to the new accounting system and making it easier for the implementation process to happen. The top management are well qualified to understand what the preparers need to know about using the new system. Employees, especially the preparers of public sector accounting information lack of knowledge in accruals accounting is a major concern that need to be address by the government (Mohamed-Azhari & Mohamed, 2015).

Since some of the preparers were not from the accounting education background. The organizational support will help the preparers to adopt the new accounting system by accumulating knowledge and experiences through education and training which will help the preparers solve the problem they face in the implementation process (Ahmad, Mazlan, Ahmad & Pangat, 2015). There will be a need to hire trained accountants in accruals and to improve the skill levels of many accountants in government who already familiar with cash basis accounting. The concern is that there could be a shortage of these skills in a country as a whole (OECD, 1993). Nonetheless, it is important that the government did not over-invest in training. This can lead to an inefficiency in the workforce. Different levels of skills are required by the different preparers involved in the accruals process.

Research Methodology
Theoretical Framework

The dependent variable for the study is the intention to implement accruals accounting (IMP). As for the independent variables consists of the public sectors’ attitudes (ATT) and perception (PER). The study examines whether attitude mediates perception toward implementing accruals accounting system in Malaysia public sector.

Figure 1: Theoretical Framework
Data Collection

For the purposes of this study, a quantitative research is conducted. This study used primary data as its source of data in gathering information regarding accountant attitudes toward change. A survey is conducted by using a set of questionnaire. The questionnaires were distributed directly to the respondents. Respondents were given several days to complete the questionnaires.

The questionnaires were adopted from a research by Dunham et al. (1994) on attitude toward change instrument and were amend to suit the purpose of this study. Each items are measured on a 5-point Likert scale, where 1 = strongly disagree, 2 = disagree, 3 = slightly agree, 4 = agree, 5 = strongly agree.

Population of Study

The population of study is based on the preparers of public sector accounting information, thus public sector accountant are suitable to be chosen as population. The selected population came from various departments, among them are Ministry of Finance, PDRM, Accountant General’s Department and Royal Malaysian Customs. The respondents were classified according to their salary grade, qualification background and working experience. The pilot test was conducted on 10th April 2014. A set of 30 questionnaires were distributed and collected on the same date.

Sample and Sampling Procedure

The actual survey was conducted from 20th May 2014 to 20th June 2014 and a total of 270 questionnaires were distributed to the respondents. There were 199 questionnaires returned by the respondents and only 133 questionnaires were able to be used as sample.

Data Analysis

The data collected from the questionnaires were analysed using Statistical Packages for Social Science (SPSS) version 21 and SmartPLS 3.0. There are four sections in the data analysis...
which are descriptive, measurement model evaluation, correlation and structural model evaluation.

The descriptive and correlation analysis were obtained by using SPSS. The correlation test conducted by using Pearson’s Correlation Coefficient method. According to Jan Hauke & Tomasz Kossowski (2011), this method was discovered by Bravais (1846) but Karl Pearson the first to describe in 1896. The Pearson’s correlation coefficient can only take values between −1 and +1 which is a value of +1 indicates perfect positive association and a value of −1 indicates perfect negative association.

We employed Partial Least Square (PLS) technique to analyse the research model (Ringle et al. 2015). According to Hair et al. (2011), there two steps in analyse the research model which are measurement model and structural model.

In the measurement model evaluation, the validity and reliability of the measurement model were tested using convergent validity and discriminant validity. Convergent validity of the measurement model is usually ascertained by examining the loadings, average variance extracted (AVE) and composite reliability (J.A.L Yeap et al. 2015). As suggested by Hair et al. (2014), the loadings for all items must exceeded 0.7, the AVE values were all higher than 0.5 and composite reliability values were also higher than 0.7. Discriminant validity of the measurement model was examined by following the Fornell and Lacker (1981).

Structural model evaluation involved evaluating $R^2$, coefficient and t values. The bootstrapping procedures with 5000 resample was used to obtain the t values (Hair et al. 2014) in order to test the hypotheses.

Findings
Descriptive Statistics
Table 4.2 shows the summary of respondent’s background that involved in this study. Most of the respondents are female comprises of 77.4% and the rest are male with the percentage of 22.6% of the total sample. Their age are between 19 year old to 50 year old, with the highest respondents aged from 30 year old to 40 year old. As for their working experiences, surprisingly 51.1% (68 respondents) of them only worked for over 1 year with public sector and 45.9% (61 respondents) have worked for more than 3 years. Only a small percentage of 3% (4 respondents) worked below 1 year. The statistic shows that most of the preparers are well equipped with the knowledge of public sector accounting system in their respective department.

It was found that most of the respondents were familiar with accruals accounting concept with 85.7% (114 respondents) of the total respondents having graduated either with diploma, undergraduate or postgraduate from the accounting background. However, there were a few them who had graduated from other courses than accounting such as Science and IT with 3.8% (5 respondents) and 10.5% (14 respondents) from the total respondents respectively. These respondents had working experiences in the public sector between 2 years up to almost 20 years.
<table>
<thead>
<tr>
<th>Items</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>30</td>
<td>22.6</td>
</tr>
<tr>
<td>Female</td>
<td>103</td>
<td>77.4</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below 19</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>20 to 29</td>
<td>21</td>
<td>15.8</td>
</tr>
<tr>
<td>30 to 39</td>
<td>67</td>
<td>50.4</td>
</tr>
<tr>
<td>40 to 49</td>
<td>30</td>
<td>22.6</td>
</tr>
<tr>
<td>50 to 60</td>
<td>14</td>
<td>10.5</td>
</tr>
<tr>
<td>Working Experience</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below 1 year</td>
<td>4</td>
<td>3.0</td>
</tr>
<tr>
<td>1 to 2 years</td>
<td>68</td>
<td>51.1</td>
</tr>
<tr>
<td>3 to 5 years</td>
<td>35</td>
<td>26.3</td>
</tr>
<tr>
<td>6 to 10 years</td>
<td>9</td>
<td>6.8</td>
</tr>
<tr>
<td>More than 10 years</td>
<td>17</td>
<td>12.8</td>
</tr>
<tr>
<td>Education Background</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secondary Education</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>Diploma</td>
<td>7</td>
<td>5.3</td>
</tr>
<tr>
<td>Under Graduate</td>
<td>58</td>
<td>43.6</td>
</tr>
<tr>
<td>Post Graduate</td>
<td>67</td>
<td>50.4</td>
</tr>
<tr>
<td>Qualification Background</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounting</td>
<td>114</td>
<td>85.7</td>
</tr>
<tr>
<td>Science and IT</td>
<td>5</td>
<td>3.8</td>
</tr>
<tr>
<td>Others</td>
<td>14</td>
<td>10.5</td>
</tr>
</tbody>
</table>

Table 4.2: Summary of Respondent’s Background

Based on the information gathered, there were personnel from the IT department and top management who were not involved directly in the implementing of the accruals accounting, but they are important in assisting the accountants to ensure successful accruals accounting system implementation.

With regard to the acceptance of preparers on the implementation of accruals accounting in public sector, it was found that most of the respondents agree with the idea of moving towards accruals accounting in the public sector. From table 4.3, it is found out that 126 of the respondents agree with the accounting innovation in public sector and they believe it will bring benefit to the government as a whole. Mainly the reason is most of the respondents are from the accounting background and they are well informed on the advantages of accruals accounting.
However, based on table 4.3, there are two respondents who disagreed and one respondent strongly disagreed with the idea of adopting in the public sector and four respondents neither agreed nor disagreed with the idea of adopting accruals accounting in the public sector. Although the number of respondents who disagreed is small, they still represent the total 133 respondents.

It is notable that the respondent who disagree have more than 6 years of experience in accounting department and the one who strongly disagree with the implementation of accruals accounting in public sector have more than 10 years of experience in the accounting department. This can be due to the concern of the cost of implementing accruals accounting in public sector will outweigh the benefits. The process itself is physical daunting and extremely expensive task of actually valuing the government’s assets (Christensen & Parker, 2010). The number of respondents who are reluctant to change the public sector accounting system are not significant but still represent the public sector accountants.

Table 4.4: Descriptive Statistics of the Main Variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>IMP</td>
<td>133</td>
<td>1</td>
<td>5</td>
<td>4.40</td>
<td>0.696</td>
</tr>
<tr>
<td>ATT</td>
<td>133</td>
<td>2</td>
<td>5</td>
<td>3.54</td>
<td>0.359</td>
</tr>
<tr>
<td>PER</td>
<td>133</td>
<td>3</td>
<td>5</td>
<td>4.14</td>
<td>0.435</td>
</tr>
</tbody>
</table>

Table 4.3: Descriptive analysis of public sector accountant’s acceptance of accruals accounting system
IMP: Intention to implement accruals accounting
ATT: Attitudes toward accruals accounting
PER: Perceptions toward accruals accounting

Based on table 4.4, the results showed that the mean value of intention to implement accruals accounting system is 4.40. This indicates that public sector accountants have a high intention to implement accruals accounting system in the public sector accounting system. In addition, the mean value of perception and attitude toward changing cash to accruals accounting system also high which are 4.14 and 3.54. This shows that, the preparers have a positive attitude and a good perception towards accruals accounting system.

Measurement Model Evaluation

Based on table 4.5 the loadings for all constructs were higher than 0.7, the AVE values were all higher than 0.5 and the composite reliabilities (CR) were also higher than 0.7. The result in table 4.6 shows that the measures were discriminant since the bolded values on the diagonals were greater than the corresponding row and column values. This result indicate that the measurement model was adequate convergent validity and discriminant validity.

<table>
<thead>
<tr>
<th>Construct</th>
<th>Item</th>
<th>Loadings</th>
<th>AVE</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perception</td>
<td>Per3</td>
<td>0.932</td>
<td>0.865</td>
<td>0.927</td>
</tr>
<tr>
<td></td>
<td>Per4</td>
<td>0.928</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attitude</td>
<td>Att1</td>
<td>0.851</td>
<td>0.750</td>
<td>0.900</td>
</tr>
<tr>
<td></td>
<td>Att2</td>
<td>0.901</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Att3</td>
<td>0.846</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implementation</td>
<td>Imp1</td>
<td>0.932</td>
<td>0.743</td>
<td>0.852</td>
</tr>
<tr>
<td></td>
<td>Imp3</td>
<td>0.928</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 4.5: Convergent validity of measurement model

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Attitude</th>
<th>Implementation</th>
<th>Perception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attitude</td>
<td>0.866</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implementation</td>
<td>0.709</td>
<td>0.862</td>
<td></td>
</tr>
<tr>
<td>Perception</td>
<td>0.602</td>
<td>0.781</td>
<td>0.930</td>
</tr>
</tbody>
</table>

Table 4.6: Discriminant Validity of Measurement Model

Correlation Test

Correlation results presents in table 4.7 indicates that there was significant positive relationship between intention to implement accruals accounting system and perception toward it which is 0.606 or 60.60%. Based on this result, the accountants have a good perceptions toward accruals accounting system if this accounting system implement in the public sector.

In additional, there was significant positive relationship between intention to implement accruals accounting system and attitude of the public sector accountants which is 0.246 or
24.60%. Accountant’s attitude toward accruals accounting system played the most important factor in order to ensure that the implementation of the system give a good impact on the public sector. According to Eby, Adams, Russell and Gaby (2000), employee attitudes toward change can impact their morale, productivity and turnover intentions. The result also shows that the accountant’s perception and attitude have a positive correlation which is 0.270 or 27.0%.

<table>
<thead>
<tr>
<th>Variables</th>
<th>IMP</th>
<th>ATT</th>
<th>PER</th>
</tr>
</thead>
<tbody>
<tr>
<td>IMP</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ATT</td>
<td>0.246**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>PER</td>
<td>0.606**</td>
<td>0.270**</td>
<td>1</td>
</tr>
</tbody>
</table>

Note: **p-value < 0.01
Table 4.7: The Result of Correlation between the Main Variables

Structural Model Evaluation

Figure 3 and table 4.8 shows the result of the path analysis. The result from path analysis will examine according to four hypotheses generated which are H1, H2 and H3 are direct effect while H4 is indirect effect. Based on the result, there are positive relationship between public sector accountants’ perception and implementation of accruals accounting system since the value of coefficient is 0.556 (sig = 0.000). They believed that an implementation of accruals accounting system in public sector will improve the process of accounting and give the benefit to the organization. The perception also have a positive relationship to the accountant’s attitude towards implementation of accruals accounting system which is the value of coefficient is 0.602 (sig = 0.000). The accountant’s attitude have positive relationship between implementation of accruals accounting system which is the value of coefficient is 0.369 (sig = 0.000). Thus, H1, H2 and H3 of this study were supported.

In addition, we also interested to study the attitudes as a mediator in relationship between perception and implementation accruals accounting system. Based on the result, the indirect effect for perception toward implementation is significant since the p-value (0.000) is less than 0.05. Therefore, we can conclude that attitude partially mediates the relationship between perception and implementation of accruals accounting since both the direct and indirect effect are significant (Hair et al. 2016). Thus H4 of this study was supported.
Figure 3: Result of the path analysis

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Relationship</th>
<th>Coefficient</th>
<th>Std Error</th>
<th>t-value</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Per → Imp</td>
<td>0.556</td>
<td>0.078</td>
<td>7.164**</td>
<td>Supported</td>
</tr>
<tr>
<td>H2</td>
<td>Per → Att</td>
<td>0.602</td>
<td>0.085</td>
<td>7.065**</td>
<td>Supported</td>
</tr>
<tr>
<td>H3</td>
<td>Att → Imp</td>
<td>0.369</td>
<td>0.085</td>
<td>4.42**</td>
<td>Supported</td>
</tr>
<tr>
<td>H4</td>
<td>Per → Att</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Att → Imp</td>
<td>0.225</td>
<td>0.053</td>
<td>4.369**</td>
<td>Supported</td>
</tr>
</tbody>
</table>

Table 4.8: Path Coefficient and Hypothesis Testing

Conclusion

One of the key barrier to implement the accruals accounting system in public sector accounting is the lack of preparer acceptance for the new accounting system. Results showed that, there is a mix of education background among the preparers. This shows that some of the preparers might only wanting the change because there is stimuli that leading them to change and not because they fully understand the system. But still, all of the non-accounting background preparers accept the move from cash basis to accruals basis accounting. There are few of the respondents who disagree with the plan and surprisingly they are from accounting background and some of them have several years of experience in accounting department. An interview with the respondents could identify the reason behind their disagreement which this study fails to identify. There are other concerns from the accountants pertaining to the implementation of accruals accounting such as the users’ lack of awareness in accruals accounting, lack of
organizational support from the top management, and the complexity of valuating the government assets of which consist of public assets for example heritage assets. These concerns can hinder the acceptance to change the public sector accounting system. Therefore, support from the top management plays an important role in motivating the preparers to equip themselves with the knowledge and to create the awareness. As a result, the preparers were sent to several trainings in a year. This shows how determine each government department in implementing the accruals accounting system. Various types of training is also provided to suit the preparers learning style to make them easily understand the new system. However, further research can be done in identifying the most efficient type of training should the government provide to the preparers that can save cost and time.

Literally, it all falls back to the preparers, their attitude determine whether they are willing to change and apply the accruals concept in public sector accounting. How the accountants act or behave towards the change depend on how they perceived accruals accounting system. Thus, if the new accounting system is perceived as something that is not beneficial to them or their organization it will lead to the impediment of implementing process. Based on the findings, the attitude of accountants is partially mediated their perceptions toward implementing accruals accounting system in public sector. Both attitude and perceptions have positive relationship with the intention to implement accruals accounting in public sector. Thus, it shows public sector accountants are willing to change to accruals accounting system since they believe that the new accounting system is going to give benefit to their work performance and also their department.

**Limitation and Suggestion for Future Research**

There were several limitations in relation to the present study. The number of sample is limited and does not represent the overall opinion of AGD’s in Malaysia. Therefore, for further research, the number of sample should be increase in order to examine the issues in greater depth. The data collection method used in this study is only direct questionnaire. A data collection method such as an interview can help to give an in depth answer to identify the reason of whether the preparers agree or disagree with the implementation of accruals accounting in public sector. Furthermore, in this study, most of the respondents were public sector accountants. Whereas, there are some of the non-accountants involve in preparation of the new accounting system. Therefore, the overall opinions of those who are not from the public sector accountants were not taken into consideration. Some of the non-accounting staff is also part of the team in preparing the governmental financial reporting and they might offer different sets of opinions.

This study provides a practical contribution to the implementation of accruals accounting in Malaysia. The findings of the study provide an empirical evidence on the acceptance of the public sector accountant towards accruals accounting and whether they are willing to participate in the implementation process.

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References


