

*Article*

# Transformation In Use From Cash Basis To Accrual Basis In Public Sector Budgets

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**Abstract:** The research aims to demonstrate the extent to which the accrual basis can be applied in the Iraqi government sector and its impact on developing the level of performance, financial statements issued by government units, as this application helps to provide a more accurate and comprehensive picture of the financial status of government agencies, which contributes to making more informed financial decisions. The researcher used the descriptive analytical approach, where the group represented government units that apply the government accounting system to apply the accrual basis, while a sample of 137 individuals working in the Iraqi Ministry of Finance was formed. The results of the study show that the use of the accrual basis in government accounting is an important step towards improving transparency and efficiency in the management of financial resources, and leads to the development of accounting practices that contribute to improving performance, transparency and accountability.

**Keywords:** Cash Accounting, Accrual Accounting, Public Sector, General Budget, Requirements For Implementing, Benefits



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## 1. Introduction

Today, the budget has become more expressive and its approach to the state's philosophy in drawing up financial policy and the goals and economic, financial and social policies that follow. Therefore, most governments in countries whose economies are in a transitional phase, including Iraq, for a long period, prepare the budget on a cash basis because users understand this information related to the budget more easily, and it is easy to implement. Since the 1980s, the public sector in many countries has undergone a radical change from accounting, financial and administrative reforms. (Rommel, & Christiaens, 2008). New Public Management has played a pivotal role in this reform. With developments in accounting systems and budgeting methods for the public sector, it has become clear that the cash basis is no longer sufficient because it does not provide comprehensive information on current assets and liabilities that reflects the true financial position, and from the point of view of (Hughes, 2009) it neglects to show the efficiency of government units in exploiting their resources efficiently and the extent to which specific goals are achieved. With the transition of governments to the accrual basis of accounting, which includes recognizing total assets and liabilities, the development of budgets becomes more comprehensive. This shift allows governments to plan the use of total resources more effectively, providing a clearer picture of the financial position and performance. By incorporating all assets and liabilities, governments can make more informed decisions, improve financial transparency, and enhance accountability in the management of public funds. The government accounting system in Iraq primarily operates on a cash basis, with certain budget elements utilizing the accrual basis and others following the

commitment basis. As for expenditures, the cash basis is the one adopted in recording them, with the exception of one case, which is salaries, in which the accrual basis is applied in processing them, which constitute (50%) of the current budget expenditures. Its provisions fall within the framework of the regulations that govern the standards for controlling the soundness of applying the theory of fund allocation using the cash basis.

*The research problem can be summarized in the main question: What is the impact of transitioning to the accrual basis in preparing public sector budgets? This question can be addressed by answering the following sub-questions:*

- Is it more beneficial for public sector budgets to shift from the cash basis to the accrual basis?
- Does preparing the state's general budget using the accrual basis contribute to improving the efficiency of accounting operations?
- What are the requirements for transformation to the accrual basis in public sector budgets?
- Does Iraq achieve benefits from shifting from the cash basis to the accrual basis in government units?

Iraq requires studies and research focused on the application of the accrual basis of accounting in the public sector, particularly in the preparation of the state's general budget. This approach serves as a practical foundation for government units to organize their accounting practices, aiming to develop the government accounting system. By doing so, it enhances financial planning and resource management through the effective allocation of financial and human resources necessary for implementation. Ultimately, this leads to improved transparency and accountability.

### **Background and previous studies**

From the point of view of (Bergman, 2012), For many years, the primary accounting system in the public sector of numerous countries has been based on the cash basis. Consequently, starting in the early 1990s, researchers and professional organizations began to show increased interest in transitioning from the cash basis to the accrual basis. This shift aims to align government accounting more closely with financial accounting practices, enhancing transparency and providing a more comprehensive view of financial positions. (Abu Khashaba, et al., 2023). The increased interest in transitioning from the cash basis to the accrual basis led to the adoption of the International Public Sector Accounting Standards (IPSAS) by many countries. New Zealand is considered one of the pioneers in this field, followed by Australia, the United Kingdom, Sweden, and other nations. In line with this trend, the Ministry of Finance in the Kingdom of Saudi Arabia initiated a project to transform all Saudi government sectors to the accrual basis of accounting in the public sector, in accordance with IPSAS. This initiative aims to achieve one of the key pillars of the Kingdom's Vision 2030, and it led to the establishment of the Accrual Accounting Center, which follows the best international practices (Ministry of Finance, 2019). The study by (Dianto & Aswar, 2020) concluded that senior management support, training, and communication significantly impact the application of accrual accounting in Indonesia. Similarly, (Al-Washaj et al., 2020) presented a study examining the benefits of applying the accrual basis in government final accounts in Jordan. (Yusof and Jaafar, 2018) discussed the opportunities and challenges facing the Malaysian public sector in transitioning from cash basis to accrual basis accounting. Meanwhile, the study by (Iefymenko & Lovinska, 2018) aimed to reform public sector accounting in Ukraine by adopting the accrual basis, thereby enhancing transparency, (Gabi, 2017) confirms that the shift to the accrual basis helps in providing a clear vision and an accurate and true picture of government units, as it provides an increase in the level of performance, transparency and accountability. From the point of view of (Al-Salami and Abdul Rahman, 2022), Measuring the impact of applying the accrual basis on the quality of financial reports in government units depends on the type of data disclosed and the available human resources. The study by (Mohammed, 2024) emphasized the importance of transitioning from the cash basis to the accrual basis in government service units. This shift provides a true and honest picture of the financial situation, which is beneficial for planning, control, and decision-making processes.

### **The foundations of recording and measuring in government accounting**

Government accounting is one of the branches of accounting and its scope of application is limited to government units that provide essential services that must be provided free of charge or for a nominal fee to those unable to pay their cost because they are services that benefit society and contribute to the social and economic development of the country through their impact on public financial management and accountability. Therefore, the idea of modernizing government accounting has spread globally, as governments recognize the importance of modern accounting systems. (Brusca & Martínez, 2016). Government accounting, as defined by (Granof, et al., 2019), involves the complex activities of analyzing, recording, summarizing, preparing reports, and interpreting the financial transactions of governments. Reforming government accounting is seen as a way to enhance government performance and indirectly contribute to the country's development. To measure the efficiency of government agencies in implementing the budget, it is essential to have robust government financial information systems and financial disclosure practices. This development leads to improved financial accountability and transparency. Government accounting plays a crucial role in the social and economic development of a country by impacting public financial management and accountability. Only an ethical and efficient public administration can effectively implement programs to reduce poverty and achieve other social and economic goals. There are two main approaches in government accounting: the traditional cash accounting and the modern accrual accounting. The International Federation of Accountants (IFAC, 2011) recognizes modified cash accounting and modified accrual accounting methods as intermediate stages between cash and accrual accounting systems (Van der Hoek, 2005), identified four main bases for recording government public expenditure and revenue collection, which are as follows:

1. Cash Basis: Transactions are recorded only when cash is received or paid.
2. Modified Cash Basis: Similar to the cash basis but includes some adjustments for certain transactions.
3. Accrual Basis: Transactions are recorded when they occur, regardless of when cash is exchanged.
4. Modified Accrual Basis: Combines elements of both cash and accrual bases, recognizing revenues when they are measurable and available, and expenses when they are incurred

The field of accounting in the public sector has two main approaches: the traditional cash accounting and the modern accrual accounting (Tudor & Mutiu, 2006) Most countries, even if they adopt the accrual basis of accounting, prefer to use the cash basis for budgeting or apply the accrual basis to only a limited number of transactions in the budget (Anessi-Pessina, et al., 2016). The traditional model of cash accounting was initially considered more suitable for the public sector due to its focus on compliance with rules and regulations.

### **Evaluating the Cash Basis and Accrual Basis in Government Accounting:.**

Government accounting traditionally relies on the cash basis due to its simplicity and ease of understanding for accountants. This method records transactions only when cash is received or paid, making it straightforward to maintain records. However, (Chan, 2006), argues that relying solely on cash accounting undermines the goal of enhancing financial accountability, regardless of the accounting basis used. (Robinson, 1998) suggests that the primary reason for the general government's preference for cash accounting is its focus on public debt as a key indicator of fiscal sustainability. This approach measures financial flows in terms of expenditures (money paid out) and revenues received, which is considered more appropriate for the public sector. Despite its simplicity, the cash-based system has limitations in providing a comprehensive view of the government's financial position and long-term sustainability. As (Al-Hajjawi, 2004) indicates, the preparation of the budget on a cash basis is due to the clarity and ease of understanding and application by accountants due to the lack of need for constraint adjustments at the end of the accounting period. (Soussa et al., 2013) adds that this basis is characterized by objectivity and does not require the use of personal estimation factors due to limited options and its cost is considered relatively low compared to the accrual basis. The disadvantages of the cash basis from the point of view of (Wan, 2005, p: 51) is that it ignores the remaining balance in the account allocated to the budget at the end of the fiscal year, as the balance cannot be carried over to the next fiscal period. (Soussa et al., 2013)

also indicates that it shows little information about future assets and liabilities, because it only measures financial events. He adds to that (Fee, 2007, p: 9) that it does not recognize the benefits that assets will achieve during the next fiscal periods, and this does not comply with the requirements of transparency and does not reflect the true picture of the financial position. According to him, the resulting reports reflect only a very small part of the overall picture. (Ball and Pflugrath, 2012) highlight that the cash basis does not recognize the principle of matching expenses with revenues, which distorts actual operating costs and incorrectly reflects revenues (Tudor & Mutiu, 2006). (Chan, 2006) argues that the government is responsible for its due receivables, and the inability to match financial assets and liabilities in terms of amounts and timing is a major cause of liquidity and solvency problems. (Christiaens et al., 2010) note that this type of accounting provides little information about future liabilities and assets.

Since the 1980s, (Hyndman & Connolly, 2011) emphasize that governments have tried to apply accrual accounting to record transactions in the public sector, as this type of accounting provides better and more information for decision-making. However, some researchers, such as (Chan JL, 2003), have expressed serious doubts about the feasibility of the accrual basis in the public sector, noting that accrual basis techniques were specifically designed to meet the needs of private companies. Additionally, there are measurement problems associated with accrual accounting. The European Federation of Expert Accountants (FEE, 2007) defines accrual accounting as a method of recording financial transactions where all transactions are recorded during the period to which they relate. (Stalebrink & Sacco, 2003) found that the use of an accrual accounting system can lead to the misuse of public information. Hence, the full adoption of IPSAS, which is predominantly an accrual-based accounting system, is likely to lead to misrepresentation and manipulation.

While many have praised accrual-based government accounting (Carlin, 2005) as a quality reporting system that can increase disclosure and transparency, several studies have questioned its measurement and discretionary estimation as potential areas for corrupt practices by government officials. In April 2002, the PSC published Study 14, "Moving to the Accrual Basis of Accounting: Guidance for Government and State Entities," for entities intending to adopt the accrual basis. (Hughes, 2009, p. 496), and (Athukorala and Barry Reid, 2003, p. 2) listed the main arguments in favor of accrual:

1. Consistency with Economic Statistics: It aligns with the economic statistics of national accounts.
2. Transaction Recognition: Transactions are recognized when they occur, not when cash is paid.
3. Separation of Expenditures: It distinguishes between current and capital expenditures.
4. Policy Sustainability: Provides better information about the sustainability of policies.
5. Liability Disclosure: Reveals liabilities such as public sector pensions.
6. Intergenerational Equity: Promotes fairness across generations.
7. Payment Arrears Identification: Identifies arrears of payments.

The transition from a cash basis is done once their accounting staff is trained on the requirements of using the accrual basis and arranging the necessary financing for it (Larkin & DiTommaso, 2014). This accounting basis meets the financial and public accountability needs of governments (Gomes et al., 2015) for the availability of reliable and timely financial information - thus enhancing accountability and good governance. It provides a more accurate representation of the financial health of government entities, and enables better decision-making (Gomes & Rodrigues, 2020). Therefore, the International Public Sector Accounting Standards Board (IPSASB) urges the elimination of the cash basis of IPSAS and recommends placing its provisions under the heading of accrual accounting (Chan, 2006). This approach measures cash flows in terms of expenses (money paid out) and revenues actually received. The adoption of accrual accounting principles enhances transparency and comparability of financial information across European countries. It allows for a more comprehensive assessment of the financial position and performance of public sector entities (Ebrahim & De Villiers, 2019). Accrual accounting recognizes economic events and transactions when they occur, not when cash is received or paid. Accrual accounting recognizes economic events and transactions when they occur, not when cash is received or paid. This approach provides stakeholders with a more accurate representation of the financial health of public sector entities, enables better decision-making, enhances accountability and good governance, and supports economic stability and growth (Gomes & Rodrigues, 2020).

The researchers (Anessi- Pessina & Steccolini, 2007) discussed the international literature on public sector reforms. They claim that the new basis of accounting, which is based on accrual accounting, has several advantages that can be grouped and summarized as follows:

1. *Identifying Costs*: Determines the costs of services and political programs, emphasizing cost control, efficiency, productivity, and ensuring greater accountability for resource use.
2. *Public Service Definitions*: Simplifies the definition of public services.
3. *Asset Management*: Enhances focus on managing assets.
4. *Liability Information*: Provides comprehensive information on the liabilities of public organizations.
5. *Policy Impact Measurement*: Measures the impact of public policies on the financial position and long-term sustainability of public organizations, with an emphasis on long-term decision impacts.

#### **Steps to implement the transition to the accrual basis in government units:**

The accounting basis used in each country is chosen according to several criteria, including the types of financial data required and their usefulness in meeting the needs of accounting control and public money management. As (Hughes, 2013) indicates, developing the government accounting system to record more than just cash transactions does not necessarily mean moving to the full accrual basis of accounting, which involves significant costs in entering and processing it. Instead, the output of the accounting system must match the information requirements of the development stage of the public financial management system. The transition to accrual accounting can be made either all at once or gradually. According to the frank opinion, (Gaby, 2017) confirms that accrual accounting is not a magic wand to improve the performance of the public sector alone or enhance public finances. It is one tool among many tools to obtain better information about the real costs of management. It must be used effectively, To implement the transition from cash basis to accrual basis in government accounting, and in the context of other administrative reforms, the following steps and best practices from countries' experiences can be followed to ensure a smooth and effective transition (Yusof, 2021; Hladika, 2022):

1. Providing the necessary financial resources, including identifying the human and technological resources required for the transition
2. Developing plans for the transition (pilot) Developing a detailed timetable for the various activities related to the transition
3. Intensive training programs for employees to enhance their understanding and application of the accrual basis.
4. Managing the change and developing strategic plans for it to ensure acceptance and adoption of the new system by all stakeholders.
5. Developing accounting systems to comply with the requirements of the accrual basis
6. Establishing dedicated technical support teams to help employees solve any technical problems they may encounter while using the new systems Applying accounting independence
7. Availability of qualified personnel.

From the above, we can conclude that in order to provide a government accounting system capable of giving a true picture of the financial position and the results measurement accounts, the accrual basis must be adopted in the government accounting system so that it can provide useful information that helps in making decisions, allocating resources accurately, evaluating performance, and achieving effective control over public money.

## **2. Materials and Methods**

### **Applied study**

#### **Study Community and Sample**

The study population was selected from the public sector government agencies in Iraq to apply the accrual accounting principle. This selection aims to evaluate the impact and effectiveness of transitioning from the cash basis to the accrual basis in these government units. By focusing on these entities, the study seeks to provide insights into the benefits and challenges of applying accrual accounting in the public sector in Iraq. The sample representing the ministry was chosen due to its importance and the diversity



of financial departments and accounting interests within it. The sample consisted of 145 male and female employees, including auditors, accountants, and account managers. Out of the total distributed questionnaires, 137 were retrieved, resulting in a response rate of 95%.

### Proof of the Hypothesis

Based on the objectives of the research and previous literature, we identified the following hypotheses to be tested experimentally:

1. *Adopting the Accrual Basis:* This has a positive impact on the preparation of public sector budgets in terms of the comparability of information.
2. *Quality of Financial Reports:* Improvements in the quality of financial reports, increasing transparency and accountability, which enhances confidence in government financial management.

### Type of workers

Table No. (1) shows the distribution of the sample of public sector workers in the financial administration of the Ministry of Finance according to the gender variable.

**Table 1.** Relative distribution of workers in the study sample according to the type of worker

Type	No	Percentage	Significance
Female	47	53.9%	1
Male	63	46.1%	2
Total	137	100%	

Table 1 shows that most of the sample (53.9%) are females compared to (46.1%) males. This is due to the large number of female employees in the financial administration

### Academic qualifications

**Table 2.** Relative distribution of the study sample according to academic qualifications

Certificate	No	Percentage	Significance
Diploma	32	24.4%	3
Bachelor's	36	26.3%	2
Higher Professional Diploma	2	1.5%	5
Master	48	35.0%	1
PhD or equivalent	19	13.9%	4
Total	137	100%	

### Experience

This table shows the distribution of the sample of public sector employees in the financial administration of the Ministry of Finance and its affiliated centers in Iraq according to their experience.

**Table 3.** The relative distribution of study sample employees according to experience

Experience	No	Percentage	Significance
5-10 years	21	15.3%	4
10-15 years	46	33.6%	1
15-20 years	27	19.7 %	2
20-25 years	20	14.6 %	5
25+	23	16.8%	3

Total	137	100%
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The results of Table 3 indicate that the majority of the study sample, specifically 70%, have more than 10 years of experience in this field. This extensive experience adds more credibility to the results of the study.

#### Job title

**Table 4.** Distribution of Public Sector Workers in Iraq by Job Variable

Function	No	Percentage	Significance
Assis.Accountant	20	14.6%	4
Accountant	58	42.4%	1
Auditor	28	20.4%	3
Account Manager	31	22.6%	2
Total	137	100%	

It is clear from Table 4 that the sample was distributed into four job categories. These results indicate that 100% of the workers are specialized in accounting, which increases the credibility of the results of this research.

#### Questionnaire scale test

One of the most important means of collecting data to test hypotheses is the questionnaire. This questionnaire includes paragraphs (variables) that are weighted based on the five-point Likert scale, where each paragraph of the questionnaire is rated as follows:

- Strongly agree = 5
- Agree = 4
- Neutral = 3
- Disagree = 2
- Strongly disagree = 1

Using SPSS version 24, the weighted arithmetic mean is calculated for each paragraph according to the answers of the research sample to determine the degree of agreement. This method ensures that the responses are accurately analyzed and provides a clear understanding of the level of agreement among the participants.

**Table 5:** Periods of the Weighted Average for the Compatibility of the Directions of the Answers

period	Weighted average
Low	1.00 - 1.79
Moderate	1.80 - 2.59
Average	2.60 - 3.39
High	3.40 - 4.19
Very High	4.20 - 5.00

### 3. Result and Discussion

#### Transition to the accrual basis in government accounting

**Table 6.** Arithmetic Means and Standard Deviations of Sample Responses

No	Questions	Mean	Std. Deviation	Score	Rank
1	The transition to accrual basis of accounting in government accounting allows for more accurate and comprehensive data, for effective planning and budgeting. Governments can get a clearer picture of their financial position and performance.	4.27	0.680	High	1
2	he transition allows for more help in the availability of financial information and supports better planning, budgeting, and overall financial management in the financial decision-making process.	3.89	0.863	High	8
3	The transformation improves the monitoring of spending levels and ensures accountability for the performance of government units. and ensuring accountability for the performance of government units, that enhance transparency and efficiency.	4.16	0.750	High	4
4	By transitioning the basis of measurement for government accounting, governments can better evaluate their operations, manage resources, and make informed decisions that enhance transparency and efficiency. This shift significantly improves the performance of public sector units.	3.77	1.111	High	9
5	The transition to an accrual basis of government accounting enhances the ability to obtain a comprehensive view of financial transactions, enabling governments to better manage resources and evaluate their operations.	4.11	0.888	High	6
6	he transition to accrual basis helps in preparing final accounts that reflect the reality of business results and the reality of the financial position in government public sector units.	3.54	1.170	Medium	10
7	e transition to accrual basis helps budgets in making comparisons of financial information in a neutral and accurate manner.	4.17	0.845	High	3
8	The transition to accrual basis helps in providing financial information with high credibility and transparency to decision-makers in government public sector units.	3.97	1.098	High	7
9	This transformation enhances the accuracy and comprehensiveness of financial information for the state budget, and supports better resource management and informed decision-making.	4.12	0.916	High	5
10	The transition to an accrual system requires a more complex IT system, which requires managers to have the appropriate training to implement and manage this transition effectively.	4.26	1.024	High	2



General average	4.032	0.592	High
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From Table No. (6) it is clear that the application of the merit principle is highly appreciated by Iraqi public sector employees, and the degree of approval is very high, with paragraph No. 1 receiving the highest level of approval. This paragraph states that the transition to accrual basis accounting in government accounting allows for more accurate and comprehensive data, which is crucial for effective planning and budgeting. Governments can get a clearer picture of their financial position and performance. The arithmetic mean for this statement is 4.27, with a standard deviation of 0.680. The researcher explains that this statement obtained the first rank because the transition to the accrual basis of accounting will help in providing the necessary financial data and information for government sectors.

#### Requirements for Implementing the Transition to the Accrual Basis in Preparing Public Sector Budgets

Preparing the state's general budget according to the accrual basis requires following a set of organized steps to ensure the successful achievement of the transition and to ensure the compatibility of the new accounting system with the requirements of the accrual basis, as shown in Table 7.

**Table 7.** Arithmetic Averages and Standard Deviations of Sample Responses

No	Questions	Mean	Std. Deviation	Score	Rank
	Implementing the transition from a cash basis to an accrual basis in the public sector requires several steps:				
1	Assessing the current situation by analyzing the current accounting system and identifying gaps between it and the requirements of the accrual basis.	3.73	0.781	High	8
2	Defining objectives (improving transparency and enhancing accountability) The transition to accrual accounting can significantly improve the financial management and overall performance of the public sector.	3.96	1.042	High	2
3	Developing a detailed timetable for the various activities of the transition.	3.31	1.090	High	11
4	Developing a comprehensive plan that includes allocating financial and human resources and training employees necessary to implement the plan.	3.90	0.843	High	4
5	Developing and updating accounting policies and procedures to be consistent with the accrual basis.	3.95	1.047	High	3
6	Providing training courses for employees to ensure their full understanding of the accrual basis and how to apply it	3.97	0.954	High	1
7	Modifying or replacing accounting and technological systems to support the accrual basis.	3.79	1.046	High	6
8	Implementing the transition by applying the accrual basis in daily accounting operations	3.76	0.959	High	7
9	Requires the necessary expertise and knowledge to apply the accrual basis correctly.	3.85	0.969	High	5
10	The transition requires high coordination between different departments to ensure smooth and effective implementation.	2.61	1.203	Medium	13
11	Monitoring and following up on progress and evaluating performance to ensure achieving the goals of the transition process to the accrual basis in government public sector units.	3.72	0.915	High	10

12	adapt and improve by making the necessary adjustments based on feedback and continuous evaluations.	3.24	1.281	Medium	12
13	utilize the expertise of consultants and experts in the field of government accounting to provide support and advice on the transition to the accrual basis.	3.73	1.160	High	9
General average		3.65	0.581	High	

Table 7 shows that the arithmetic averages indicate the sample members' agreement with the paragraphs, except for paragraph No. 10. Paragraph No. 6 obtained the highest rank, with an arithmetic average value of 3.97 and a standard deviation of 0.954, which is a high value. The researcher explains that this paragraph is important in the transition from the cash accounting basis to the accrual basis, as it requires training employees through educational courses to develop the necessary skills. This training ensures that employees fully understand the accrual basis and how to apply it, facilitating their acceptance and adoption of the new system.

Table 7 shows that paragraph (2) obtained the second rank, with an arithmetic average value of 3.96 and a standard deviation of 1.042. This high value indicates that the sample members agreed on the importance of defining perceived goals, such as improving transparency and accountability, to ensure the success of the new accounting system. On the other hand, paragraph (10) achieved the lowest arithmetic average. The relatively high dispersion rate for the standard deviation suggests a lack of agreement among the sample members' opinions on this questionnaire item.

#### **Using the accrual basis in preparing government public sector budgets offers several significant benefits:**

The government public sector is indeed a crucial economic sector, playing a significant role in both economic and social development. The performance of government units can directly influence economic development rates and social welfare. By effectively managing resources and implementing policies, the public sector can drive progress and improve the quality of life for citizens. This strong link between government performance and overall development underscores the importance of efficient and transparent public sector operations.

The federal budgets of Iraq over the past years have witnessed a clear focus on financial aspects and an increase in demand for funds without achieving their close connection to development needs (Al-Khayat, 2021), so government accounting reform is seen as contributing to government performance and contributing at least indirectly to the development of the state. As well as to measure the efficiency of government agencies in implementing the budget, it also produces a state of development in government financial accountability and transparency, requiring the presence of government financial information systems and financial disclosure practices. Therefore, the shift from cash basis to accrual basis in government accounting contributes to improving financial management and enhancing transparency and accountability. This shift helps to provide a more accurate and comprehensive picture of the financial status of government agencies, which contributes to making informed financial decisions. Table No. (8) shows the arithmetic averages and standard deviations of the sample responses according to the benefits of shifting from a cash basis to an accrual basis in government units.

**Table 8.** Arithmetic Averages and Standard Deviations of Sample Responses

No	Transitioning to the accrual basis in the planning and budgeting process of the public sector helps achieve the following:	Mean	Std. Deviation	Score	Rank
1	The transformation greatly improves transparency and credibility in government accounting, allowing stakeholders to better understand the financial health of the government and hold officials accountable for their financial decisions.	4.27	0.680	High	1

2	Improving the management of financial resources by providing accurate information on revenues and expenditures, which enhances financial efficiency.	3.89	0.863	High	8
3	Facilitating the comparison of financial performance between different units by providing a unified framework for financial reporting.	4.16	0.750	High	4
4	Providing accurate and reliable financial information that helps management make informed decisions.	3.77	1.111	High	9
5	Enhancing the ability of public sector units to monitor financial performance and detect any deviations or violations.	4.11	0.888	High	6
6	Helps in compliance with international financial reporting standards, which enhances the reputation of government public sector units at the global level.	3.54	1.170	Medium	10
7	Helps budgets in making comparisons of financial information in a neutral and accurate manner, which enhances transparency and accountability.	4.17	0.845	High	3
8	Helps government public sector units in providing more accurate financial reports that support decision-making.	3.97	1.098	High	7
9	Strengthening the control of government spending accounting, which supports the ability to plan for the long term.	4.12	0.916	High	5
10	Managing financial resources efficiently by providing accurate information on future financial obligations, which supports financial planning for public sector budgets.	4.26	1.024	High	2
General average		4.032	0.592	High	

From Table No. (8), the research sample agreed with the paragraphs that measure this question, except for paragraphs (3 and 6), whose arithmetic averages were low, the arithmetic average for the year was 3.66, indicating the benefits of switching to the accrual basis in preparing the budgets of the government public sector. Paragraph (2) obtained the highest rank, with an arithmetic average of 3.90 and a standard deviation of 0.7500, which is a high value. The researcher believes that the accrual basis contributes to the planning process and preparing the budgets of the public sector, leading to improved management of financial resources by providing accurate information about revenues and expenditures, thus enhancing financial efficiency. Paragraph (4) obtained the second rank, with an arithmetic mean of 3.88 and a standard deviation of 0.7810, which is very high. Paragraph (10) obtained the third rank, with an arithmetic mean of 3.85 and a standard deviation of 0.845, also a high average value. Paragraph (3) had the lowest arithmetic mean, with a relatively high dispersion rate for the standard deviation at 1.281, indicating a lack of agreement among the sample members' opinions in the questionnaire.

#### 4. Conclusion

The results obtained are consistent with the literature supporting the transition, based on data analysis:

1. The research aimed to demonstrate the importance of the accrual basis in preparing public sector budgets by highlighting the shortcomings of the cash basis.
2. The study highlighted the importance of shifting to the accrual basis in the government sector, which contributes to improving the preparation of the state's general budget.
3. Using the accrual basis in planning the general budget improves the management of financial resources by providing accurate information about revenues and expenditures, which enhances financial efficiency.

4. The majority of the research sample found that employees have little knowledge of the accrual basis and its importance in improving the management of financial resources.
5. The majority of the sample agreed that the cash basis does not provide accurate and reliable financial information that helps management make informed decisions.
6. The use of the accrual basis contributes to the efficient management of financial resources by providing accurate information about future financial obligations, which supports the financial planning of public sector budgets

## 5. Recommendation

1. Work on developing and updating accounting policies and procedures to be consistent with the transition.
2. Enhance the efficiency of public funds management by providing accurate information about revenues and expenditures when planning the general budget.
3. The necessity of developing or replacing accounting and technological systems, ensuring that systems are able to accurately record and process transactions, and provide reliable financial information that enhances transparency and accountability.
4. Providing specialized training courses for employees by specialists in government accounting to ensure their full understanding of the accrual basis and how to apply it.
5. Ensuring that the elements that support a successful transformation project are in place, including providing the resources, infrastructure and support systems necessary to facilitate the transformation process and ensure its success

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