

UNIVERSITI TEKNOLOGI MARA

**THE PREPAREDNESS OF THE ACCOUNTANTS
FROM THE MALAYSIAN ACCOUNTANT
GENERAL'S DEPARTMENT IN MOVING
TOWARDS ACCRUALS ACCOUNTING**



MUHAMMAD IQBAL BIN MOHAMED AZHARI

Dissertation submitted in partial fulfillment
of the requirements for the degree of
Master of Accountancy

Faculty of Accountancy

August 2013

CANDIDATE'S DECLARATION

I hereby certify that the work in this dissertation was carried out in accordance with the regulation of Universiti Teknologi MARA. It is my own work and effort unless otherwise stated acknowledged as referenced work. This topic has not been submitted in any previous application for a higher degree.

Name of candidate : Muhammad Iqbal Bin Mohamed Azhari
Candidate's ID NO : 2011313799
Programme : Master of Accountancy (AC770)
Dissertation Title : The Preparedness of the Accountants from the Malaysian Accountants Department in Moving Towards Accruals Accounting

Signature of Candidate

: 

Date

: August 2013

ABSTRACT

The move from cash to accruals accounting in public sector was initially made by the Malaysian government in year 2011. When the government made the announcement, it gives a huge shock to the preparers of the governmental financial reporting. It is believed that by the year 2015, all public sectors in Malaysia 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. This study is made to examine the preparedness of accountants in implementing the accruals accounting. The Lüder's Contingency Model was constructed to explain the contributing factors that lead to the accounting innovation in governmental accounting system. The Model was used in this study to identify the implementation barriers that will slow down the implementation process. As identified in the Model, factors such as the qualified accountants are one of the implementation barriers. Thus, the result of this study shows that the accountant's attitude and the amount of training provided to the accountant is positively influence their preparedness in implementing accruals accounting. Even though the results show that the accountants' attitude are positive towards preparing for the implementation of accruals accounting, but there are concerns over the implementation of accruals accounting in public sector. Most of the accountants are highly concern on the employees' lack of knowledge. This shows that there is still a long way before Malaysia public sector successfully adopts the accrual accounting system.

ACKNOWLEDGMENT

In The Name of Allah, The Most Gracious And The Most Merciful

First and foremost, praise to Allah for His Mercy because giving me strength, courage, commitment and time to complete this dissertation successfully.

I would like to express my deepest gratitude to my supervisor, Assoc. Prof. Dr. Nafsiah Mohamed, for her excellent guidance, caring, patience and providing me with full support and ideas when doing this research. It is a great opportunity to have her as my supervisor especially when I have difficulties in writing the dissertation.

I also would like to thank my entire friend whose always be kind and supportive to me when completing the dissertation.

To my family, a special thank to my parents and my siblings for their support and encouraging me with their best wishes.

TABLE OF CONTENTS

CANDIDATE’S DECLARATION	i
ABSTRACT	ii
ACKNOWLEDGEMENT	iii
TABLE OF CONTENTS	iv
LIST OF TABLES	vii
LIST OF FIGURES	viii
LIST OF ABBREVIATIONS	ix
CHAPTER 1: INTRODUCTION	1
1.1 Background of Study.....	1
1.2 Problem Statement	2
1.3 Research Objectives	4
1.4 Research Questions	5
1.5 Significant of Study.....	5
1.6 Conclusion.....	6
CHAPTER 2: LITERATURE REVIEW	8
2.1 Introduction	8
2.2 Cash Accounting Versus Accruals Accounting	9
2.3 The Development of Accruals Accounting In Public Sector	10
2.4 Implementation Barriers.....	14
2.4.1 Attitude Towards Change of Accounting System.....	15
2.4.2 Training on Accruals Accounting	17
2.5 Preparedness In Implementing Accruals Accounting In Public Sector	19
2.6 Research Framework.....	19
2.7 Conclusion.....	21

CHAPTER 3: RESEARCH METHODOLOGY	22
3.1 Introduction	22
3.1 Methodological Approach.....	22
3.2 Survey Method	23
3.3 Questionnaire Design And Measurement of Variables.....	23
3.3.1 Section A: Demographic Information	24
3.3.2 Section B: Accountants' Preparedness in Implementing Accruals Accounting	24
3.3.3 Section C: Accountants' Attitudes toward the Transition to Accruals Accounting	25
3.3.4 Section D: The Nature of Training Provided to the Accountants	26
3.3.5 Section E: The Concerns of the Accountants in the Move to Accruals Accounting	26
3.4 Pilot Test.....	26
3.5 Sampling Selection.....	27
3.6 Survey Return.....	27
3.7 Data Analysis	28
3.8 Conclusion.....	29
CHAPTER 4: FINDINGS AND DISCUSSIONS.....	30
4.1 Background of Respondents.....	30
4.1.1 Salary Grades of the Respondents.....	30
4.1.2 Qualification Background of the Respondents.....	31
4.1.3 Working experience	32
4.2 Empirical Results	32
4.2.1 Descriptive Statistics	32
4.2.2 Descriptive Statistics for the Level of Preparedness among the Accountants	33
4.2.3 Descriptive Statistics for the Degree of Attitude among the Accountants	34
4.2.4 Descriptive Statistics for Training.....	36
4.2.4.1 Types of Training Used to Train the Preparers.....	36

	4.2.4.2 Types of Trainers	37
4.3	Related Tests	39
	4.3.1 Reliability Statistics.....	39
	4.3.2 Normality Test.....	40
	4.3.3 Correlation Test.....	41
	4.3.4 Multicollinearity Test	42
4.4	Accountants' Preparedness In Implementing Accruals Accounting	43
4.5	Accountants' Acceptance In The Implementation of Accruals Accounting	45
4.6	Frequency of Training Provided to the Accountants.....	46
4.7	Accountants' Concerns on the Move Towards Accruals Accounting	47
4.8	Discussion on Findings	50
	4.8.1 The Preparedness of the Accountants from Malaysia Accountant Department	50
	4.8.2 The Accountants' Concerns in Implementing Accruals Accounting System	52
4.9	Conclusion.....	53
 CHAPTER 5: CONCLUSION		55
5.1	Introduction	55
5.2	Summary of Results	55
5.3	Implication of Study.....	57
5.4	Limitation of Study	58
5.6	Recommendations	58
	5.6.1 Results on Findings	58
	5.6.2 How to Improve the Methodology	59
REFERENCES		60
APPENDICES		64

LIST OF TABLES

Tables	Title	Page
Table 3.1	Summary of Survey Return	28
Table 4.1	Descriptive Statistics – Level of preparedness	34
Table 4.2	Descriptive Statistics – The degree of attitude	35
Table 4.3	Reliability Statistics	40
Table 4.4	Normality test	40
Table 4.5	Guidelines for Interpreting Correlation Coefficients	41
Table 4.6	Correlations among the degree of public sector accountant's attitude and the level of preparedness in implementing accrual accounting in public sector accounting	42
Table 4.7	Multicollinearity test. Tolerance and Variance Inflation Factors	43
Table 4.8	Coefficients table for the preparedness	44
Table 4.9	Opinion on whether accruals accounting should be implement in public sector	46
Table 4.10	Frequency of staff sent for training	47
Table 4.11	Accountants' concerns on the move towards adopting accruals accounting by rank	49

LIST OF FIGURES

Figures	Title	Page
Figure 2.1	Contingency Model of Public Sector Accounting Innovations	12
Figure 2.2	Framework for the relationship between accountant's attitude and amount of training provided to accountants with the level of preparedness in implementing accruals accounting in the public sector	20
Figure 4.1	Salary Grades	31
Figure 4.2	Qualification background	31
Figure 4.3	Working experience	32
Figure 4.4	Types of training	37
Figure 4.5	Trainers for accruals accounting system	38
Figure 4.6	In-house instructors	38
Figure 4.7	External instructors	39
Figure 4.8	Summary of findings	50

LIST OF ABBREVIATIONS

Abbreviations

ABC	Activity-Based Costing
GASAC	Governmental Accounting Standards Advisory Council
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standard
IPN	National Accounting Institute
MIA	Malaysian Institute of Accountants
MPSAS	Malaysian Public Sector Accounting Standard
OECD	The Organisation for Economic Co-operation and Development
PSAC	Public Sector Accounting Committee
SPSS	Statistical Packages for Social Science
UiTM	Institute Mara Technology
UKM	National University of Malaysia
UM	University of Malaya
VIF	Variance Inflation Factors

CHAPTER 1

INTRODUCTION

1.1 BACKGROUND OF STUDY

The move from cash accounting to accruals accounting in the public sector accounting has been a debate and widely discussed through times. The evidence is seen when some developed countries have managed to grasp the benefits that accruals provide in terms of improving the public sector financial reporting, for example, countries like the United Kingdom, Australia and New Zealand (Connolly & Hyndman, 2006; Lye, Perera & Rahman, 2004; Ryan, 1998). The change took them several years to complete and there were a lot of complications and challenges that they needed to confront with. Even so, there are researchers who are in the opinion that the reason public servants are reluctant to accept the changes of financial reporting method in the public sector accounting is because the process of changing from cash accounting to accruals accounting deemed to be unnecessary and due to uncertainty of risk that the government is unable to assess (Wynne, 2004).

Some researchers argue that accruals accounting is irrelevant to the public sector because the nature of economic reasoning in that sector is different from that of private sector's; for example, public assets such as heritage type assets and environmental assets are known as 'public' goods (Ouda, 2004) and full accruals accounting are irrelevant to the assessment of the efficiency of 'core' public sector activities since the performance measurement is different (Rowles, 2004). Up to this date, only the advantages of accruals accounting have been brought up and this is because the risks and disadvantages of accruals accounting in the public sector can only be assessed after the successful implementation the accruals accounting policy itself.

While in Malaysia, the idea of implementing accruals accounting in the public sector arose in year 2000. Being a non-OECD country, that acknowledges the benefits of accruals accounting in the public sector accounting. Despite being able to produce a true and fair view of financial report, accruals accounting focuses on matching concept which

also results in better resource management. Besides, based on the UK experience, the realization of the benefits may take time. According to the UK National Audit Office announcement in 1993, the benefits of better resource management are too early to be identified at the preliminary stage of the implementation. As Likierman (2000, p253) asserts, 'A full analysis will only be possible once the new systems have been working for a number of years'.

The successful implementation of accruals accounting depends solely on the factors such as human resources, recognition of non-current assets, the availability of IT, and most importantly, involvement of the top management in the process. However, before such system is being implemented, it is important to examine the human resources factor. This is because the determinant of a successful implementation of accrual accounting in the public sector is the efficiency of human resources. It is inevitable that the most contributing factor in certain failure is because of the lack of preparedness to improve the accounting system. According to Lüder's Contingency Model, stimuli is an event that occurs at the initial stage of the innovation process and creates a need for improved information on the part of the users of accounting information and increases the producers' preparedness to supply such information.

1.2 PROBLEM STATEMENT

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 (Hepworth, 2003). To this date, there are a few studies on the challenges faced by developing countries, like Malaysia, in implementing accruals accounting system in the public sector. Previous studies on accrual accounting adoption in the Malaysian public sector only focus on the factors influencing the government to change their accounting system (Saleh, 2007).

The Malaysian government has made an announcement in January 2001 to change the accounting basis in the public sector from cash accounting to accrual accounting. However, the motivation to change the accounting system did not last long, which made them to give up on the idea. Nonetheless, in May 2011, the government has made it into their national agenda. Since then, it has forced the accountants of governmental financial reporting to set up strategies to implement accruals accounting system.

Based on previous experiences from countries that have implemented accrual accounting in their public sector, it takes a longer period of time to fully adopt the accrual accounting into their system. For example, countries such as New Zealand, Sweden and the UK took more than 10 years (Lye et al., 2005; Connolly and Hyndman, 2010). Meanwhile, Australia took a longer time to fully implement accruals accounting system which is almost 20 years (Barton, 2005). Thus, so far the government in Malaysia only gives a period of not more than 4 years, which is, in 2015 to fully implement accruals accounting in the public sector. This poses an interesting question of whether the period given by the Malaysian government is sufficient for the accountants of financial reporting to be prepared in implementing accruals accounting.

In previous study, Khan and Mayes (2009) identify the pre-conditions in implementing accrual accounting in the public sector, but their study focused on improving existing accounting system prior to adoption of accrual accounting, political ownership, technical capacity and system software development. From another researcher's point of view, Wynne (2007), suggests that the important pre-conditions for implementing accrual accounting in the public sector are the willingness by the public sector employees to accept the fact that the reform of accounting system would change the role for those responsible for financial management in the government and the need for comprehensive training from the top management to the lower ranked staff on the information of an accrual based accounting system.

Therefore, the present study examines the human factors such as attitude and training that influence the preparedness in adopting the accrual accounting system. The present study is trying to fill the gap in Saleh (2007) study which to assess the acceptance of major changes in the accounting system among the government accountants. Thus, this

study can help to improve Malaysian policies in the innovation of accounting system in the future. In addition, this study helps to identify the right type of training needed for the public sector employees especially the accountants of financial reporting to adopt the accruals accounting. The present study also aids in determining the concerns of accountants toward implementing accruals accounting in the public sector.

1.3 RESEARCH OBJECTIVES

The difference between the motive of users of financial statements in the public and the private sectors is to require its accountants of financial statements from respective sectors to present the financial statements differently, in terms of presenting information that is only valuable to its users. The decision of the Malaysian government to follow the footsteps of New Zealand, Australia and the United Kingdom to implement accruals accounting system in their financial reporting will require drastic changes.

The move from cash accounting system to accruals accounting system, if implemented carefully and successfully, will bring benefit to the public sector. Nevertheless, the government must take into consideration the problem that they may face before the adoption of accruals accounting in their accounting system. There are many factors contributing to the failure of implementation which are the lack of qualified accountants, lack of training and resistance from the existing staff.

This research looks into the preparedness of the accountants of governmental financial reporting in implementing the accruals accounting system. This study will look into their attitude towards the change and if the training provided is sufficient enough to educate them about accruals accounting.

Thus, the objectives of the study are as follows:

- 1) To examine the relationship between the accountants' attitude and the frequency of the trainings given with the level of their preparedness in implementing accrual accounting in the public sector.
- 2) To examine the accountants' attitude towards the adoption of accruals accounting system in the public sector.
- 3) To find out if the accountants are sent for training to be given clarification on accruals accounting.
- 4) To look into the concerns or worries of the public sector accountants on the move from cash accounting to accrual accounting system in the public sector.

1.4 RESEARCH QUESTIONS

This dissertation is aimed in providing insights on the pre-implementation diagnose affecting the level of preparedness of the accountants in implementing the accruals accounting system in the Malaysian Public Sector accounting system by year 2015. Thus, this study provides the research questions as below:

1. Will the attitude of the accountants towards the application of accruals accounting facilitate the implementation of accruals accounting system in the public sector?
2. Have the accountants accepted the idea of moving towards accruals accounting in the public sector?
3. Are the accountants sent for accruals accounting training?
4. Are there any concerns from the accountants on the implementation of accruals accounting in the public sector?

1.5 SIGNIFICANT OF STUDY

This study is conducted to contribute to the Malaysian public sector, the professional accounting bodies in Malaysia and the top management of the government in assessing the attitudes of its employees in the public sector on accepting the change from cash accounting to accruals accounting. The attitudes of employees; whether positive or

negative, symbolize their willingness to change to accruals accounting. The most common problem that arises during the implementation of accruals accounting in the public sector is the employees resistance to accept the accruals accounting concept.

According to Patchen (1965), the attitude of members involved in the organizational change is a crucial factor in determining whether a person chooses to support or resist a change. This is supported by a research conducted by the United Nations in 1984, whereby they found that the fear of being burdened with the responsibility of carrying out new procedures may be the concern of some government officials who resist on such changes in the accounting system.

Due to lack of qualified accountants operating the government accounts, employees with no accounting background might find it difficult to understand the procedure of accruals accounting concept (United Nations, 1984). Personnel with advanced knowledge in the government accounting are scarce, especially in developing countries (Ouda, 2004). Therefore, this study is carried out to identify if the training given to accounting personnel by the top management in each department is sufficient to enhance their knowledge in accruals accounting concept, to fill in the loopholes and to increase the level of preparedness to adopt accruals accounting into the system.

1.6 CONCLUSION

This chapter provides the background of this study on the preparedness of the accountants from the Malaysian Accountants Department in moving towards accrual accounting system. To achieve the full adoption of accrual accounting in the public sector, the government needs to investigate the preparedness of the accountants in implementing the accruals accounting. The government should set up a strategic implementation plan in order for the implementation process to run smoothly. One of the steps is to provide training to the accountants of financial reporting. Whether accountants are willing to participate in the training depends on the motivation from the top management to encourage their staff to learn about accruals accounting and the accountants' attitude in accepting the implementation of accrual accounting in public sector.

Besides, whether the period given by the government to fully implement accruals accounting is sufficient for accountants to implement accruals accounting remains a question. The present study will examine the relationship between the accountants' attitude and the frequency of training in changing the public sector accounting system with the level of their preparedness in implementing accrual accounting in the public sector. This study also examines if the accountants have accepted the concept of accruals accounting in the public sector and if the accountants have gone for training to prepare themselves with knowledge of accruals accounting.

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

Following the footsteps of the New Zealand government in adopting accrual accounting in year 1990 were a few countries such as Australia, Canada, the UK and the USA. This is encouraged by the public sector committee of the International Federation of Accountants (IFAC) to adopt the accruals accounting system. IFAC is also the body responsible for developing international public sector accounting standards. Accruals accounting focuses on the resources consumed in each accounting period that have been provided services, rather than simply the cash paid and therefore, reflect the full cost of service provision. It is argued that the accounting system leads to improved performance measurement, accountability and control and therefore, encourages the efficiency of resources usage.

Previously, accruals accounting was considered to be compatible with the private sector because it is assumed that the users of financial statements need relevant information which provides a periodic measure of an entity's financial performance (income statement) and financial position (balance sheet) that can only be satisfied by the use of accruals accounting. However, it is the opposite case for the public sector, where most of their services are not evaluated in terms of profits earned and losses incurred. The publication of financial statements itself is not in the public interest because the public has no interest (R. Jones, 1992). Not only that, the problem lies in classifying and valuing the wide range of assets that exist in the public sector, for example, cultural and heritage such as art and museum collections, public monuments, national parks and also including infrastructure assets such as roads.

2.2 CASH ACCOUNTING VERSUS ACCRUALS ACCOUNTING

Accruals accounting is a method that takes into consideration the income earned but not collected and the expenses incurred but not paid. In other words, transactions that have taken place are counted when the order is made, the item is delivered, or the services provided, regardless of when the money for the receivables is actually received or paid. Therefore, accruals accounting provides better financial information for decision-making compared to accounting system based on cash basis. The accrual-based system enables a timelier recording of revenues and expenses, providing users of financial reports with several assumed benefits. Thus, the government recognises the need for the principles of accruals accounting to be adopted in public sector. The aim of implementing accruals accounting in the public sector is to facilitate management control by permitting the full cost of resources consumed to be clearly shown. Therefore, the manager can anticipate the total cost of his operation.

But, there are many critics on the effectiveness of accruals accounting in the public sector. Some argue that cash accounting gives better benefit despite its simplicity (Wynne, 2007). The characteristics of cash accounting are ease of use, data intelligibility for a wide range of users, reduced implementation costs and simpler presentation of the financial statements. So cash accounting helps to simplify financial information for manager making decisions.

That seems to be the case back in those days, but now, with the emerging public awareness for transparency in governmental financial reporting, the accountants need to prepare financial statements that show true and fair value of equity financial situation, profits and losses. The aim of implementing accruals based accounting in the public sector is to facilitate management control by permitting the full cost of resources consumed to be clearly shown. Therefore, the manager can anticipate the total cost of his operation. As Likierman (2000) claims that besides for public accountability purposes, accruals accounting is used internally within departments for decision making and discusses the potential for resource accounting and budgeting to improve management. Therefore, this shows that accruals accounting also provides another purpose in the public sector accounting which is in management accounting. Robinson (1998) argues

that accruals accounting give information on full cost of services that is essential for the purposes of monitoring performance, benchmarking and preparing the costing of in-house bids for competitive tendering purposes.

Accruals accounting allows the government to do costing better and to provide some kinds of measurement for outcome-based budgeting. Cash accounting on the other hand, is deficient for this purpose because of its failure to measure resources consumed at its full cost (Salleh and Pendlebury, 2006).

2.3 THE DEVELOPMENT OF ACCRUALS ACCOUNTING IN PUBLIC SECTOR

Since the past few years, situations in the public sector accounting have changed. In order to evaluate the public goods and services costs, political manager's performance, reduction of corruptions or prevention of financial crises, the users demand for more transparent financial statements (Oly, 2007). Some researchers argue if accruals accounting system will provide such traits in the public sector reporting (Wynne, 2007). The need to provide true and fair information of the public sector's financial statements to the users of the information and political influenced organisation is to mitigate the risk of fraudulent accounting and to make it more accountability (Hepworth, 2003).

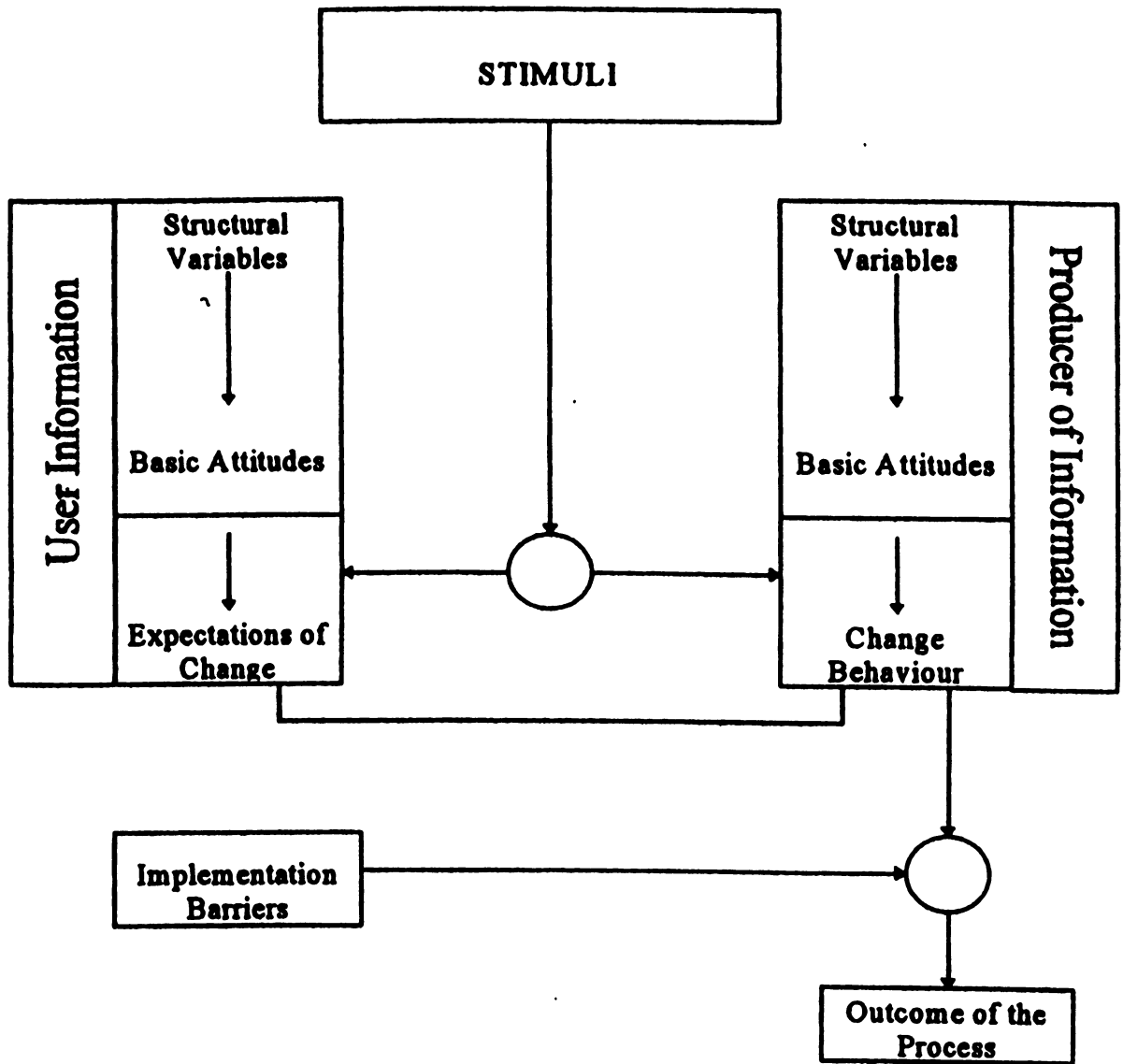
The risk of implementing the accruals accounting in the public sector and costs that may arise during the adoption is unforeseen and the actual result might leave a huge impact on the government (Connolly and Hyndman, 2006; Wynne, 2007). To reduce the risk of failure, the government should use the cost-benefit analysis, which has not been done by any other countries that have adopted accruals accounting (Wynne, 2007) although some argue that an assessment of cost-benefit may not be possible (Funnell & Cooper, 1998). In UK, there has been no cost-benefit analysis conducted prior to the introduction of accruals accounting in the public sector (Hansard, 1996). Despite after successfully implemented the full accrual-based accounting system, the country did not made any compliance cost assessment even with the significant costs involved during the implementation and the claimed benefits on which the accruals accounting is based may not materialize (Chow and Humphrey, 2003; Mellet, 2002).

Meanwhile in Norway, after the clarification on the importance of cost-benefit analysis prior to the implementation of accrual accounting in public sector, the accrual accounting project was established in 2004 (Nesbakk, 2010). The purpose of the project is dedicated to developing and experimenting with accruals accounting. The result is derived after two years and with the conclusion that too little information on the usefulness of the new accounting model. The project continued for another two years and they found out that there are still no major changes due to mixed experiences amongst users concerning the usefulness of accruals accounting in public sector (Nesbakk, 2010). Saleh and Pendlebury (2006), provide further support on the finding where due to difficulties of measuring the actual benefits of accruals accounting this rules out a conventional cost-benefit analysis.

Therefore, based on these previous researches it showed that the cost-benefit analysis is something impossible to do as the benefits of accruals accounting depends on how the users perceived the accounting system to be effective. This may lead to various opinions on the benefits of accrual accounting that might not outweigh the significant cost incurred while implementing the accrual accounting system in the public sector.

As for why the government changes their accounting system method is due to several factors that contribute to the change in government accounting system. This can be explained by using the Lüder's (1992) Contingency Model of accounting change in the public sector. With the use of Lüder's Contingency Model, the development in governmental accounting system is influenced by its environmental factors that comprises of contextual variables, a set of behavioural variables and a dependent variable. These variables define the innovation process of governmental accounting systems (see Figure 2.1).

FIGURE 2.1: CONTINGENCY MODEL OF PUBLIC SECTOR ACCOUNTING INNOVATIONS



Source: Lüder, K. (1992, p 109)

The contextual variables may be classified into three categories; ‘stimuli’, structural variables and implementation barriers, which are important factors in affecting the innovation process. Based on Lüder (1992, p108), “stimuli are events which occur at the initial stage of the innovation process and these events create a demand for improved information on the part of the users of accounting information and increase the producers’ preparedness to supply with such information”.

The structural variables consist of characteristics of the social environment (external variables) and politico-administrative systems (internal variables) that influence the basic attitudes of its users and producers of information towards improved public sector accounting information. The implementation barriers are conditions that prevent the implementation of the innovation process, thus hamper the creation of an improved accounting system which is in principle desirable.

The behavioural variables are divided into two categories; the expectation of change from users of information and the change of behaviour from the producers of information (willingness to change), which are influenced by two factors. First, are their basic attitudes and secondly, the stimuli that exist at the beginning of the change. These behavioural variables are important as they determine whether accruals accounting would be adopted smoothly or not in the public sector accounting system.

The dependent variable for this model is the 'conceptually different accounting systems' (Lüder, 1994, p3). The result depends on the events described above. If there is a strong stimulus for change, then the result of accounting innovation would be successful. Otherwise, the innovation is a failure. As mentioned earlier, since the government has announced the move towards accruals accounting system as their national agenda in May 2011, it has become the stimulus for accountants of governmental financial reporting to change the accounting system. The accountants were given until year 2015 to complete the implementation process. It is a period of not more than 4 years. The accountants, especially the top management, need to assess if their implementation strategies are able to overcome the implementation barriers in order for the implementation process to run smoothly.

The doubts over the effectiveness of accruals accounting will slowly be faded into the background with the wide adoption of accruals accounting in the public sector (Carlin 2005). The debate has shifted to implementation difficulties (R. Jones, 1992). One of the major contributing factors in reducing the probability of successful implementation of accruals accounting is insufficient human resources; either it is by shortage of qualified staff or due to lack of skill and knowledge to manage accruals accounting in the public sector.

As explained earlier, under the contextual variables are several categories of which two of them were found to have positively influenced the attitude and behaviour of the users and producers of governmental financial information (Stimuli and Structural variable), and the fourth variable, which is the implementation barriers could have a negative effect on the implementation process (Chan, R. H. Jones and Lüder, 1996).

2.4 IMPLEMENTATION BARRIERS

The European Federation of Accountants (2003) has identified a few essential conditions for success introduction of accruals accounting in the public sector accounting system, and some of them emphasis on the importance of the accountancy profession. Relatively, people who are from the accounting background have a clearer image on what exactly is accrual accounting. These people are the key factors of facilitating the change in the government accounting system. And in addition, the government needs to provide comprehensive management training towards the departmental managers. Accrual accounting training programme should provide information such as the basic financial concepts underlying accrual based accounting, how accrual based accounting allows rooms for improvement, and general understanding of the accounting information system (Wynne, 2004). Each training module and the information provided should be adequate to train the public sector employees to be highly skilled workers.

Meanwhile, according to Tickell (2010), low-skilled employees and insufficient infrastructure will impair the implementation of accruals accounting system compared to highly skilled employees. He also said that for a developing country, personnel training is required more rather than changing the accounting software due to lack of highly skilled human resources. This is supported by a study conducted by Saleh and Pendlebury (2006) and they found that for developing countries, such as Malaysia, a shortage of professionally qualified accountants in the public sector requires extensive training programme to educate the employees. However, they believe that the majority of the qualified accountants are attracted to greater incentives given by the private sector. Tickell (2010) added that even after the employees have been well trained and informed