

**COST ACCOUNTING PRACTICES
IN GOVERNMENT ORGANIZATIONS
IN SARAWAK**

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ABSTRACT

This exploratory study aims to evaluate the extent of cost accounting practices that have taken place in the government organizations in Sarawak. This study also aims to describe the budgetary control reporting and the role of cost accounting in cost reduction and control. Finally, this study seeks to identify the personal attributes of the respondents and the type of organizations that influences the application of advanced cost accounting techniques in government organizations in Sarawak. The questionnaires were distributed to personnel who handle cost and financial accounting functions in the government head quarters in Sarawak in 2004. Generally, it was found that costing for outputs or services, tender and contract-out jobs, budgetary control system and cost control and reduction measures are being practiced widely in the government organizations in Sarawak. It was also found that contemporary cost accounting techniques such as Activity-based Costing (ABC), Target Costing, Employee Empowerment and Bench Marking are being implemented by several federal and government agencies in Sarawak. Generally, the number of years in service of the respondents and the type of government organization play an important role in bringing cost accounting innovations in the government organizations in Sarawak. Limitations of the study and recommendations to improve the extent of cost accounting practices and the application of contemporary cost accounting techniques in the government organizations in Sarawak are also highlighted in this study.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

Public sector expenditure is one of the substantial expenditure components of the national expenditure as highlighted in the annual budget presentation. There are currently more than 800,000 civil servants in Malaysia. In Malaysia, the Malaysian Institute of Certified Public Accountant (MICPA) as per Accounting in Public Sector Guideline No 1 1990 defines public sector as.... **“Central, state and local government, any entities owned by the central, state or local government and any entity established under any Act or Parliament, which requires the presentation of the annual financial statement to the Parliament...”**. One of the main functions of the public sector is to provide the services such as health, education, infrastructure, security and welfare to the people in the country. In relation to this, it is vital for the government to gain the trust and confidence from the public because at the same time, it also plays an important role as the keeper of the public money. This is where the issue of accountability comes in.

Accountability is an issue that has captured the interest of both public and private sector organizations throughout the world, as it has a major impact on the government sector; whether in the short or long-term (Rauf et al., 2003). Due to the increasing demand on the services provided by the public sector and their increasing social, economy and