

RESEARCH ARTICLE



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Comparing Accrual Levels on Local Government: A Case of Cities, Regencies and Province in South Sumatera, Indonesia

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The purpose of this study is to observe many kinds of accrual level in regional governance financial report whether in Province, Regency, and City level governance in South Sumatera. Accrual is an accounting base, which stated that transaction record will occur in the event even without an input and output in deposit. The government had released a ministry of internal affair regulation about an implementation of an accrual base system. Furthermore, the government also released a government regulation number 71 year 2010 concerning an accrual based accounting standard.

This study is an analytical descriptive which observe many accrual levels in regional governments' financial report based on the standard of account nomenclature. Previous studies have given us revelation on many accrual levels with every account in the represented accrual level.

The results show that from three years of data that we observed in 2013, 2014, 2015, there were differences in accrual level for related period and for related governments in the regional governments that we studied.

Keywords: accrual based, regional government, financial report, accrual discretion, account standard

A. Background

Nowadays, an accrual accounting implementation is globally believed as the best way to make more accountable and transparent in government financial atmosphere, as many studies and journals stated in "urgency" accrual accounting. Accountable and transparent were stated as a resource for and from a governance regulations, in order to fulfill main national duties. International entities such as World Bank, OECD, ADB, and IMF nowadays had recommended an accrual accounting for their member states.

In many literatures, an accrual accounting based is believed to have better benefit than a cash based. Diamond (2002:9-10), in an International Monetary Fund (IMF) document '*Performance Budgeting: Is Accrual Accounting Required?*', identified some benefits of accrual based as to improve a resource allocation, to strengthen an accountability, to enhance a transparency on total resources cost of governance activity, and, to more comprehensive view on a government impact on the economy. An increasing of resource allocation can be realized by a better regulation making. This means that a better timing can lead to a better control on an organizational capital. By a better liabilities identification, a chance to compare private-public sector can be promoted. In daily operational, an accrued report can lead to a better management of cash flow and current asset/liabilities. Within many regulations, an accrual based accounting report can be produced. As a result, a public financial management became one of the main public management concerns.

In Indonesia, some financial management regulations related to an accrual have been issued. A Government Regulation Number 71 in 2010, as a set of Governmental Accounting Standard, is decreed in supporting an accrual base implementation. Even though many debatable notes are on some specific items of the Standards, the regulation has been claimed as a framework guideline for an accrual base policy. Besides that, a Ministry of Internal Affair regulation number 64 year 2015 about an accrual system is decreed. As a complement, the ministry decree can be mentioned as an operational guideline. A readiness in a regulation side can be a strong motivation for a better system in a Local Governments' accrual implementation. Within the target of 2015, all local

governments and a central government have produced an auditable accrual financial statement.

Methodology

By an analytical descriptive method, an investigation on an accrual accounting record can be exercised. The study is about understanding on an implementation of an accrual technology. A real form of an accrual's implementation is about how account work. In the first stage of this study, a searching for the accrual transactions and its accounts in the local governments is. Our finding will be a base for a judgment on how an accrued technology has been implemented. After this stage, an analysis work will be examined in terms of finding a similarity and a difference of an accrued accounts implementation. Based on some local financial statements, an exploration of an accrual accounting's implementation can be examined. So, some research questions are delivered as a guideline on a continuing steps as:

- Are the implementation of accrual based financial reporting have a difference in level that been reflected in local financial report?
- Are accrual basis implemented generally by provincials', regencies', or cities' government?
- Are the local government regulations having an effect on accrual level in local financial report?
- Are the accrual level differences having implication on local financial budgeting?

Three consecutive years local financial statements' data collection are closely related to an analysis of national public budget and financial report regulations. Some potentials findings on the eighteen local governments' strategy can be raised through a depth analysis on an accrual transaction by South Sumatera governments. Their transactions are generally classified into a cash and an accrual transactions. Each transaction is recorded in terms of local account chart. In this study, a control group will be a national account chart. This means that a local account chart will be compared to the national account chart. If the account is on both side, the account

will be in accepted. If the account is not mentioned in national account chart, the account will be removed and its transaction will be regrouped to other accepted account. Then, the accepted account group is re-clustered on a current asset, an incurrent asset, a current obligation, and a long-term obligation. Each clustered account is identified based on their weight. The weight result is categorized by their criteria, in terms of an accrual level.

The accrual levels are a statement form of an accrual in a local financial report. An accrual's content in a report has various states, which can be re-group into a mild accrual group, a moderate accrual group, a strong accrual group, a super accrual group and a last radical accrual group (James, 2006; Schaik, 2006).

Schaik (2006) explained the advantages of IPSAS over other accrual accounting standards as enabling a comparability (international and between governments within a country) and a consolidation; implementing a true and fair view: promoting a generally accepted accounting principles; complying on a due process; and accepting a critical comments on some exposure drafts of standards. As a result, a local accrued financial report will have a capability on an easy to understand for users who comprehend company accounts (IFRS similarity) and cash accounting (balance sheet, statement of financial performance and cashflow statement are obligatory); to promote fair values in harmonizing with a government finance statistics (GFS); to exchange a better knowledge among controllers and auditors.

In a strategic level, some main purposes of IPSAS are to promote a greater government accountability in all countries, improved a quality and reliability in accounting and financial reporting, a better financial and economic performance, a better financial management discipline, and an international harmonization of reporting requirements (In James, 2006). By adopting an accrual level, IPSAS has become recognizing a benchmark strategy for evaluating and improving a governmental accounting. As primary beneficiaries, some developing countries promoted an accrual implementation in their governmental accounting system.

According to James (2006), whole governments should immediately adopt "mild accruals" in reporting for current assets and current liabilities. In next step, the governments should move to "moderate accruals", in order to report long-term financial assets and long-term liabilities. After all, a "strong accruals" can be achieved, in light of the many conceptual and measurement problems in a governmental accounting report. This means that mild accruals and moderate accruals are a necessity for each government.

A study on an accrual accounting in Europe Union by Vincente Pina in 2009, promoted some resistant behaviors among some governments' officers in an accrual implementations. Some gaps have been indicated between an accrual accounting in the regulation and its' implementations in the governmental units. This means that some governments' officers were not compliance to the accrual acts. A level of accrual in European Union can be mentioned as 'mild accruals'.

In a study about some Australia's regional governments, a prominent paradigm as Habermasian (1976) is derived as a Legitimization theory by Davis, 2010. An understanding on a transition period as a crucial key event, is undeniable for a manifestation in a critical rationality in an administration system as a fiscal deficit and an increasing of debt. It is a specific character of the prosperous countries. In this case, Australia's accrual level is in 'moderate' one.

A paper on "Theoretical Framework for analyzing accounting development; in case of local government accounting in Japan" (Yamamoto, 2012) is exploring a tested accounting on some systems' development in some Japanese regional governments' for five decades. In terms of time and place, micro and macro, and,

process and impact, some interactions of many public accounts related to the regional governments' system are indicated as a vertical or a horizontal governments', and, a regional and central governments' financial mechanism through all ministries in central government. A strong accrual level is pushed in Japan's governmental accounting.

A study by Ofoegbu, 2014, about whether the implementation of IPSAS accrual based accounting will increase accountability in public sector accounting or not in Nigeria. The purpose of this study is to exercise whether an implementation of accrual based IPSAS will guaranty an increasing of the quality of accounting information system in Nigeria or not. As a result, an accrual based of IPSAS is promoted as a guarantee tool for an accountability, a transparency and an improvement of the quality of public financial reports. In its initial governmental accounting setup, Nigeria is in mild accrual level.

Accrual Level Analysis

After collecting data from local government financial reports and its accounting policy, our focus is to obtain a sharp understanding on an accrual level character in related local government in one South Sumatra region as below.

a. Accrual transaction identification

Transaction record is using variable method. Generally accounting recording basis divide by 2 methods i.e. cash and accrual basis. Practically, there are modified basis. Modified basis could be accrual modified based or cash modified based. Indonesia has changed its basis for many times. First we adopt cash basis, then changed it into accrual basis.

Accrual basis is recording in the event that already happened even without cash income or outcome. From this, we can understand that the transaction has already been done. Transaction itself has not yet been followed by cash income or outcome. However, it is considered transaction in accrual based.

Accrual transaction potentially occur in regional government are accrual, delayed and depreciation. Accrual transaction in regional government is income on front, and liability down payment. Income on front is like when the government received some payment for service in some period of time. Example, market rent some stores for some period of time to the merchants by them give the rent in early time. Other accrual transaction is liability on front. Example, when the government pays some internet service charge for some period of time.

b. Accrual account identification and accrual level

Transaction identification made standard journal in economic event (accrual transaction). Standard journal required official accounts in national standard. This of course to dodge the transaction differences that same but with different accounts. Account that made by identification process and analysis then divide in current asset, current obligation, noncurrent asset, and long term liability. After received the result of classification then which account that become the group and the requirement in accrual level start from first (mild accrual), second (moderate accrual), third (strong accrual), fourth (super accrual), and last (radical accrual). This classification according on research before. This could be seen on the table:

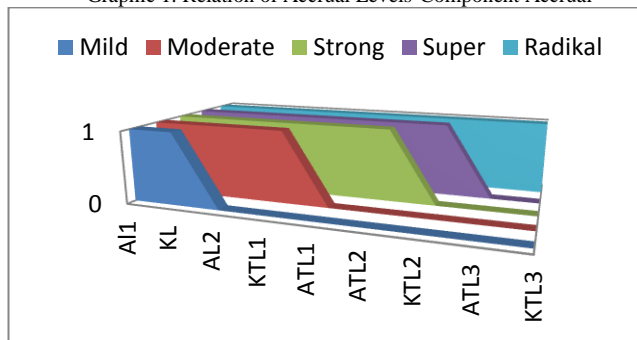
Table 1. Account - Accrual Level

	Mild	Moderate	Strong	Super	Radical
All	1	1	1	1	1

KL	1	1	1	1	1
AL2	0	1	1	1	1
KTL1	0	1	1	1	1
ATL1	0	0	1	1	1
ATL2	0	0	1	1	1
KTL2	0	0	0	1	1
ATL3	0	0	0	0	1
KTL3	0	0	0	0	1

The above table show each account form each level accrual. Accounts in super accrual are every account in before level plus tax obligation (KTL2), accounts in radical accrual are every account before plus legislative social benefit (ATL3), future income cash funded (KTL3), above explanation could be described by following graphic:

Graphic 1. Relation of Accrual Levels-Component Accrual



The graphic above shows that the higher accrual levels in financial report it will have more accrual account and transaction in it

c. Study object analysis with accrual based component accounts basis

This is the result of object analysis on our study using accrual accounts from many levels as component of accrual state from each financial reports of regional government (PEMDA). Regional government that we are observing are 18 from 1 province 13 regencies and 4 cities government in Sumatera Selatan. The details are: Musi Banyuasin Regency (Mba), Palembang City (Plg), Ogan Komering Ilir Regency (Oki), Ogan Ilir Regency (OI), Banyuasin Regency (Bsin), Musi Rawas Regency (Mra), Lubuklinggau City (Lgu), Lahat Regency (Lht), Empat Lawang Regency (Lwg), Muara Enim Regency (Menim), Ogan Komering Ulu Regency (Oku), Ogan Komering Ulu Selatan Regency (Okus), Ogan Komering Ulu

Timur Regency (Okut), Penukalabab Lematang Ilir Regency (Pali), Pagar Alam City (Alam), Prabumulih City (Prabu) and Sumatera Selatan Province (Prov). Each accrual components identified in each financial report of regional government in accounting period of 2013, 2014, 2015. There is tend behavior data. Tend data show the higher the accrual level the smaller the accrual content. The table above shows the average accrual component point current asset group 1 is 4,6 (2015), 3,6 (2014), 2,9 (2013), with lowest score in consecutive 2015,2014, and 2013 with 3,2,0 and highest in consecutive are 2015, 2014, and 2013 with 5,5,5 with deviation 0,7 (2015), 1,0 (2014), 1,4 (2013). It shows that mean have increased since 2013 until 2015. Also, the lowest score also increasing 0 to 3. The highest score stagnant in 5. This means accrual transaction in current asset happened in study period. This is suitable with regulation in Indonesia that stated 2013 still in CTA, then the transition in 2014 and accrual state in 2015. Current obligation accrual component have mean score of 3 with lowest of 1 and highest 3 and deviation 1. Current asset 2 have mean 0,9 lowest 0 highest 1 deviation 0,4. In current asset 1 and 2 have same mean 1,1 with lowest 1,1 and highest 1 with deviation 0,4. This means accrual transaction in current obligation occurs during study period. This is suitable with regulation in Indonesia that stated 2013 still in CTA, then the transition in 2014 and accrual state in 2015.

Accrual component in current asset 2 have moving mean from 0,1 to 0,9 and in current obligation1 have constant score in 0,2. This shows that current asset 2 component increase and in current obligation 1 stagnant.

In incurrent asset 1 and 2 also occur accrual transactions. However, it is relatively stagnant. This means in current asset consistent but still slightly increasing. In incurrent obligation 2, in current asset 3 and in current obligation 3 not yet occur a transaction, it means that the transaction are unknown by studied object or in no authorities by studied object.

From statistic data generally could be understand that highest accrual component is in current asset (AL1) followed by current obligation (KL1) and incurrent asset 1,2 (ATL 1,2) and lastly incurrent obligation1 (KTL1). While in incurrent obligation 2 (KTL2), (ATL3) and (KTL3) there are no transaction component

The results are as follow:

Table 2. Accrual Component Statistic Data

Akun	Mean			Min			Max			Deviation		
	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013
All	4,6	3,6	2,9	3,0	2,0	0,0	5,0	5,0	5,0	0,7	1,0	1,4
KL	2,9	2,0	1,5	1,0	1,0	0,0	4,0	3,0	3,0	1,1	0,6	0,9
AL2	0,9	0,1	0,1	0,0	0,0	0,0	1,0	1,0	1,0	0,4	0,3	0,2
KTL1	0,2	0,2	0,2	0,0	0,0	0,0	1,0	1,0	1,0	0,4	0,4	0,4
ATL1	1,1	1,1	1,0	1,0	1,0	0,0	1,0	1,0	1,0	0,0	0,0	0,2

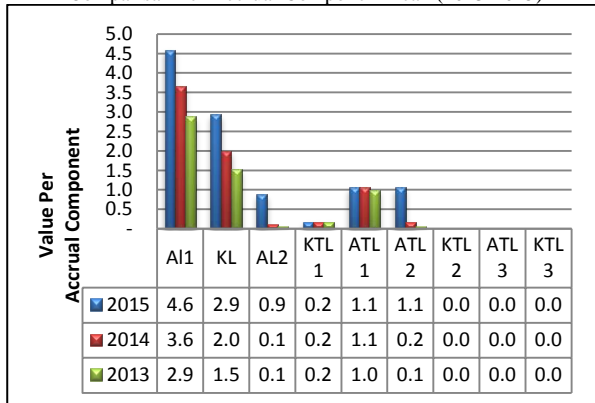
ATL2	1,1	0,2	0,1	1,0	0,0	0,0	1,0	1,0	1,0	0,0	0,4	0,2
KTL2	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
ATL3	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
KTL3	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0

Source: Data (2016)

If the result have to illustrate in component compare graphic in studied period one element basic (mean) then the result will be as follow:

Graphic 2.

Comparisan Per Accrual Componen Mean (2013-2015)

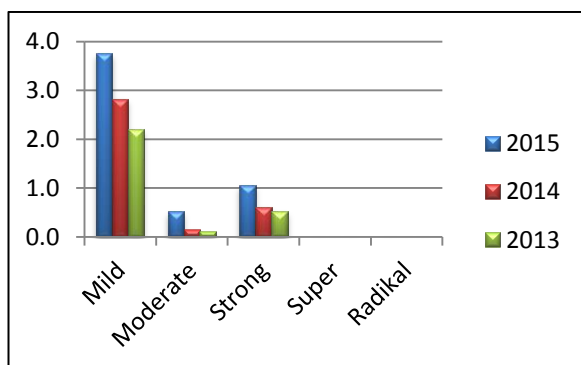


Source: Data (2016)

With the result shows that account as accrual transaction component with highest influence are current asset and incurrent asset followed by incurrent asset and incurrent obligation. This shows mild accrual level are more dominant in studied object of 2015 with highest score of 5 and lowest 3. Followed by moderate accrual and strong accrual. While super and radical does not occur. If accrual transaction passed on to account level then accounts can be grouped in accrual level in financial report. With assumption that we already gave before that, we classified many accrual accounts from accrual transactions that occur in regional government with financial basis, become financial report accrual level. Above statistic could be seen in compare accrual component table in each period below:

Graphic 3.

Compring Accrual Component



Source: Data (2016)

The result that we could get is there are leveled accrual events in every year. Significant change starts from 2013, until 2015. Furthermore, accrual level happened in each year of study. Significant changes start in 2013, until 2015. Aside from that accrual level occur during each year have changes. 2013 have accrual transaction with mean of 0,5 in mild and strong accrual. 2014 have accrual transaction in mild to strong with 1 mean. 2015 there are accrual transaction in mild to strong accrual with higher mean of 3,5. Significant changes occur during 2013 to 2015 as we know government has regulation that made regional government implementing accrual based accounting during that year.

This is the effect of regulation that push regional government to implement accrual based accounting. In 2014 object still implementing cash basic toward accrual 2014 is in transition and in 2015 is the time when object must implementing accrual based accounting. This study is matched with government regulation and implemented by regional government as the study object. However it still not in super accrual and radical accrual. This is considered normal because object still in first years in implementing new regulations.

d. Accrual level analysis in regional government financial report

In previous part has been explained the previous studies that shown many accrual transactions, accrual year and accrual point in 2015, 2014 and 2013. Forthat, it needs to be proved that each regional government in Sumatera Selatan has implemented accrual based.

In table data based on accrual account there was difference between data 2015, 2014 and 2013 have different background than 2015. 2014 and 2013 were transition year from cash toward accrual to accrual based. Financial report in 2015 must use accrual basis.

From the existing data it appears that the higher the accrual level the accrual content is getting smaller. This is in line with tabulation results in each local government. The accrual elements found in the KTL2, ATL3, KTL3 groups have a null value content (0). This shows the absence of accruals at high levels and the new accrual period. Local Government has accrual experience not long ago. this is because the full regulatory mandate has only begun in 2015.

In next table, we give result of data in each account in every regional government per year of study.

Table 3.
Regional Government Accrual Component 2015

	1. Mba	2. Plg	3. OKI	4. OI	4. Bsin	6. Mra	7. Mir	8. Lgu	9. Lht	10. Lwg	11. Alm	12. Okus	13. Okut	14. Pali	15. Oku	16. Mnm	17. Prb	18. Prv
All	5	5	5	3	4	4	5	5	5	3	5	4	5	4	4	4	4	4

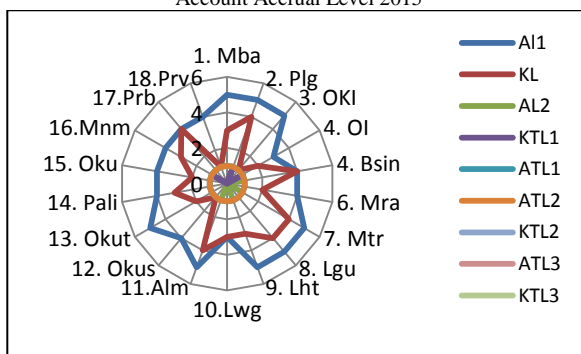
KL	3	4	1	2	4	2	4	4	3	3	4	1	2	3	2	3	4	1
AL2	1	1	0	1	1	0	1	1	1	0	1	1	1	1	1	1	1	1
KTL1	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	1	0	0
ATL1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
ATL2	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
KTL2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ATL3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
KTL3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Source: Data (2016)

Data showed that there are evenly accrual transactions in every object on 2015. However, the spread level has differences. Score weight was varying from lowest to highest.

To make it easier to understand the analysis above, we have made graphic for it:

Graphic 4.
Account Accrual Level 2015

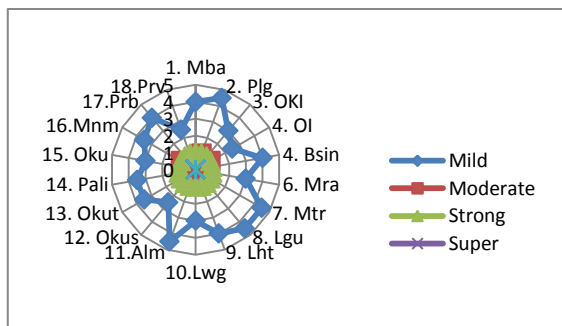


Source: data 2016

To show accrual level in financial report in each regional government than it is required to have accrual graphic in financial report stages. The graphic showed regional government financial report accrual level in each government level. With the assumption from previous art than accrual component in account level could be converted into accrual level group. If that graphic converted in accrual group level then it will be easier to compromise and interpreting it. The following is each regional government accrual level from 2015:

Graphic 5.

Account Level Group Accrual Level 2015



Source: Data (2016)

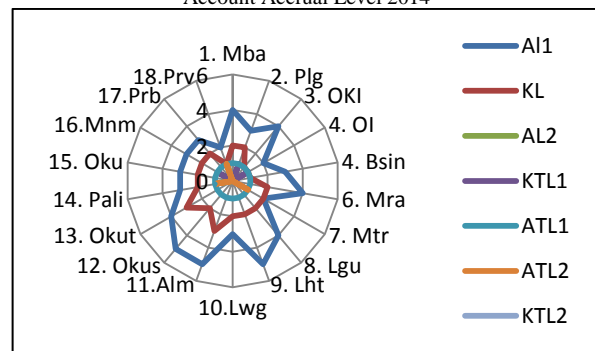
In mild level, all regional government had implemented it. In moderate except for Empat Lawang all the regional government had implemented it, in strong level from the graphic all of the government had implemented accrual transaction.

However, super and radical accrual had not yet implemented by government. Data tabulation from 2014 was using similar methods as in 2015. Accrual transaction data passed on to accrual account and then

classified and weighted into account stages accrual level and financial report. Financial report then identified using the assumption. Tabulation result as shown on table above. Result showed that current asset 1 and current obligation (both mild accrual) both have high accrual score. Transaction occurs in all regional governance. Meaning during 2014 regional government already implementing accrual based accounting. In moderate accrual there, current asset 2 that already implemented even only in 2 governments in Province government and Pali Regency government.

To make it easier to understand the analysis we have made the graphic for it:

Graphic 6.
Account Accrual Level 2014

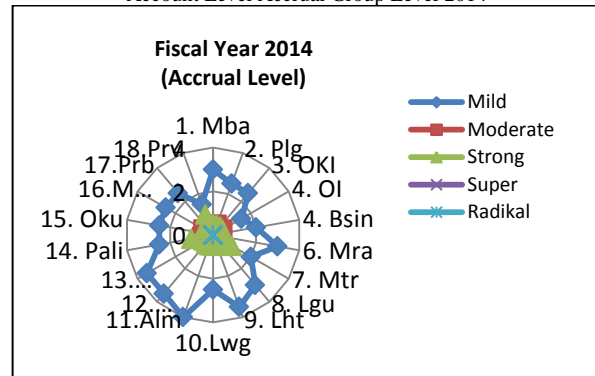


Source: Data (2016)

To shown accrual level in regional government financial report then it is necessary to make accrual graphic in financial report of 2014. With assumption from previous part then accrual component in account level could be converted into accrual level group. This is important in order to fully understand it with easy. If the graphic converted in accrual level group then the graphic will be easier to understand. The following is each regional government accrual level in 2014:

Graphic 7.

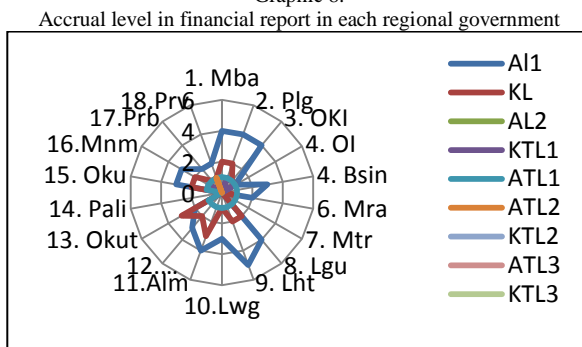
Account Level Accrual Group Level 2014



Source: Data (2016)

In mild accrual level shown that every regional government has already used the transaction. In moderate level only Sumatera Selatan and Pali Government implemented it. In strong level all the regional government has already implemented it, but in incurment asset 2 only in Musirawas Utara, Pali, Sumatra Selatan. However there are none in super and radical transaction that been implemented by regional government. Tabulation data for budget period of 2013 will be shown in the next part. In 2013 background by regulation factor with cash toward accrual basis. This period is considered as transition period to implementing accrual based. Regional government started to implementing accrual basis but in year-end as transition event to get data report. The following is tabulation accrual account in each accrual level for every regional government in accounting period of 2013-2014 and 2015.

Graphic 8.

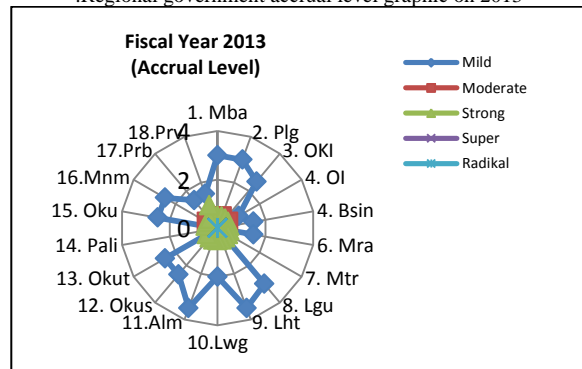


Source: Data (2016)

To shown accrual level in financial report in each regional government, then it is necessary to make accrual graphic in financial report of 2013 period. Based on the assumption above then the accrual component in account level could be converted into accrual level groups, this is important in order to fully understand the analysis on the study. If the graphic has been converted in accrual level group then the graphic will be easier to understand, the following are regional government accrual level graphic on 2013:

Graphic 9

.Regional government accrual level graphic on 2013



Source: Data (2016)

Result showed that there is high accrual mild transaction in regional government meaning that in 2013 every regional government in Sumatera Selatan had implemented accrual based transaction basis. With the exception of Pali and Muratara.

In super and radical accrual level it seems that none of the regional government had implemented it.

I. Conclusion

Data analysis that we have done on previous part give conclusion that accrual transaction kinds that occur in regional government including accrual transaction, delayed and depreciation. Those transactions are potential transaction in accrual transaction. However not every transaction occur in every regional government.

Accrual transactions that occur in 2013 reflect that accrual transaction level is still low but starting to increase in 2014 and more in 2015. This shown the increasing of accrual implementation since 2013 (CTA based), 2014 (CTA based) to 2015 (accrual based) this is according to government regulation regarding implementation of accrual based accounting.

Generally regional government start to implementing accrual basis since 2013 until 2015 and there are three accrual level that shown (mild accrual, moderate accrual, strong accrual). In the next study, we will pay more attention in discretion point. Discretion point could be measured by many models existing. This has been done by many researchers. We have done the calculation with Jones model (1991) but by the time this study released was not yet finished.

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