

ASSESSMENT THE USEFULNESS OF ACCRUAL ACCOUNTING ON REPORTING TRANSPARENCY AND ACCOUNTABILITY OF THE MINISTRY OF SCIENCE UNIVERSITIES

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Abstract

The Main purpose of this study is assessment of the usefulness of accrual accounting on reporting transparency and accountability of the Ministry of Science universities. The Research populations was Tehran Kharazmi University. Based on Cochran formula 40 is obtained and from a random sampling method is used. The study data is collected using from five options range Likert questionnaire. To analyze the data, the methods of descriptive statistics (mean, percentage and frequency) and inferential statistics such as: Kolmogorov-Smirnov test for normality of the data set, student T-test, chi-square test - two (for question 1) and test T univariate (questions 3 and 2) were used. The results showed that accrual accounting has significant influence on the transparency of financial reporting. The results of the second question showed that accrual accounting has no significant influence on the transparency of financial reporting. The results of the third question of the results showed that accrual accounting has significant influence on determining the cost of services.

Keywords: *accrual accounting, reporting transparency, accountability*

Introduction

The process of change from cash to accrual accounting basis, began in the federal government of Great Britain in the early 1990s, And in ten years, accrual accounting was established. At that time, also there were clear signs that similar changes in other countries including Ireland occurs, But in the moment of this shift, the factors affecting the accrual basis as empiricism, lack of general tendency, the ideological and political pressures and cultural differences prevented implementation of accrual basis instead of cash accounting system (Hillman and Collony, 2011).

Despite the growing adoption of accrual accounting in the world, its adoption varies in different countries. From Christianes and Reyniers (2009) point of view, these differences are seen three levels of the content, duration of the transition from cash to accrual basis of accounting and acceptance of accrual accounting. The experimental results indicate that the managerial and control reasons are the most important factor in the move from cash to

accrual basis of accounting in the United States of America, England, Australia and New Zealand. United States of America started a gradual move towards accrual accounting for a while before. Canada, in 2002, implemented accrual accounting in the public sector and England in 2006 made it fully operational in the public sector (Tudor, 2008).

Despite some reform in accounting system and the public reporting sector, in many organizations such as universities it continued to use recording financial events based on cash accounting. In The cash basis accounting, revenues and expenses are registered in the exchange of cash. Therefore, financial statuses based on cash accounting, traditionally, show Cash allocation and cash expenditures resource and compares it with spent budget (BabaJani, 2006) and it seems that this accounting system for the implementation of government programs through more effective use of public resources, is not suitable. However, the Public Audit Act, aside from a few minor corrections, is introduced an accounting system similar to cash accounting system. The current emphasis on the role of accountability and respect despite the budget laws and regulations predictions is for minimal necessary usage of management from accounting data. Also according to the outputs and obtained reports from accounting systems based on cash, it can be said that this system in order to meet the needs of accountability and control, has a predesigned framework. In this system, managers provide reports in order to show their duty in the subject that cash is spent as the legislator licensed them. Therefore the obtained data from the present system is not sufficient and is primitive and cannot be analyzed for the purposes of reporting transparency and accountability (Sabouri, 2007). In other words, the present accounting system is disable to give data to government managers (the managers of Kharazmi university are of these managers) for Measurement and calculation of cost of goods and services in government sector and there is more need to the accounting data for decision making and performing accountability responsibility and transparency in reporting in a developing economic, political and social circumstances and especially in budget planning system change. Therefore, it seems that the government's accounting system in Iran is on the verge of structural reforms as most of the world, but the reform process and interaction of affecting factors in this process is a real challenge and the necessity to develop a framework to explain the reform process is undeniable (Talebniya et al, 2011). In general, the overall framework for the evaluation of financial performance in the public sector and universities need to theorizing and the financial points of view in a clear sense. Complex organizational structures, has doubled the obligation to forecast future profitability evaluation of income and costs, the need to provide innovative solutions and consequently the implementation of accrual accounting in the public sector (university) (Nesbakk, 2011).

Financial reporting on an accrual basis and critiquing each in turn can provide the information needs of public sector entities. Cash accounting system because they provide more financial information into easy way is more useful in cash budget assessment forecasts and monitor financial resources but cannot provide useful information about the activities and programs of the government about cost of goods and services.

Iran public sector uses the modified cash basis for its financial reporting, So that and revenues are recorded in the office with cash based and recognized only when cash is received, And public sector payments to four kind are divided ; the cost, pre-paid accounts and petty cash payments (Hoseyni & Aghaloo, 2008). Costs, depreciation and other non-cash expenses are not recorded in the office and costs whenever are not paid, are not recognized because of not paying its cash. Therefore, the current reporting system of the public sector is not able to determine the cost of the services and activities of the public sector and As long as the cost of services not specified the budgeting process from requirements to implementation of the landscape plan won't be developed by government. As well as accountability tool for managers is operating cost of the service and activities, As long as the cost cannot be

measured accurately, managers may not be required to be operationally responsive. Therefore, due to the inefficiency of government accounting system based on the modified cash in the public sector in the field of management's commitment to accountability, establishing operational systems of budgeting and also determination of the exact cost of the services and activities need to change is inevitable in the accounting system and financial reporting of such institutes.

Therefore, to achieve transparent financial information, quality and on time and their applying by managers in their decision making, accrual accounting systems seem to have good ability.

Therefore, the government proposed and parliament ratified the Council (Article 49 of the Fourth Development Plan) at universities across the country, including the Ministry of Science, Research and Technology and Ministry of Health medical domain across the country, using the full accrual basis of accounting procedures in all its operations, including funds, assets, liabilities, costs, financial debts (Mehrani and hesarzadeh, 2009). According to the government ruling accounting system of the Islamic Republic of Iran's executive institutes and in the other hand, with the study of accrual accounting the question is:

Is accrual accounting more useful in reporting transparency and accountability in the Iran public sector than cash accounting? Or investigation shows other facts. Data obtained of modified cash accounting can provide managers informational data for better decision making, so this study aims to answer these questions;

1. Is accrual accounting basis the reason of high accountability responsibility promotion Kharazmi University?
2. Whether accrual accounting will lead to more transparency in reporting?
3. Whether accrual accounting basis will lead to accurate and exact calculation of the cost of services and activities?

Research hypotheses

1. Accrual accounting is effective in reporting transparency of University of Kharazmi.
2. Accrual accounting is effective in promotion of accountability responsibility of Kharazmi University authorities.
3. Accrual accounting is effective in the final cost of activities and services of Kharazmi University

Methodology

Research populations are as follows;

1. Auditors of Court of Audit who are settled in KHarazmi University.
2. Finance and accounting managers of subsidiaries of KHarazmi University.
3. Staff and finance experts of KHarazmi University.
4. Budget experts of KHarazmi University.
5. Auditor of Board of Trustees of Kharazmi University.

Based on Cochran formula 40 is obtained and from a random sampling method is used. The study data is collected using from five options range Likert questionnaire. In this study to determine the instrument reliability, we used Cronbach's alpha method.

Table 1: reliability of questionnaire

Components	Items	Alfa
Accountability	13	.75
Cost of services	5	.76
Transparency Reporting	12	.81
Total	30	.81

To analyze the data, the methods of descriptive statistics (mean, percentage and frequency) and inferential statistics such as: Kolmogorov-Smirnov test for normality of the data set, student T-test, chi-square test - two (for question 1) and test T univariate (questions 3 and 2) were used. To analyze the data obtained from the questionnaire SPSS software is used.

Findings

The Analytical Section (Research Questions Check)

In order to test the research hypotheses, based on the appropriate tests, parametric or non-parametric tests for the decision must be taken. Most important parametric test conditions are as follows: 1. the dependent variable Measurement level should be spatial. 2-data distribution must be normal. -3- Studied groups must have the same variance. The first condition of the data survey is being normally distributed, so first we will evaluate the normality of the dependent variable data of the research.

Checking the Normality of Data Distribution

To evaluate the normal distribution of data variables Kolmogorov- Smirnov test was used which the results are in the table below:

Table 2: Evaluation of the normal distributions of variables according to the Kolmogorov-Smirnov test

	Reporting	Accountability	Cost of services
z	1.49	1.19	.98
Sig.	.023	.114	.290

If Kolmogorov-Smirnov test level is more significant than of 0.05, we can conclude variables data distribution, has no significant difference with the normal distribution. As reported in the above table. Significant level of transparency of accountability and the services final cost variable was greater than 0.05 that It can be said that the distribution of these variables are not significantly different from the normal distribution, Here according to the normality of the data we will use of one sample T-student test (One Sample T- Student). This test will compare the average test sample with the average population, and if a significant difference exists, it will show. But according to a report by table (2) Transparency variable is not distributed normally. Therefore, for the comparison of the average sample with the average population we will use non-parametric test two (Chi-square).

Research Questions Investigation

Supposition 1) accrual accounting is effective on "Reporting Transparency" at the University Kharazmi.

Table 3: Impact of accrual accounting on reporting transparency

Reporting	Value	Sig.
X ²	24.60	.136

Due to the significance level of the chi- test that indicates the error level which is more than accepted error, we can say there is no significant difference between the population mean and the sample means therefore, accrual accounting has no significant influence on the transparency of financial reporting.

Supposition 2): accrual accounting is effective on "promoting accountability" at the Kharazmi University.

Table 4: Impact of accrual accounting on accountability

Accountability	Value	Sig.
t- student	-8.375	.000

Due to the significance level of the one sample T-student test, one can say that there is a significant difference between the mean of population and the sample means. In other words, the average value of the sample (53) is greater than the average of population (39), so it follows accrual accounting has a significant influence on accountability.

Supposition 3): accrual accounting is effective on "final the cost of services" at the Kharazmi University.

Table 5: Impact of accrual accounting to determine the cost of services

Cost of services	Value	Sig.
t- student	-6.507	.000

Due to the significance level of one sample T-student test, one can say that there is a significant difference between the population mean and the sample means. In other words, the average value of the sample (21) is greater than the average of population (15), so it follows accrual accounting has significant influence on determining the cost of services.

Conclusion

The results showed that accrual accounting has significant influence on the transparency of financial reporting. The result showed that the implementation of accrual accounting system in order to increase reporting transparency and promotion of accountability of the Kharazmi University. This finding is consistent with research results of Tarighi (2008), MacAfee (2006), and thiroi Tudor Mathew (2005).

The results of the second question showed that accrual accounting has no significant influence on the transparency of financial reporting. This finding is not consistent with the results of (Babakhani 2008), Saboori (2009), Hesarzade (2009) and Allen Chic (2009) who in their research concluded that accrual accounting has a significant and positive impact on the transparency of reporting. The results of the third question of the results showed that accrual accounting has significant influence on determining the cost of services. This finding is consistent with results Babakhani (2004), Salavati and Abdoli (2005), Kasiri (1999), Amir Aslani (2002), Yushiru (2007), Cohen (2009), Robinson (2009) and Sin Dite (2005), who all concluded that Accrual accounting can determine affect the cost of services and there is a positive and significant relationship between the two.

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