



Accrual-Based Accountability of Budgeting Realization Report in a Government Institution

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Abstract:

Background. A system that can generate more accurate financial reports and other financial data, such as information on the government's financial performance, accountability, and situation, is required. Accrual-Based Government Accounting is a Government Accounting Standard that uses the APBD as a basis to recognize revenue, expenditure, and financing in budget implementation reporting, as well as revenues, expenses, assets, debts, and equity in accrual-based financial reporting.

Aims. The purpose of this study is to comprehend how the new institutional analysis theory is applied. The demand for legal products drives changes in information technology.

Methods. The author uses a qualitative descriptive method, analyzing the data through case studies, based on the organizational changes. Coercive isomorphism and normative isomorphism are two distinct phenomena that are indicated by the symptoms they exhibit.

Result. In addition to reflecting current financial realities, including long-term liabilities, financial statements become increasingly thorough. The government can more fully display its rights and responsibilities by including its debts, receivables, assets, and expenses in addition to its financial inflows and outflows. Go ahead.

Conclusion. Because financial data is more precise and comprehensive, the government can better plan and manage its finances. Regulatory changes, HR training, and the accounting information system all require updates.

Implementation. A cost-benefit analysis allows the government to evaluate program performance in greater detail.

Keywords: implementation of accrual-based accountability, and government institutions



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INTRODUCTION

Government organizations must understand that the fundamental principles outlined in the legislation form the foundation of accountable, transparent, and good governance. The main objective for accomplishing this is for government agencies. In essence, the

implementation of good governance would depend on all aspirations, especially those related to material or financial concerns. Thus, to implement and achieve good governance, it is essential to recognize openness, accountability, and managerial accountability. A system that can generate more accurate financial reports and other financial data, such as information on the government's financial performance, accountability, and situation, is required. Accrual-Based Government Accounting is a Government Accounting Standard that uses the APBD as a basis to recognize revenue, expenditure, and financing in budget implementation reporting as well as revenues, expenses, assets, debts, and equity in accrual-based financial reporting. Regardless of when cash or cash equivalents are received or paid, an accrual basis accounting system acknowledges the impact of transactions and other events as they happen. This accrual approach has the advantages of giving a comprehensive view of the government's financial situation and presenting factual data regarding its rights and responsibilities.

They aid in assessing how well the government performs in terms of objective achievement, efficiency, and service costs. According to Law No. 15 of 2004 concerning the Audit and Management of State Financial Responsibility, BPK bases its opinions on the following criteria: Adequate Disclosure, Compliance with Laws and Regulations, Conformity with Government Accounting Standards, and Effectiveness of the Internal Control System. Financial Statements of Regional Governments. Until the concurrent adoption of base accrual by Indonesian local governments in 2015, accounting had been evolving since the 2000s. It first moved from base cash to accrual in 2005. The transition from cash to accrual is outlined in Government Accounting Standard Number 24 of 2005 (SAP), which was ultimately released in 2005. Additionally, the accrual basis is now used to provide financial statements under the change. Government Regulation Number 71 of 2010 regarding Government Accounting Standards (SAP) on an Accrual Basis was issued in response to this statute. The development of accounting begins at this point.

Since the goal of this NPM is to make public sector accounting and administration more informed, it mandates that the public sector prioritize transparency in information provision, which will subsequently inform decisions that can be accounted for. The Megang Sakti District Government continues to function with cash. Organizations in the government sector must adapt to the shift from a cash to an accrual basis. Thus, the question of whether this accounting change enables public organizations to adjust, particularly in terms of policy and decision-making, is intriguing. As a result, organizational reform is the main emphasis of public sector practices, particularly in Megang Sakti District.

LITERATURE REVIEW

The recording and reporting of financial transactions carried out by public entities or organizations, such as state institutions, local governments, federal governments, or non-profit organizations that receive funding from public sources, is referred to as the public sector. Transparency and accountability in the management, documentation, and reporting of public resources are the main objectives of public sector accounting (Mardiasmo, 2002:2). The goal is to: (a) Provide data on prudent financial management based on government allocation, which is connected to control management. (b) Based on its authority to carry out programs and activities in an appropriate and effective manner, leadership-useful information serves as the foundation for reporting and accounting for implementation. This makes it possible for the public to be informed, which is why it is accountable. The cash basis is a strictly accounting method that only records income when money is received and expenses when money is paid (Kieso et al., 2008).

Base cash and base accrual are combined to create Cash Toward Accrual, which is the outcome of changing the cash base. In input or expenditure operations, this base currency is utilized for the bookkeeping of receipts and expenses (Halim, 2007, pp. 49-50). The Government Accounting Standards Committee defines the Accrual Basis as an accounting technique that records income and expenses at the moment of a transaction rather than when money is received or paid. When income is earned, such as when products are delivered or services are settled, it is recorded on an accrual basis. Regardless of when payments are received or made, expenses are recorded when responsibilities arise (for example, when products or services are received) (Sari & Putra, 2012, p. 4).

New Public Management,

This idea is a component of public sector performance management, which measures performance trends. The efficiency and effectiveness of the government's finances can be achieved by implementing a private sector approach to financial management, particularly in the government sector. For this reason, performance and accountability in its accounting role—as seen in financial statements—will need to be measured. The NPM idea itself is thus transformed by the shift that takes place between the private and public concepts (BPKP, 2013).

NPM and Public Sector Accounting Reform

The government finds the NPM concept's emphasis on efficiency so appealing that it calls on the public to be accountable, particularly with regard to the resources spent. As a result, it significantly advances the idea of NPM, which Bunea and Cosmina (2008:1) define as evaluating performance and resources.

New Institutional Theory

The public environment influences how the public sector reacts. It asserts that selecting the appropriate organizational association allows for a social observation of the procedural and structural elements of the organization (Meyer & Rowan, 1977). In expressing an institutional idea that has received attention, another thing also has opinions. According to this idea, social conduct is shaped through the construction of schemes, rules, norms, and routines. 2) Normative isomorphism: when an organization adopts a notion, it involves other parties to realize its ideals; and 3) mimetic isomorphism: imitating a practice from another organization is a good model for the organization itself (DiMaggio & Powell, 1983).

Organizational Change

An attitude that develops throughout a transition phase and becomes the subsequent state until the organization eventually needs to adopt a change attitude in its operations is known as organizational change. This is due to the fact that in order to survive and thrive in the future, it must adapt (Utami, 2007).

METHODS

Qualitative descriptive method with a focus on case studies. This illustrates the state of the research item and the issues that arise during its development (Sekaran, 2009, p. 158).

The object of the research

The object of this research is the Megang Sakti District Office, Musi Rawas Regency.

Types and Sources of Data

Primary data, namely data obtained directly from key informant interviews and direct observations, were the types of data used in this study. However, this secondary data will also regularly indirectly supply information, particularly concerning government financial statements and accounting rules (Sugiyono, 2014, p. 62). Data that directly affects how its financial accounts are presented, particularly in the public sector, is used to identify the key informant.

Data Collection Techniques

Data for this study is gathered using observation and interviewing methods. If the researcher want to perform a preliminary study to identify a problem that needs to be investigated and to learn more about the respondents, this interview is utilized as a data gathering approach. On the other hand, observation is the intricacy of a process made up of different biological and psychological elements (Sugiyono 2019:203).

Data Analysis Technique

The data analysis method employed in this study is the Miles and Huberman model data analysis, in which the researcher examines the responses obtained during the interview and requires that the activity be conducted interactively and continuously until it is finished (Sugiyono, 2019, p. 322).

DISCUSSION

To achieve professional, proportional, accountable, and transparent state and financial management, financial management must be conducted in an orderly, principled, efficient, and effective way, from planning and implementation to oversight and accountability (Priono et al., 2019). Law No. 17 of 2003 about State Finances, Law No. 1 of 2004 concerning the State Treasury, and Law No. 15 of 2004 concerning the Audit of Management and Accountability of State Finances are among the specific legislation that control the state finance management system in Indonesia. It has to do with regional governments' accountability for state financial management (Illahi & Alia, 2017).

Law No. 17 of 2003 on State Finances stipulated that both governors and mayors must report to the regional parliaments on their implementation of the regency budget in the form of financial reports that have been audited by the Supreme Audit Agency (BPK/Badan Pemeriksa Keuangan) no later than six months after the budget's expiration. This requirement also emphasizes that financial statements must be presented using Government Accounting Standards (SAP/Standar Akuntansi Pemerintahan) when they are not in the form of budget realization reports, balance sheets, cash flow statements, or notes to reports. (Din and others, 2022).

A subset of government accounting known as "public sector accounting" is concerned with financial statement presentation and transactions in the public sector, which are not intended to turn a profit. The cash basis method of accounting uses a recorded transaction, which is an acknowledgment process. The accrual basis and the cash basis are the two grounds for recognition. Additionally, the modified accrual basis and the modified cash base are the two bases for transition recognition. In compliance with Law Number 17 of 2003 regulating state finance, the form and content of the accountability report for the implementation of the State Budget (APBD) are prepared and presented in conformity with government accounting standards.

A key tenet in the preparation, compilation, and display of public sector financial accounts is the application of public sector accounting standards. This most certainly has to do with the accrual method of accounting that was employed. Income, expenses, assets, liabilities, and capital

or equity are all recognized in financial statements that employ the accrual method according to the norm known as accrual-based public sector accounting, and report the budget's use based on its application using the Regional Revenue and Expenditure Budget, recognizing revenue, expenditure, and finance. Transparency, accountability, responsibility, honesty, and fairness are all given top priority in the management of accrual-based financial accounting.

Financial statements generated in compliance with government accounting rules are considered to be of high quality. To generate accrual-based financial accounts, one must comprehend the Principles of Implementing Government Accounting Standards, as outlined in Government Regulation No. 71 of 2010 about Government Accounting Standards. Income, expenses, liabilities, assets, and equity are all recognized in public sector financial reporting that use an accrual approach. The components of the balance sheet statement, such as assets, debts, and capital or equity, are known as the base accrual. These are recorded at the time of the transaction, regardless of when the money is paid or received. The accrual method of public sector accounting is more efficient for reporters in carrying out transactions, improving the government's financial situation for additional funding, and giving its financial statements a more tangible presentation that reflects the real change in its financial position.

The head of the finance division in Megang Sakti District said: "It is hoped that with the implementation of accrual based accounting, Megang Sakti District will have a breakthrough in progress in the world of financial reporting and the realization of good governance and can analyze government finances as a form of comparison of the performance of apparatus capacity" . in accordance with the central government, which mandates that all government agencies improve the way financial accounts are presented in order to achieve effectiveness, efficiency, accountability, and transparency. This falls under the relevant regulations.

Because of the technological and resource constraints that hinder its adoption, base accrual accounting can be perplexing. Furthermore, there are various bookkeeping techniques and analysis periods that call for a longer grace period. At least the government itself clarifies that an organization must adjust to something similar if it wishes to change. This contributes to a government's gradual progress toward achieving good governance. Another challenge in this type of situation is the absence of high-quality and customized ASNs; therefore, new ASNs that are in line with their experience are required. The Megang Sakti District Government is promoting organizational change by putting good governance into practice, especially in its financial reporting, which seeks to integrate technology, acquire expertise, and utilize base accrual accounting in the presentation and reporting of public finances.

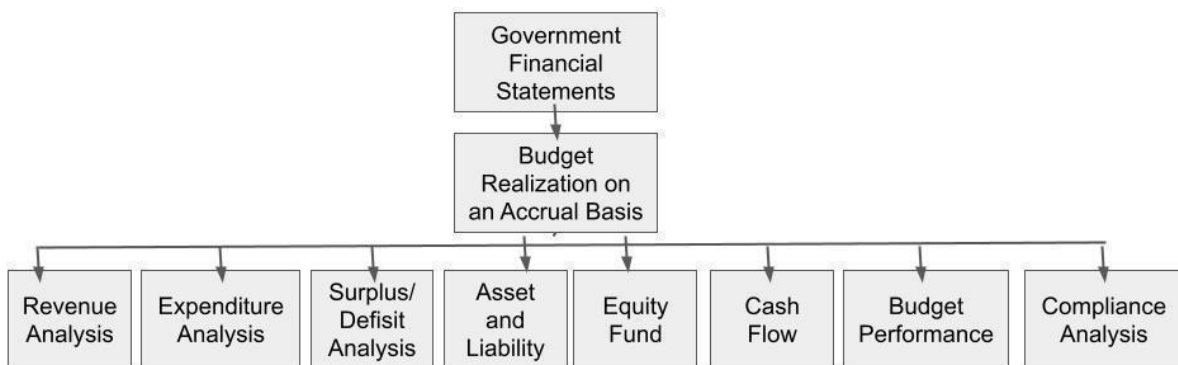
Using the SIPKD or SIPD program to prepare and carry out government financial budgeting is an example of this technology in action. To use the accrual basis, the application itself must be updated. According to Government Regulation No. 17 of 2010 about base accruals, the government must also undertake a systematic socialization process regarding the application and success of base accruals in its financial accounts. This policy must be technically adopted to ensure preparation, particularly for Megang Sakti District, where it is envisioned that civil servants responsible for preparing accrual-based government financial statements will be able to do so as effectively as possible. When you wish to have and realize a good government, overcoming the challenges and finding solutions to the issues is a positive shift. It is an expectation that may result in the realization of accrual-based financial statements in the future, particularly when the Megang Sakti and Downstream District Government realize financial statements based on accruals.

Realizing Base Accrual for Megang Sakti District,

The application of accrual-based accounting in the Megang Sakti District Government will be described in the explanation that follows, using New Institutional Theory as a framework. This can be accomplished by comprehending how organizations' norms and institutions impact organizational changes, such as the implementation of accrual-based accounting procedures. The following actions apply the New Institutional Theory's tenets to the accrual-based financial statement implementation: 1.) Pressures from regulations, When businesses are required to adhere to laws or regulations that mandate the use of accrual-based financial statements, such as government accounting standards (SAP) in the public sector or IFRS (International Financial Reporting Standards) reporting rules in the private sector, regulatory pressures arise.

Implementing applicable accounting regulations, adhering to national or international regulations that mandate accrual-based accounting, setting up a reporting system in accordance with standards, and using accounting software and procedures that adhere to pertinent regulations—like SAP implementation—are all ways to accomplish these goals. 2.) The adoption of accrual financial statements is also impacted by professional pressure, such as pressure from professional bodies and practice norms. In response to normative demands, organizations might train accounting teams to comprehend and use base accruals in accordance with professional standards for accounting, obtain professional certificates, Encourage accountants to pursue credentials that usually call for the usage of

accrual bases, such as Certified Public Accountant (CPA) or Chartered Accountant (CA). 3.) In other words, companies often copy effective techniques when there is ambiguity or a desire to gain more credibility. In this instance, best practices and how to apply them can be understood by benchmarking and comparing with organizations that are more advanced in the application of accrual-based accounting, learning from organizations that have implemented accrual, and observing and imitating the financial reporting practices of organizations that have successfully implemented accrual-based accounting. 4.) Validity Organizations use accrual accounting, in part, to acquire credibility with external stakeholders, including investors, governments, and the general public. Among the things that can be done is to make financial statements more transparent. To enhance stakeholder legitimacy and public trust, the accrual method provides a more accurate representation of the organization's financial position. Financial reports that adhere to global guidelines. Employing the accrual method makes the company's financial statements simpler than they would be otherwise, which enhances the company's standing. Regardless of when money is collected or paid, economic transactions or accounting events are recognized, documented, and shown in the financial statements as soon as they happen under the accrual basis of accounting. While expenses are recorded when commitments are made or resources are used up, revenue is recorded when money is received.



Source: Research images.

Figure 1. Thinking frame

It is anticipated that government financial data presented on an accrual basis will be more illuminating. It can also promote transparency in the prices of government services and the government's programs for the provision of goods and services, in addition to providing a complete and comprehensive picture of the government's financial position (assets, liabilities, and equity). The results support the use of government financial accounts as a foundation for decision-making as well as an instrument for accountability. (Din and others, 2022).

CONCLUSION

For businesses in both the public and private sectors, using accrual-based financial statements offers several important advantages. Because income and costs are recorded at the moment of the transaction rather than when money is received or paid, this method is transparent, accurate, and thorough. Improved accountability and transparency are the primary advantages. Base accruals enable the disclosure of assets and liabilities more transparently, providing a more accurate representation of the company's financial position. More Decision-Making Based on Information: Management can make better strategic judgments since financial data more accurately reflects the current state of the economy. According to accounting rules, adhere to the accrual accounting principles.

Improved Budgetary Control: Implementing an accrual basis in the public sector facilitates more realistic budget planning, including the management of long-term debt and accounts receivable. This may present challenges, including the need for technology and resources, which may necessitate adjustments to accounting processes, employee training, and the acquisition of supplementary accounting software. The procedure of recording transactions and creating adjustment journals needs to be significantly altered due to the complexity of transaction management.

CONCLUSSION

The government can more fully display its rights and responsibilities by incorporating debts, receivables, assets, and expenses in addition to incoming and outgoing cash. Financial statements become more thorough and reflect actual financial conditions, including long-term liabilities. Because financial data is more precise and comprehensive, the government can better plan and manage its finances. Regulatory changes, HR training,

and the accounting information system all require updates. A cost-benefit analysis allows the government to evaluate program performance in greater detail.

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