

IMPLEMENTING ACCRUAL BASED ACCOUNTING: THE IMPACT ON BUDGETING EXERCISE

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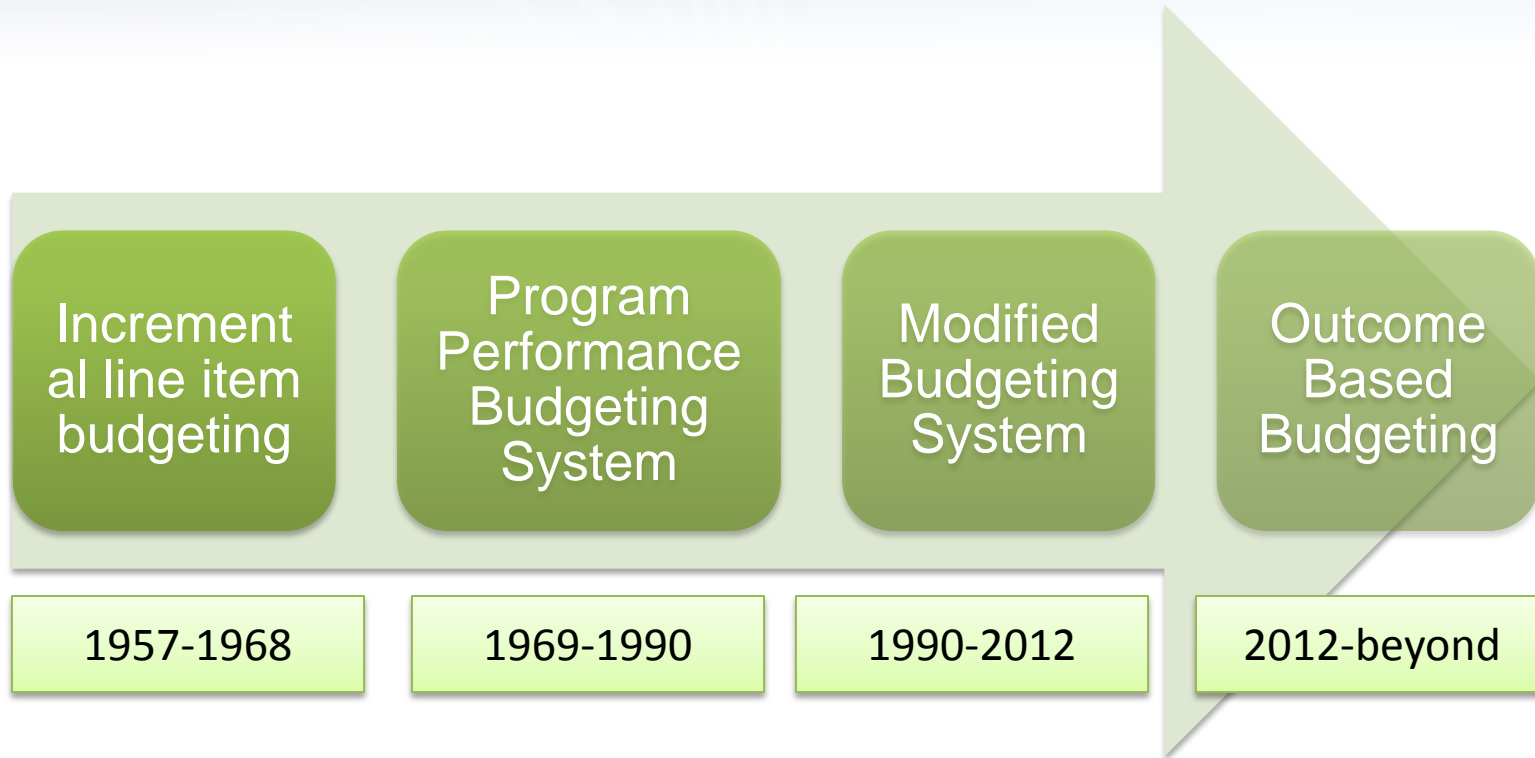


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OVERVIEW

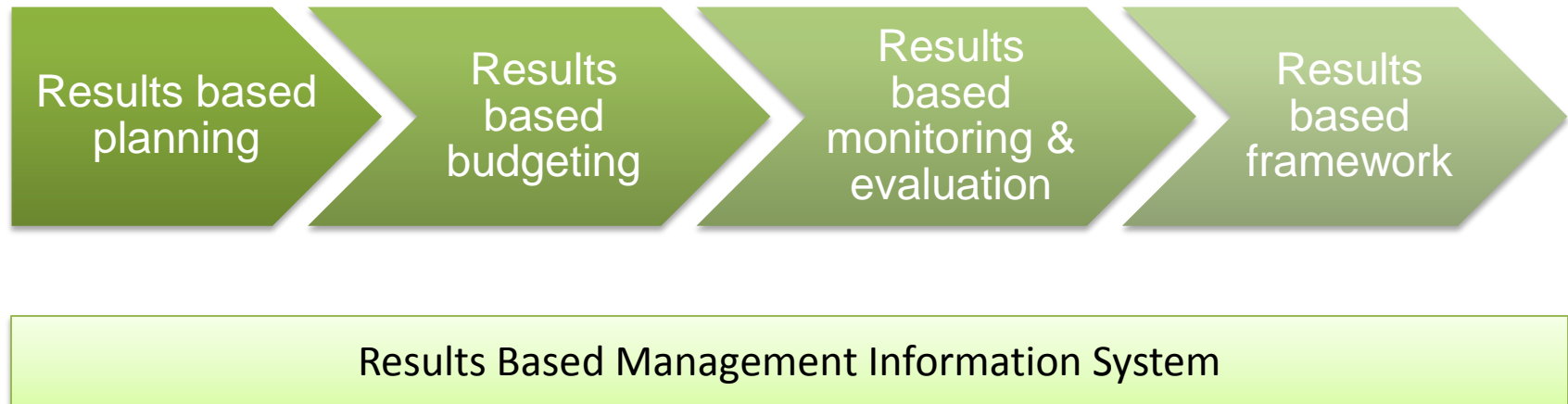
- ❖ The Malaysian Budgeting System
- ❖ Budgeting in Accrual-Based Accounting Environment
- ❖ Benefits of Accrual-Based Budgeting
- ❖ Essentials for Accrual-Based Budgeting
- ❖ Challenges

MALAYSIAN BUDGETING SYSTEM EVOLUTION



(Extracted from the website of Ministry of Finance)

COMPONENTS OF OUTCOME BASED BUDGETING



(Extracted from the website of Ministry of Finance)

BUDGETING & ACCOUNTING

Budgeting

- future oriented
- plan to allocate resources
- ex-ante planning

Accounting

- ex-post reporting of financial transactions and events in terms of financial position and performance

BUDGETING IN ACCRUAL-BASED ACCOUNTING ENVIRONMENT

Can Cash-Based Budgeting be used if Accrual-Based Accounting is Implemented?



CASH-BASED BUDGETING IN ACCRUAL-BASED ACCOUNTING

Reconciliation is required

- increases workload of accountants
- increases risk of loss data
- time consuming process

Difficulties in monitoring and evaluation

- possible loss and distortion of data during reconciliation
- delay in decision making process

BENEFITS OF ACCRUAL-BASED BUDGETING

Complete Estimate of Government Functions

- facilitates planning for future funding
- effective budgeting of sufficient resources

Improve Discipline for Budget Execution

- decision based on outcome and output

BENEFITS OF ACCRUAL-BASED BUDGETING (cont'd)

Symmetry with Accrual Accounting

- Comparability
- Accountability on Budget Implementation

Eliminates Bias Perception

- Capital investment as “lump sum”



ESSENTIAL FOR ACCRUAL-BASED BUDGETING

- Management Training
- Right Culture
- Strong IT Support
- Robust Audit Process
- Government Auditor
Readiness



CHALLENGES

- Management Reform
- Information Technology Capability
- Human Capacity and Skill



THANK YOU



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