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Effectiveness of accrual basis accounting as compared to cash basis accounting in financial reporting

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Abstract

In financial reporting there are two bases of accounting one is accrual basis and another is cash basis. In this article we collected data from 12(twelve) private firms over 05 (five) years. We have also collected data from 30(thirty) executives from the outsiders to show their opinion. This article focuses the usefulness of accrual basis of accounting. This paper also focuses the limitations of cash basis of accounting in financial reporting. Statistical tools like Cronbach's Alpha, R square, F value and coefficient has been used to analyze the collected data. This study also shows how the accrual basis is more effective than cash basis of accounting. The basic differences between the two bases of accounting are described into this paper. Finally, some proposal has been made to get more benefits from accrual basis of accounting.

Keywords: Accrual basis, Cash basis, Effectiveness, Financial Reporting.

1. Introduction

The study on this topic has undertaken since accrual basis of accounting is more effective to present the financial position of a business entity rather than the cash basis of accounting. Many research papers have shown the effect of cash basis of accounting in financial reporting specially in the public sectors. (Christiaens, Reyniers, & Rollé, 2010; Bergmann, 2012) stated that Cash basis accounting has been the main accounting system in the public sector of many countries for many years. They have also mentioned that revenues are not recorded until they are actually received, and expenses are recognized in the accounting records when they are actually paid. Cited among the advantages of cash basis accounting are ease of operation, a high degree of objectivity, and a limited number of choices. It doesn't agree with the matching principles of accounting. Schaik (2004) says that the use of accrual accounting compared with traditional cash accounting seems more desirable, since in accrual accounting, expenditures are compared with the performance objectives not with budgets that have already been agreed. We have selected this topic since accrual basis of accounting present the financial statement accurately with making consistent to the matching principles. Some papers present that in public sector the cash basis of accounting has been traditionally used, but in the last period there have been discussions over the benefits of a change to the accrual basis. So we have undertaken the study on this topic and tried to focus the implication of accrual basis of accounting with its significant. The cash basis and the accrual basis of accounting (sometimes called cash method and accrual method) are the two principal bases of keeping track of a business's income and expenses. Under the accrual basis of accounting, transactions are recorded or counted when the order is made, the item is delivered, or the services provided or received, regardless of when the money for them is actually received or paid. Cash basis of accounting is the more popular to record and report small business income and expenses. In a cash accounting method, income and expenses are recorded only when the cash is received or disbursed. The accrual basis of accounting is a fair review of transactions, but for the determination of the cash flows is necessary to apply cash basis of accounting.

In contrast, in the private sector, to provide financial information for its shareholders accrual basis will be used, since accrual basis can provide more useful information for decision-making. In fact the key difference between these two bases is related to the time of the transaction identification (Tikal, 2010).

In his doctoral thesis – "From the accrual accounting model to cash accounting model in the management of controlled resources," Mrs. Baban Cristina - Lucia (2010) presents the accrual basis as generally accepted for recognition of economic transactions in the accounts when they occur and not when comes the time of payment or collection. The exception to this rule is the use of cash flows, which are based on the cash basis.

The issue of which type of accounting system is best suited to public administration has been addressed in terms of practical considerations, theoretical analyses, and cost benefit analyses over time (Jaballa, Becker, & Weber, 2011).

Disadvantages of this system include the mismatch between revenues and expenditures, which distorts actual operation costs and reflects revenue incorrectly (Tiron Tudor & Mutiu, 2006), and the fact that this type of accounting provides little information about future liabilities and assets (Christiaens *et al.*, 2010).

Because the preparation of accounts is primarily geared towards meeting the information needs of external users, regulatory bodies have sought, through the application of theory and conceptual structures, to achieve an exact representation (faithfulness) and an accurate description of economic phenomena of interest to users (Garseth-Nebaskk, 2011). Accrual basis accounting has historically been considered appropriate for this purpose.

The adoption of accrual basis accounting in the public sector involves changes in information technology or the introduction of new technology, cultural changes, considerable investment in information systems, and the development of appropriate skills for preparers and users (Land & Rocher, 2011).

Borges, Mário, and Cardoso (2010) proposed a simplified and objective form of accrual basis accounting using the experience of the government of the state of Minas Gerais, Brazil. They used an in-depth interview technique to interview the state's accounting manager and also used direct observation of an expert in public policy and government management in Minas Gerais. A number of incentives for adopting accrual basis accounting methods were identified that were related to decision-making, including the potential for better information about allocation of resources, analyses that predict the impact of future expenditures, and analyses of product performance or impacts to society.

Schaik (2004) says that the use of accrual accounting compared with traditional cash accounting seems more desirable, since in accrual accounting, expenditures are compared with the performance objectives not with budgets that have already been agreed.

Kordestani and Iranshahy (2010) in their study concluded that accrual accounting has more the power to assess the effectiveness and organization performance results, and management can control the costs of the organization's activities better. In addition, the accrual basis reflects organization's long-term liabilities and total financial situation better. And also, the accrual basis results in increasing the accountability of government to its clients, better financial management of public service managers, and increasing the performance comparability in different areas.

Barrett (1998) believes that the consequences of applying accrual accounting are divided in to seven categories: First, the comprehensive definition of cost of government programs which leads to the second consequence, that is, emphasizing the control of costs and measure the effectiveness; third, accrual digits have a significant impact on determining the pricing method to user's account; fourth, needing to show more productivity in the negotiations of business bargaining; fifth, creating greater accountability for resources used and invested by public sector institutions; sixth, creating accountability for the low level effects of debt policies that refers to the importance of measuring interclass assets, and seventh, measuring the financial effect of government policies

for initial estimates which has apparently the growing benefits for it, that is budget (Rafiee, 2009)

In accrual basis, to account *the revenue* represents to express the effect of the economic activity accomplished with the effort represented by expenses. According to the general regulations for the preparation of the financial statements prepared by the IASB, the income means increases in economic benefits in a given accounting period, in the form of growth of assets and reduce debts, resulting in increased equity other than by the contribution of the shareholders; the expenditure represents decreases of the economic benefits, in a certain period of time, in the form of decrease in assets and increase in debt, resulting in decrease of equity other than through distribution to shareholders. (Gîrbină M. and Bunea S, 2007)

The fundamental difference between these two models, as was pointed by H.A. Finney and Herbert E. Miller (1963), it is a matter of time. It is eloquent the process of associating the revenues with expenses that have been generated to obtain incomes, as an association, a matching process. This process of association it is accomplished by the accrual basis, not being accomplished by cash basis, unless revenues are earned in the same period in which the cash is received and the expenses are incurred in the same period in which the cash payment is made.

The main objective of this paper is to identify the effectiveness of accrual basis of accounting in financial reporting. The supportive objectives are firstly, identify the limitations of cash basis of accounting. Secondly, focus the basic comparison between accrual and cash basis of accounting. Finally, discuss the effects of accrual and cash basis on various aspect of accounting treatments.

Methodology is the systematic, theoretical analysis of the methods applied to a field of study, or the theoretical analysis of the body of methods and principles associated with a branch of knowledge. It, typically, encompasses concepts such as paradigm, theoretical model, phases and quantitative or qualitative techniques.

(<http://en.wikipedia.org/wiki/Methodology>) Interview technique was used with structured questionnaire for the collection of primary data. In questionnaire, besides close-ended questions there was also provision for open-ended optional questions.

We have collected secondary data from the published financial statements of the organizations, newspaper and articles.

Sample selection, measurement of variables:

For prepare this article, at first we have selected 12 (twelve) private business firms randomly whose purchase and sales are nearly same. Out of these one is using cash basis of accounting and another is using accrual basis of accounting. We have also collected data from 30(thirty) executives from the outsiders to show their opinion on the effectiveness of accrual basis of accounting in financial reporting.

The hypotheses of the study are formulated below:

H₁: *Revenue is recognized (recorded) when earned*

H₂: *Expenses are recognized when their benefit is received*

H₃: *Measures current income more accurately than the cash method*

H₄: *The balance sheet is a more accurate estimate of financial position*

H₅: *Current information makes it easier to predict future income and financial position*

Collected data and information has been organized, explained and analyzed by using different statistical tools and techniques like Cronbach's Alpha, R square, Test of Hypotheses (F value) and coefficient. This study is completed in an analytical and descriptive way. This paper has shown the previous study, the importance of the study, formulation of hypotheses, basic differences between two accounting methods, test of hypotheses to show the effectiveness of accrual basis of accounting. Finally some proposal with concluding remarks has been shown in this paper.

2. Theoretical and Conceptual Framework:

Cash Basis of Accounting

The cash method is simple in that the business's books are kept based on the actual flow of cash in and out of the business. Income is recorded when it's received, and expenses are reported when they're actually paid. The cash method is used by many sole proprietors and businesses with no inventory. From a tax standpoint, it's sometimes advantageous for a new business to use the cash method of accounting. That way, recording income can be put off until the next tax year, while expenses are counted right away.

The cash method may also continue to be appropriate for a small, cash-based business or a small service company. You should consult your accountant when deciding which accounting method would be best for your company.

Accrual basis of accounting

The accounting method under which revenues are recognized on the income statement when they are earned (rather than when the cash is received). The balance sheet is also affected at the time of the revenues by either an increase in Cash (if the service or sale was for cash), an increase in Accounts Receivable (if the service was performed on credit), or a decrease in Unearned Revenues (if the service was performed after the customer had paid in advance for the service).

Under the accrual basis of accounting, expenses are matched with revenues on the income statement when the expenses expire or title has transferred to the buyer, rather than at the time when expenses are paid. The balance sheet is also affected at the time of the expense by a decrease in Cash (if the expense was paid at the time the expense was incurred), an increase in Accounts Payable (if the expense will be paid in the future), or a decrease in Prepaid Expenses (if the expense was paid in advance).

(<http://www.accountingcoach.com/terms/A/accrual-basis-of-accounting>)

Limitations of Cash Basis of Accounting

Cash Method for Financials: Maintaining your company's books and records is simpler under the cash method since the only important events that require the recording of revenue and expenses are the receipt or payment of cash. Despite this appealing advantage, the financial statements you prepare may not truly reflect your company's performance for a given period since revenue and expenses related to the same transaction can be reported in two different periods. For example, if you pay most of the expenses related to a specific job at the end of one year but don't receive payment from your client until the next, your income statements may indicate a big jump in profitability from one year to the next, which can lead to incorrect conclusions.

Taxes and Cash Method: When it comes to paying income tax on business earnings, the accounting method you choose can have a substantial impact on your cash flow. If you report

business income and expenses on your tax return under the cash method, you can deduct expenses in the year they are paid instead of having to wait until the related revenue is earned and reportable. However, the disadvantage to using the cash method is that you also need to report revenue as soon as payment is received, which means you may end up paying tax on the gross amount if your deductible expenses aren't reported until a future tax year.

No attempt is made to match an expense with the revenue:

Under cash basis of accounting no attempt is made to match the expense with revenue at a specific period. This means that the income statement and balance sheet may not be good pictures of recent business activity and present business conditions.

Understate or overstate of net income: Cash basis indicates that only cash transactions would be considered to determine net income or loss. As a result sometime income is over stated and sometime income is understated. For example, the cash purchase of expensive machinery will all be charged in the year of purchase, even though it will last a number of years. This means that income in the year of purchase would be understated and income would be overstated in the following years.

Difficult to predict future income and financial position:

While cash accounting accurately tracks cash flow, it gives a false impression of revenue and expenses. For example, if a business generated a lot of revenue in 2013, but payment for that revenue was not received until 2014. As a result, business shows negative cash flow, even though business anticipates receiving payments.

Less bookkeeping: Using cash basis of accounting transactions are recorded only when cash leaves or enters your account, it indicates less bookkeeping.

3. Comparison between cash basis and accrual basis of accounting

The comparison between cash and accrual basis of accounting are presented below:

Accrual basis provides information about receipts and payments of cash and cash equivalents but cash basis provide information only to receipts and payments of cash.

Accrual basis is recorded according to debts and credits payment term but under cash basis of accounting debts and credits' payment terms are not distinguished.

Under cash basis distinction between operational activities, financing activities and investment activities are made but under accrual basis this distinction is not made.

Cash basis does not make group income and expenses as ordinary and extraordinary but accrual basis of accounting make group among these.

Cash basis shows the tangible fixed assets as expenses from that year's budget but accrual basis shows the tangible fixed asset with their cost and depreciation is calculated according to their useful lives.

Accrual basis count shortages and surpluses of inventory during the accounting period but cash basis does not count it. Shortages are shown as expenses and surpluses are shown as revenue.

Under accrual basis marketable securities are recorded separately as public and private sector but cash basis follows these in off balance accounts.

Recognition of revenue and expenses on the two bases are:

Accrual Basis	Recognition of Revenue	Recognition of Expenses	Accrual Basis
	Obtaining	Used	
	Billing	Commitment	
	Incorporation	Incorporation	
	Receipt	Payment	
Cash Basis	Receipt	Payment	Cash Basis

4. Effects of accrual and cash basis on various aspect of accounting treatments

Accrual basis and cash basis of accounting shows various effect on various aspect of accounting treatment. We have shown our collected data into the following table:

Table 01: Showing the effect of cash basis on various aspect of 06 (six) private firms during 2010-2014

Year/Firms	M/s Rejaul Private Limited	M/s Mamun Private Limited	M/s Rana Private Limited	M/s Sumon Private Limited	M/s Abbas Private Limited	M/s Kader Private Limited
Purchases (in Million \$)	0.0038 (in Cash)	0.0026 (on Credit)	0.0064 (in Cash)	0.0038 (in Cash)	0.0051 (on Credit)	0.0026 (on Credit)
Sales (in Million \$)	0.0032 (on Credit)	0.0023 (on Credit)	0.0045 (in Cash)	0.0035 (on Credit)	0.0046 (on Credit)	0.0019 (on Credit)
Net Income (Loss) (in Million \$)	(0.0038)	Nil	0.0019	(0.0038)	Nil	Nil
Tax (30%) (in Million \$)	Nil	Nil	0.00057	Nil	Nil	Nil
Earnings Per Share (EPS) (in Million \$)	Nil	Nil	0.0000443	Nil	Nil	Nil
Dividend Per Share (DPS) (in Million \$)	Nil	Nil	0.0000427	Nil	Nil	Nil

Source: Field Survey

From the above table, it is assumed that during 2010-2014 M/s Rejaul Private Limited cash purchase 0.0038 (Million \$) and total sales 0.0032 (Million \$) on credit. To determine their net income/loss on the cash basis of accounting, cash paid for purchases 0.0038 (Million \$) has been considered for this a loss of 0.0038 (Million \$) has been occurred. Since there is a loss of 0.0038 (Million \$) so during this year no tax, no EPS and no DPS. M/s Mamun Private Limited credit purchase 0.0026 (Million \$) and total sales 0.0023 (Million \$) on credit. To determine their net income/loss on the cash basis of accounting, No revenue and expenses has been considered. During this year no tax, no EPS and no DPS for this firm. M/s Rana Private Limited cash purchase 0.0064 (Million \$) and total sales 0.0045 (Million \$) in cash. To determine their net income/loss on the cash basis of accounting, cash paid for purchases and cash sales has been considered for this a income of 0.0019 (Million \$) has been occurred. Since there is income of 0.0019 (Million \$) so there is a tax of 0.00057 (Million \$). Total outstanding share of this firm is 30 so EPS during this year is also 0.0000443 (Million \$). Firm has

declared total dividends during this years 0.0013 (Million \$) so DPS is also 0.0000427 (Million \$). M/s Sumon Private Limited cash purchase 0.0038 (Million \$) and total sales 0.0035 (Million \$) on credit. To determine their net income/loss on the cash basis of accounting, cash paid for purchases 0.0038 (Million \$) has been considered for this a loss of 0.0038 (Million \$) has been occurred. Since there is a loss of 0.0038 (Million \$) so during this year no tax, no EPS and no DPS. M/s Abbas Private Limited credit purchase 0.0051 (Million \$) and total sales 0.0046 (Million \$) on credit. To determine their net income/loss on the cash basis of accounting, No revenue and expenses has been considered. During this year no tax, no EPS and no DPS for this firm. M/s Kader Private Limited credit purchase 0.0026 (Million \$) and total sales 0.0019 (Million \$) on credit. To determine their net income/loss on the cash basis of accounting, No revenue and expenses has been considered. During this year no tax, no EPS and no DPS for this firm. To agree with matching principle we have shown the effect of accrual basis of accounting of the above situation.

Table 02: Showing the effect of accrual basis on various aspect of 06 (six) private firms during 2010-2014

Year/Firms	M/s Safi Private Limited	M/s Tania Private Limited	M/s Santa Private Limited	M/s Rumu Private Limited	M/s Babul Private Limited	M/s Parvez Private Limited
Purchases (in Million \$)	0.0051 (in Cash)	0.0064 (on Credit)	0.0026 (in Cash)	0.0026 (in Cash)	0.0038 (on Credit)	0.0026 (on Credit)
Sales (in Million \$)	0.0071 (on Credit)	0.0080 (on Credit)	0.0058 (in Cash)	0.0022 (on Credit)	0.0033 (on Credit)	0.0032 (on Credit)
Net Income (Loss) (in Million \$)	0.0019	0.0016	0.0032	(0.0004)	(0.0005)	0.0006
Tax (30%) (in Million \$)	0.00057	0.00048	0.00096	Nil	Nil	0.00018
Earnings Per Share (EPS) (in Million \$)	0.0000443	0.0000373	0.0000747	Nil	Nil	1.40
Dividend Per Share (DPS) (in Million \$)	0.0000427	0.0000343	0.0000427	Nil	Nil	0.0000128

Source: Field Survey

From the above table, it is assumed that during 2010-2014 M/s Safi Private Limited cash purchase 0.0051 (Million \$) and total sales 0.0071 (Million \$) on credit. To determine the net during these years on the accrual basis of accounting, both

cash and credit transactions have been considered. For this a income of 0.0019 (Million \$) has been occurred. Since there is income of 0.0019 (Million \$) so there is a tax of 0.00057 (Million \$). Total outstanding share of this firm is 30

so EPS during this year is also 0.0000443 (Million \$). Firm has declared total dividends during this years 0.00128 (Million \$) so DPS is also 0.0000427. M/s Tania Private Limited credit purchase 0.0064 (Million \$) and total sales 0.0080 (Million \$) on credit. To determine the net during these years on the accrual basis of accounting, both cash and credit transactions have been considered. For this a income of 0.0016 (Million \$) has been occurred. Since there is income of 0.0016 (Million \$) so there is a tax of 0.00048 (Million \$). Total outstanding share of this firm is 30 so EPS during this year is also 0.0000373 (Million \$). Firm has declared total dividends during this years 0.0010 (Million \$) so DPS is also 0.0000343 (Million \$). M/s Santa Private Limited cash purchase 0.0026 (Million \$) and total sales 0.0058 (Million \$) in cash. To determine the net during these years on the accrual basis of accounting, both cash and credit transactions have been considered. For this a income of 0.0032 (Million \$) has been occurred. Since there is income of 0.0032 (Million \$) so there is a tax of 0.00096 (Million \$). Total outstanding share of this firm is 30 so EPS during this year is also 0.0000747 (Million \$). Firm has declared total dividends during this years 0.0010 (Million \$) so DPS is also 0.0000427 (Million \$). M/s Rumu Private Limited cash purchase 0.0026 (Million \$) and credit sales 0.0022 (Million \$) on credit. To determine the net during these years on the accrual basis of accounting, both cash and credit transactions have been considered. For this a loss of 0.0004 (Million \$) has been occurred. During this year no tax, no EPS and no DPS for this firm. M/s Babul Private Limited credit purchase 0.0038 (Million \$) and credit sales 0.0033 (Million \$) on credit. To determine the net during these years on the accrual basis of accounting, both cash and credit transactions have been considered. For this a loss of 0.0005 (Million \$) has been occurred. During this year no tax, no EPS and no DPS for this firm. M/s Parvez Private Limited credit purchase 0.0026 (Million \$) and total sales 0.0032 (Million \$) on credit. To determine the net during these years on the accrual basis of accounting, both cash and credit transactions have been considered. For this an income of 0.0006 (Million \$) has been occurred. Since there is income of 0.0006 (Million \$) so there is a tax of 0.00018 (Million \$). Total outstanding share of this firm is 30 so EPS during this year is also 1.40 (Million \$). Firm has declared total dividends during this years 0.00038 (Million \$) so DPS is also 0.0000128 (Million \$). To agree with matching principle we have shown the effect of accrual basis of accounting of the above situation.

5. Reliability Analysis of Accrual basis of Accounting

The accrual method must be used for financial statements to be considered prepared according to Generally Accepted Accounting Principles (GAAP). To prepare the financial statements, accrual basis of accounting is more reliable because it shows the real fixtures of financial position of an enterprise during a specific period.

Table-03: Case Processing Summary and Reliability Statistics

		N	%	Cronbach's Alpha
Cases	Valid	30	100.0	.762
	Excluded	0	.0	
	Total	30	100.0	
Listwise deletion based on all variables in the procedure.				

Source: Field Survey

From the above table we can conclude that the Cronbach's Alpha is .762 which is more than .60 it indicates that the accrual basis of accounting is more reliable to prepare financial statements.

Table 04: Model Summary

Model	R Square	F
Revenue is recognized (recorded) when earned	.847	155.009
Expenses are recognized when their benefit is received	.809	118.945
Measures current income more accurately than the cash method	.871	189.676
The balance sheet is a more accurate estimate of financial position	.561	35.816
Current information makes it easier to predict future income and financial position	.901	254.487

Source: Field Survey

From the above table we can conclude that revenue is recognized (recorded) when earned is explained by 84.70% of accrual basis of accounting and the remaining 15.30% is explained by other factor. Expenses are recognized when their benefit is received earned is explained by 80.90% of accrual basis of accounting and the remaining 19.10% is explained by other factor. Measures current income more accurately than the cash method is explained by 87.10% of accrual basis of accounting and the remaining 12.90% is explained by other factor. The balance sheet is a more accurate estimate of financial position is explained by 56.10% of accrual basis of accounting and the remaining 43.90% is explained by other factor. Current information makes it easier to predict future income and financial position is explained by 90.10% of accrual basis of accounting and the remaining 9.90% is explained by other factor. We can also explain that in maximum situation the F value is more i.e. more than 100. It indicates that the model is strength.

6. Coefficient of Different Variables:

The coefficient of different variable discussed above is mentioned below:

Table-05: Coefficients of Dependent Variable -Revenue is recognized (recorded) when earned

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta (β)		
(Constant)	1.000	.221		4.529	.000
Accrual Basis of Accounting	3.286	.264	.920	12.450	.000

Source: Field Survey

Unstandardized Coefficients (B) indicates that if independent variable is zero (0) then what is the impact on dependent

variable? Here if we don't use accrual basis of accounting then revenue is recognized (recorded) when earned will be

3.286. Standardized Coefficients (β) indicates that if independent variable is increase by 1% then what will be the impact on dependent variable. Here if the usage rate accrual

basis of accounting is 1% then 92.00% revenue is recognized (recorded) when earned will show in the financial statement.

Table 06: Coefficients of Dependent Variable - Expenses are recognized when their benefit is received

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta(β)		
(Constant)	1.000	.259		3.856	.001
Accrual Basis of Accounting	3.381	.310	.900	10.906	.000

Source: Field Survey

Here if we don't use accrual basis of accounting then expenses are recognized when their benefit is received will be 3.381. If the usage rate accrual basis of accounting is 1% then

90.00% expenses are recognized when their benefit is received will show in the financial statement.

Table 07: Coefficients of Dependent Variable - Measures current income more accurately than the cash method

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta(β)		
(Constant)	1.000	.211		4.735	.000
Accrual Basis of Accounting	3.476	.252	.933	13.772	.000

Source: Field Survey

Here if we don't use accrual basis of accounting then measures current income more accurately than the cash method will be 3.476. If the usage rate accrual basis of

accounting is 1% then 93.30% measures current income more accurately than the cash method will show in the financial statement.

Table 08: Coefficients of Dependent Variable - The balance sheet is a more accurate estimate of financial

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta(β)		
(Constant)	1.000	.379		2.635	.014
Accrual Basis of Accounting	2.714	.454	.749	5.985	.000

Source: Field Survey

Here if we don't use accrual basis of accounting then the balance sheet is a more accurate estimate of financial position will be 2.714. If the usage rate accrual basis of accounting is

1% then 74.90% the balance sheet is a more accurate estimate of financial position will show in the financial statement.

Table 09: Coefficients of Dependent Variable - Current information makes it easier to predict future income and financial position

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta(β)		
(Constant)	1.000	.197		5.068	.000
Accrual Basis of Accounting	3.762	.236	.949	15.953	.000

Source: Field Survey

Here if we don't use accrual basis of accounting then the current information makes it easier to predict future income and financial position will be 3.762. If the usage rate accrual basis of accounting is 1% then 94.90% current information makes it easier to predict future income and financial position will show in the financial statement

decision-making and evaluating the performance of any business entity.

7. Concluding Remarks and Proposal

Accrual basis of accounting brings more advantages for internal and external information users. To get this advantages each organization need to improve IT system and administrative procedure to ensure that the accounting data is timely, complete and accurate. Cash basis of accounting focuses the information related to the present time activity but accrual basis of accounting focuses the information related to present and future by present recognition of receivable and payables. With the help of accrual system, information related to revenue, expenses can be detailed as expected. Day by day accrual basis accounting considering as an alternative system of financial reporting that will generate better information for

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