

Application of Accrual Bases in Government Accounting: Challenges and Implications

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This study aims to analyze the challenges and implications of implementing the accrual basis in governmental accounting through a literature review approach. The method used is a systematic review of 15 scientific journals, consisting of 10 national and 5 international journals published within the last five years (2019-2024). The findings reveal that the implementation of the accrual basis in Indonesia still faces several obstacles, particularly in terms of the competency of public officials, the limitations of integrated financial information systems, and inconsistencies between regulations and financial reporting practices. Nevertheless, the accrual basis has been found to improve the quality of financial information, enhance budgetary accountability, and support more efficient and transparent public financial governance. These findings are in line with practices in several countries that have successfully adopted accrual accounting in the public sector. This study recommends improving the capacity of human resources, strengthening financial information systems, and harmonizing inter-agency policies to ensure that the implementation of accrual-based accounting provides optimal benefits for public sector financial management.

Keyword: government accounting, accrual basis, transparency, accountability, literature review

Introduction

In accordance with Government Regulation No. 71 of 2010 concerning Government Accounting Standards (SAP), Indonesia has adopted an accrual basis in managing its government accounting system. This step is part of the country's financial reform which aims to improve transparency, accountability, and quality of government financial reports. The application of the accrual basis allows for the recognition of income and expenses at the time of transactions, not just when cash is received or paid, thus providing a clearer picture of the government's financial position (Dewi et al., 2018, Putra & Sudarto, 2019). The accrual basis in government accounting records financial transactions at the time of accrual rights and obligations, regardless of when cash is received or paid (Khair et al., 2020). This allows for a more comprehensive presentation of financial information, including government assets, liabilities, and equity. Thus, the accrual basis provides a more realistic picture of the government's financial condition, which is important for decision-making (Safari et al., 2024). The application of the accrual basis aims to increase transparency and accountability in managing public finances. With more accurate and complete financial information, the government can plan and manage resources more efficiently. In addition, accrual-based financial statements facilitate the supervision and evaluation of financial performance by

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the legislature, auditors, and the public (Nasution et al., 2024).

One of the main challenges in implementing the accrual basis is the limited number of competent human resources (HR) in the field of government accounting. Many government employees do not fully understand the concepts and techniques of accrual-based accounting, making it difficult to record and report financial transactions accurately (Kemenkeu, 2024). This can reduce the quality of financial statements and hinder the achievement of accounting reform goals. The application of an accrual basis requires an accounting information system that is able to accommodate the recording of transactions on an accrual basis. However, in some government agencies, the existing information system still does not fully support accrual-based recording. This non-optimal system causes the financial recording and reporting process to be less efficient, which in turn affects the quality and accuracy of financial statements.

Government financial transactions are often complex, such as the management of fixed assets, the recognition of deferred income, the disclosure of contingency obligations. This complexity adds to the challenges in keeping records in compliance with accrual-based accounting standards. Errors in the recognition and measurement of these transactions can have a significant impact on the accuracy of financial statements (Kemenkeu, 2024). Although there are guidelines and regulations governing the implementation of accrual-based accounting, not all government agencies comply with these standards consistently. In some cases, non-compliance with applicable accounting standards causes government financial statements to not reflect actual financial conditions. This can reduce public confidence in government financial statements (Nasution et al., 2024).

The application of accrual-based in government accounting aims to increase transparency in financial reporting. By recording transactions at the time they occur, rather than when cash is received or paid, the financial information presented becomes more accurate and relevant (Matondang et al., 2025). This allows stakeholders to get a clearer picture of the government's financial position, thereby supporting more informed decision-making. In addition to transparency, the accrual base is also able to provide increased accountability in managing public finances. With more complete information about assets and liabilities, the government can be more responsible in the use of existing resources. This also makes it easier for auditors and the public to evaluate the government's financial performance (Nasution et al., 2024).

Financial information presented on an accrual basis provides a stronger basis for making a decision by the government. By understanding obligations and assets more clearly, governments can plan and manage budgets more effectively, as well as anticipate future financial risks (Suzitra et al., 2024). To overcome the limitation of human resources, the government needs to increase accrual-based accounting training and education for employees. Ongoing training programs and certificates in government accounting can help improve employees' understanding and skills in recording accrual transactions. In addition, mentoring and coaching from accounting experts can also accelerate employees' adaptation to the new accounting system.

The government needs to develop and modernize an accounting information system that can better support accrual recording. The implementation of an integrated financial information system based on accruals can facilitate real-time recording of transactions and reduce recording errors. In addition, data integration between agencies through digital platforms can increase efficiency in financial reporting. To overcome the complexity of government transactions, it is necessary to simplify and standardize accounting procedures in all government agencies (Matondang et al., 2025). Technical guidelines that are more detailed and easy to understand also need to be willing so that employees can quickly adjust to the accrual recording process. This standardization will help ensure consistency and accuracy in financial reporting across various government units.

In order for accrual-based accounting standards to be properly implemented, supervision and enforcement of compliance need to be strengthened. The government can form internal and external audit teams that specifically supervise the implementation of accrual-based accounting in each agency. A more rigorous audit can help identify errors or inconsistencies in financial statements so that corrective steps can be taken immediately (Safari et al., 2024). The purpose of this research is to be able to analyze the challenges in the application of the accrual basis in government accounting and evaluate the implications of the application of the accrual basis on the quality of government financial statements. This research will also be one of the academic contributions in developing accounting science in the public sector and can also provide input for government policies in improving the implementation of the accrual base.

Literature Review

Government Accounting

Government accounting is an accounting principle applied in compiling and presenting government financial statements, with the aim of increasing transparency and accountability in state financial management (Pitaloka & Terzaqhi, 2024). Furthermore, government accounting can also be defined as an information system that provides financial data needed to make decisions in managing public finances (Safari et al., 2024).

The main objectives of this government accounting are (1) Transparency, providing clear and easy financial information to be accounted for by the public; (2) Accountability, ensuring that financial management in the public is appropriate and can be accounted for; and (3) Efficiency and Effectiveness, supporting appropriate decision-making in the management of public resources (Juliani et al., 2024). Research by Putra & Sudarto shows that the implementation of good governance accounting can improve the quality of financial statements and public trust (Putra & Sudarto, 2019).

Accrual Base

Accrual basis is an accounting method in which economic transactions are recognized and recorded at the time of occurrence, regardless of when cash is received or paid (Amir, 2024). Furthermore, the accrual basis can also be defined as an accounting principle that determines when the influence on a transaction or event must be recognized for financial reporting purposes, i.e. at the time the transaction occurs (Afriyeni et al., 2024). The main objectives of the application of the accrual basis in government accounting are (1) Improving the accuracy of financial statements; (2) Increase Transparency and Accountability; and (3) support decision-making (Octaria et al., 2024).

The factors that affect the success of the implementation of the accrual basis are as follows: (1) Human resource competence, employees' ability to understand and apply accrual accounting principles; (2) Accounting Information System, the availability of a system that supports accrual-based recording and reporting; and (3) Compliance with Standards, the level of conformity with accrual-based government accounting standards (Pitaloka & Terzaqhi, 2024).

Government Accounting Standards

Government Accounting Standards (SAP) is a standard established through Government Regulation No. 71 of 2010 which regulates the principles and systems of accrual-based financial reporting for government entities in Indonesia. SAP is a reference in compiling financial statements in order to produce relevant and reliable financial information for stakeholders, including the public and financial supervisory institutions. Furthermore,

SAP itself has a fairly important role in some of the basics of preparing financial statements, especially at the village government level, so that financial information can be presented systematically, reliably, and in accordance with the provisions of the law (Octaria et al., 2024).

The purpose of this Government Accounting Standard is to increase transparency and reliability, provide relevant and reliable financial information, and standardize financial statements between government entities (Octaria et al., 2024). Indicators of the success of the implementation of Government Accounting Standards are as follows: (1) the level of compliance with accounting standards in financial statements; (2) The completeness and reliability of the financial information submitted; and (3) BPK audit opinion on the financial statements of government agencies (Pitaloka & Terzaqhi, 2024).

Research Methods

This study uses a descriptive qualitative approach. This approach was chosen because it is suitable to describe in depth the process of applying the accrual basis in government accounting, the challenges faced, and its implications for government financial management. Sugiyono (2019) explained that a qualitative approach is used to provide an in-depth understanding of phenomena through narrative data collection. This approach also aims to be able to explore information from the behavior, views and experiences of the research subjects. The research method used is the literature study method, which is a method that is carried out by examining various written sources such as books, scientific journals, official government documents, and previous research reports.

The type of data in this study is secondary data, namely data obtained from previously published sources. The data sources in this study include, national and international journals in the last 5 years that discuss government accounting and accrual bases, relevant textbooks, official documents such as Government Regulation No. 71 of 2010 concerning Government Accounting Standards, and audit reports and government financial statements. The data collection technique is carried out by means of documentation, namely collecting, recording, and reviewing various sources of literature and relevant documents. Arikunto (2021) explained that documentation is a technique to obtain data through written records, official documents, books, journals, and other materials that support research. Furthermore, the data analysis technique used according to Miles, et al. (2014) consists of three main stages, namely: data reduction, data presentation, and conclusion drawing and verification.

Research Results

This study uses a literature study approach to 15 journal articles consisting of 10 national journals and 5 international journals that have been digitized in the range of 2019 to 2024. This aims to identify the challenges and implications of applying the accrual basis in government accounting, especially in Indonesia and other countries as a global comparison. The journals that are the comparison and reference of this research are as follows:

Table 1

Journal of Literature Studies Research

No	Title and Author	Year	Focus of the Discussion	Focus of the Discussion
1	Evaluation of the Implementation of the Accrual Basis in Local Government (Putri & Siregar)	2020	Technical implementation in the local government	This study evaluates the implementation of accrual bases in local governments. It was found that there are still many regions that face difficulties due to the lack of trained human resources and financial systems that

				are not technologically ready. As a result, the financial statements produced are not accurate and do not reflect the accrual principle in its entirety.
2	Analysis of Accrual Accounting Barriers in Government Agencies (Rahayu&Somantri)	2021	Internal barriers	The main focus of this journal is internal barriers, especially the work culture of ASN. Many employees do not have an adequate understanding of accrual accounting and tend to show resistance to system changes from a cash basis to an accrual basis. This study highlights the readiness of IT infrastructure in supporting the implementation of accrual bases. The information system used is still manual or semi-automatic, so it is not able to record financial data in real-time and comprehensively according to the accrual principle.
3	Infrastructure Readiness to Support the Accrual Base (Taufik&Mulyadi)	2019	Infrastructure TI	This study examines how the accrual basis improves the transparency of public financial statements. The accrual basis allows the recording of assets and liabilities, which were previously invisible in the cash basis, so that the information presented becomes more complete and accountable.
4	The Impact of the Accrual Basis on Public Financial Transparency (Sari&Lestari)	2022	Financial transparency	This journal compares cash and accrual accounting systems in local government financial reporting. The results show that the accrual basis presents more detailed information, especially in recording expenses, receivables, and fixed assets.
5	Comparative Study of Cash and Accrual Bases in Local Governments (Hamzah et al.)	2023	System comparison	The study highlights the increase in budget accountability thanks to accrual-based accounting. By recording all transactions thoroughly (including debts and receivables), budget reporting becomes more open and evaluative.
6	The Effect of Accrual Accounting on Budget Accountability (Widodo&Prasetya)	2022	Accountability	This study evaluates the effectiveness of accrual accounting training. It was found that the training held was only administrative and did not deepen technical competence. This results in ASN still having difficulty in compiling accrual reports.
7	The Effectiveness of Accrual Base Training for ASN (Ananda & Rosmiati)	2021	HR Training	The focus is on the internal audit function in overseeing the implementation of accruals. However, it is still found that internal auditors have not mastered accrual-based auditing techniques thoroughly, so the effectiveness of supervision is weak.
8	The Role of Internal Audit in Accrual Accounting (Fadilah & Nuryanti)	2020	Audit internal	This journal proves that the quality of accrual-based financial statements is higher than cash-based. The accrual basis provides a more realistic picture of the financial position, as it includes asset, liability, and equity data.
9	Quality Analysis of Accrual-Based Financial Statements (Hidayat & Santoso)	2023	Report quality	This article highlights the reform of government financial management driven by the application of an accrual basis. The accrual basis not only changes financial reporting, but also improves the way budgets are strategically planned and controlled.
10	Government Financial Reform through Accrual Basis (Nuraini & Hanafiah)	2024	Financial reform	

11	The Global Transition to Accrual Accounting in the Public Sector (Cohen & Karatzimas)	2020	Global transition	This study examines the global transition from a cash base to accrual. European countries show that successful implementation takes years, with regulatory support, human resource training, and modernization of information systems simultaneously.
12	Challenges of Accrual Accounting in Emerging Economies (Hassan & Bello)	2019	Developing countries	The focus of this journal is on the challenges of developing countries. It was found that human resource competence and an unadaptive bureaucratic culture are major barriers to the effective adoption of accrual accounting.
13	Public Financial Management Reforms and Accrual Accounting (Lee & Kim)	2021	Financial reform	This study explains how accrual-based public financial management reforms impact spending efficiency and bureaucratic performance. Accrual accounting provides more useful data for evaluating government programs.
14	Accrual Accounting Implementation in Government: A Case of OECD Countries (Ramirez & Thomas)	2022	Comparative study of developed countries	This study is a comparative study of OECD countries that have fully implemented the accrual base. These countries show improvements in the quality of fiscal transparency and the effectiveness of state asset management.
15	Barriers to Accrual Accounting in Public Sector (Alzahrani & Ahmed)	2023	Structural barriers	This journal discusses structural obstacles, such as regulatory inconsistencies and weak coordination between agencies. It is emphasized that the success of the accrual base is not only a technical matter, but also a matter of sinergi kelembagaan.

In general, national and international journals show that the main challenges in the implementation of the accrual base lie in unprepared human resources, unsupported IT systems and resistance to organizational culture change. Positive implications of the implementation of the accrual basis include increased transparency, more informative financial reports, and support for data-driven decision-making. Developed countries show more optimal results due to stable regulatory support, modern technology, and intensive training.

Discussion

Based on national journals (Rahayu & Somantri, 2021; Ananda & Rosmiati, 2021), The majority of ASN have not fully understood the principles and application of accrual-based accounting. The training provided tends to be ceremonial and has not touched on technical and practical aspects, such as the recognition of non-financial assets and the measurement of liabilities. This is in line with international findings by Hassan & Bello (2019) which states that in developing countries, especially in Africa, the biggest obstacles are the lack of competent human resources and an unaccountable organizational culture. This shows that the challenges of implementing the accrual base are not only technical, but also related to the human and institutional aspects.

In Indonesia, according to Taufik & Mulyadi (2019), the government's financial system has not fully supported accrual-based recording in an integrated manner. This leads to reporting often late and inconsistent, especially in terms of recording fixed assets and accrual expenses. In comparison, Lee & Kim (2021) in their study in South Korea showed that strong IT infrastructure support as well as an integrated digital financial system are key to the successful implementation of accruals. Financial data recorded accurately and in real-time can support program evaluation more efficiently.

Results of a national study by Sari & Lestari (2022) dan Widodo & Prasetya (2022) shows that the accrual basis is able to increase the transparency of government financial statements. Financial information becomes more complete as it includes the recognition of assets and liabilities, which were not previously listed in the cash basis. These findings are reinforced by international research from Ramirez & Thomas (2022) in OECD countries that have implemented an accrual basis comprehensively. Financial statements prepared on an accrual basis provide more accurate fiscal data and increase public confidence in the country's financial management.

Some national journals such as Fadilah & Nuryanti (2020) revealed that internal audits have not been able to adjust to the complexity of accrual reports. This shows the weak synergy between functions and the lack of technical regulations that support implementation. Instead Alzahrani & Ahmed (2023) in Saudi Arabia shows that similar obstacles occur due to overlapping regulations and weak coordination between government agencies. This means that the implementation of accruals must be accompanied by better policy harmonization and institutional integration.

Overall, both national and international studies show that the application of accrual bases has great potential in improving transparency, accountability, and efficiency of financial management. However, the main challenges remain in HR competencies, IT Infrastructure, Institutional Coordination, and regulatory support. Countries with strong institutional readiness and technological support adapt more quickly, while developing countries such as Indonesia need gradual improvements in these aspects so that the implementation of the accrual base is not only administrative, but also substantial and sustainable.

Conclusions and Suggestions

The application of accrual based in government accounting in Indonesia still faces various obstacles, especially in the aspects of human resources, IT infrastructure, and adaptive regulatory limitations. The accrual basis is able to increase transparency and accountability in government financial reporting by presenting more accurate and complete information. International studies show that countries that successfully implement accrual accounting have the support of IT systems, harmonized regulations, and ongoing HR training. Synergy between regulations, training, and institutional reform is needed so that accrual accounting can be applied comprehensively and provide maximum benefits in state financial governance.

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