

# PERCEPTION OF ACCOUNTING PROFESSIONALS OF HIGHER EDUCATIONAL INSTITUTIONS IN INDIA REGARDING IMPLEMENTATION OF ACCRUAL ACCOUNTING

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## ABSTRACT

*Accrual accounting concept has been using worldwide almost in every country. In India accrual accounting basis is being used in almost all the industries except some of the industries, one of them is Education, but after the order of Ministry of Human Resource Development (MHRD) all the Higher Educational Institutions are mandated to apply accrual basis of accounting from the financial year 2013-14. In this paper the researchers have made an attempt to know the perception of accounting professionals of Higher Educational Institutions about implementation of accrual accounting and to know the challenges faced by the Accounting professional of Higher Educational Institutions, in migration from cash basis to accrual basis of accounting. The result of the study shows that the accounting professionals are in favour of implementing Accrual Accounting although there are some constraints. The result of ANOVA shows, there is significant difference between the perceptions of Accounting Professionals of different category of Higher Educational Institutions.*

**Keywords:** Accrual accounting, Higher Educational Institutions, MHRD, and ANOVA

## 1. Introduction

Higher Educational Institutions are educating the youth of the nation so, they are building the future of our nation. For this vital purpose Government of India provides a huge fund to Higher Educational Institutions, what if these Educational Institutes hide the actual financial information. To mitigate the ambiguity and to ensure a standard format of financial statements, MHRD made it mandatory for all Higher Educational Institutions which are getting grant from University Grants Commission(UGC) or comes under the regulatory ambit of UGC, to follow Accounting Standards and Accrual Basis of Accounting from the financial year 2013-14. Earlier most of the Higher Educational Institutions used to follow the guidelines of the Acts under which they were registered and no standard format was there for reporting of financial information of higher educational institutions. There are many Higher Educational Institutions which are still not following the Accrual Basis of accounting. In this paper the researcher has tried to know the perception of Accounting Professionals of Higher Educational Institutions through questionnaire and to know the challenges faced by the Accounting professional in migration from cash basis to accrual basis of accounting. The questionnaire has been distributed to 50 respondents consisting of 10 respondents from IITs, 10 respondents from IIMs, 10 respondents from Central Universities, 10 respondents from State Universities and 10 respondents from Private Universities.

## 2. Review of Literature

Bruno Ramos Mangualde (2013) conducted a study to know the perception of Brazil Government and England Government regarding the benefits of accrual accounting and concluded that Brazilians and English governments have the same positive opinions towards the benefits of accrual accounting. Marissa M. Hassan (2013) conducted a study on Debates on Accrual Accounting in the Public Sector: A Discrepancy between Practitioners and Academicians and concluded that that a huge proportion from practitioners sources opt for accrual accounting while most of literature from academicians was not in support of accrual accounting. NurulNadiyah Ahmad, SanterNurfarahinasMazlan, SaiyidahDiyana Ahmad and MuhamadHadiZulfadliPangat (2015), tried to know the perception of accounting practitioners through questionnaire and concluded that the Government should play a proactive role for the full and successful implementation of accrual accounting. Jamal Ibrahim Bdour, MuntherTalal Al-momany and Mahmoud HasanQaqish, conducted a study to know the perception of Government employees regarding accrual accounting and concluded that there are differences in the perceptions of users and non-users groups regarding the difficulties of implementing accrual-based accounting. Azrina Hani Azmi and Nafsiah Mohamed (2014) conducted a study to examine the readiness of Malaysian public sector employees in

moving towards accrual accounting for improve accountability: the case of Ministry of Education. This study showed that the accounting employees are ready to implement accrual accounting and to change their mind set as they believe it will make the Government accounting more transparent. Geoffrey Tickell (2010) conducted a study on cash to accrual accounting: one nation’s dilemma. In paper investigated into Fiji’s attempt to use accrual accounting as its financial reporting format and concluded that, due to the nation’s low-skilled public service, high labour turnover and insufficient investment in capital equipment, undertaking the move to accrual accounting for this and similar developing nations require a different approach to that used by developing economies.

**3. Methodology**

The objectives of this study are to know the perception of Accounting Professionals of Higher Educational Institutions and to know the challenges faced by the Accounting professional in migration from cash basis to accrual basis of accounting. To meet the first objective a questionnaire has been designed and distributed to 50 respondents consisting of 10 respondents each from IITs, IIMs, Central Universities, State Universities and Private Universities. ANOVA and Tukey’s HSD have been used to analyse the data. This study aims at testing the following hypothesis:

**H<sub>0</sub>:** There is no significant difference between the perceptions of Accounting Professionals of different category of Higher Educational Institutions.

The following abbreviations have been used in the study:

**Table 1**

MHRD	Ministry of Human Resource Development
UGC	University Grants Commission
IIT	Indian Institute of Technology
IIM	Indian Institute of Management
CU	Central Universities
SU	State Universities
PU	Private Universities

**4. Findings And Discussion**

**4.1 Perception of Accounting Professionals Regarding Implementation of Accrual Accounting**

Majority of the respondents are male 76% (38). With regard to Qualification 28% (14) of the respondents possess B.Com Degree and 56% (28) of the respondents possess M.Com. Degree and 16% (8) of the respondents are Chartered Accountants. Majority of the respondents belongs to 30-40 years age group i.e. 58% (29).

**Section 1**

**Q1. Your Institute apply which basis of accounting?**

**Table 2**

Category	Frequency											
	Total Frequency	Total %	IIT	%	IIM	%	CU	%	SU	%	PU	%
Cash system	9	18	0	0	0	0	0	0	3	6	6	12
Accrual system	24	48	7	14	8	16	6	12	2	4	1	2
Hybrid system (Cash + Accrual)	17	34	3	6	2	4	4	8	5	10	3	6
Any other	0	0	0	0	0	0	0	0	0	0	0	0

(Source: author)

In Table 2, total frequency shows that maximum percentages (48%) of Institutes are following accrual accounting but on seeing the individual Institutes it can be observed that IITs, IIMs and Central Universities are majorly following the accrual basis of accounting.

**Q2. Your Institute is following/will follow accrual basis of accounting due to:**

**Table 3**

Category	Frequency											
	Total Frequency	Total %	IIT	%	IIM	%	CU	%	SU	%	PU	%
Under compulsion Of Govt.	42	84	10	20	10	20	10	20	7	14	5	10

Under pressure of management	5	10	0	0	0	0	0	0	3	6	2	4
Follow willingly	3	6	0	0	0	0	0	0	0	0	3	6
Any other	0	0	0	0	0	0	0	0	0	0	0	0

(Source: author)

Table 3, shows that IITs, IIMs and Central Universities merely following accrual basis under compulsion of Govt. only 3 respondents from Private Universities are following accrual basis willingly.

**Q3. In which year your Institute started following accrual basis of accounting?**

**Table 4**

Category	Frequency											
	Total Frequency	Total %	IIT	%	IIM	%	CU	%	SU	%	PU	%
2011-12 or before	16	32	7	14	5	10	3	6	1	2	0	0
2012-13	11	22	0	0	3	6	5	10	2	4	1	2
2013-14	12	24	2	4	1	2	2	4	4	8	3	6
2014-15 or after	2	4	1	2	1	2	0	0	0	0	0	0
Not Yet	9	18	0	0	0	0	0	0	3	6	6	12

(Source: author)

In Table 4, it can be seen that 16 Educational Institutions have started using accrual basis of accounting in the year 2011-12 or before and 9 Educational Institutions, consists of 3 State Universities and 6 Private Universities are not following accrual basis of accounting still.

**Section 2**

**Analysis of Perception of Accounting Professionals through Likert Scale**

Here, SA= Strongly Agree; A= Agree; NAND= Neither Agree Nor Disagree; D=Disagree, SD= Strongly Disagree

**Table 5**

Particulars	SA	%	A	%	NAND	%	D	%	SD	%
1) Decision making is improved by following accrual accounting system.	16	32	31	62	1	2	2	4	0	0
2) The accountability of Educational Institute increased by following accrual accounting.	24	48	23	46	1	2	2	4	0	0
3) Using accrual basis of accounting, the Educational Institute can know their obligations that are liabilities more accurately.	28	56	20	40	0	0	1	2	1	2
4) Accrual accounting leads to better management of Govt's financial resources.	19	38	26	52	3	6	2	4	0	0
5) Using accrual basis of accounting an Educational Institution can plan better for the settlement of its liabilities.	14	28	32	64	0	0	3	6	1	2
6) Formulation of budget becomes easier using accrual basis of accounting.	13	26	31	62	1	2	5	10	0	0
7) Accrual accounting system makes it easy to ascertain financial position of the Education Institution over different periods.	22	44	24	48	1	2	2	4	1	2
8) Accrual accounting helps in better management of cash flow.	16	32	28	56	1	2	4	8	1	2
9) Accrual accounting system benefits the external users.	15	30	31	62	0	0	4	8	0	0
10) Accrual accounting system benefits the internal users.	20	40	28	56	0	0	2	4	0	0
11) To work with accrual accounting is as easy as cash accounting.	16	32	23	46	0	0	9	18	2	4
12) The benefits of accrual accounting justify	13	26	31	62	1	2	4	8	1	2

the cost required for its implementation.										
13) In Educational Institutions there are sufficient numbers of experienced and qualified accountants having adequate knowledge of accrual accounting.	7	14	30	60	0	0	9	18	4	8
14) Proper training of accrual accounting is being provided to the accounting professionals of the Educational Institutions.	4	8	25	50	0	0	15	30	6	12
15) The decision of MHRD for the full implementation of accrual accounting In the Higher Educational Institutions is supportable.	13	26	21	42	2	4	10	20	4	8
16) IT systems are easy to modify as per the requirements of accrual accounting.	8	16	19	38	0	0	18	36	5	10
17) Provisions and liabilities are easy to be recorded on accrual Basis of accounting.	8	16	20	40	0	0	16	32	6	12
18) The conversion of the accounts from cash basis to accrual basis is easy.	7	14	22	44	0	0	21	42	0	0
19) Infrastructure, equipment, property and their depreciation are easy to record.	6	12	18	36	0	0	18	36	8	16
20) It is easy to record retirement benefits, pension and to get actuarial certificate.	9	18	28	56	0	0	9	18	4	8

(Source: author)

On seeing the table 5 it can be analysed that majority of the respondents are agree on the benefits drawn from using accrual basis of accounting. 78 percent of the respondents says that to work with accrual accounting is not as easy as cash accounting. 88 percent of the respondents agree that the benefits of accrual accounting justify its cost. 74 percent of the respondents agree that in Educational Institutions there are sufficient numbers of experienced and qualified accountants on the other hand 26 percent of the respondents disagree the same. 58 percent of the respondents agree that there are proper provisions for training of accounting professionals whereas 42 percent of the respondents denied the same. 68 percent of the respondents are supporting the decision of MHRD where as 28 percent of the respondents are not supporting the decision of MHRD and 4 percent of the respondents are neutral about it. Majority of the respondents finds it easy to modify their IT systems, to convert accounts from cash basis to accrual basis and to record provisions, liabilities, infrastructure, equipment and retirement benefits.

5. Hypothesis Testing

Table 6: ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2114.540	4	528.635	14.961	.000
Within Groups	3356.850	95	35.335		
Total	5471.390	99			

(Source: author)

The table 6 of ANOVA shows thatthe significance value is .000 (.000<.05) and the Significance value more than .05 indicates that there is no significant difference between the variables So, the null hypothesis (H<sub>0</sub>) gets rejected and there is significant difference between the perceptions of Accounting Professionals of different category of Higher Educational Institutions.

**Tukey’s HSD:**ANOVA test showed that there is significant difference between the groups but to know exactly where those differences lie, Tukey’s Honest Significant Difference test has been applied.

Table 7:Tukey’s HSD

Institutes	N	Subset for alpha = 0.05	
		1	2
IIM	20	17.6000	
IIT	20	17.6500	
Central University	20	18.6500	
Private University	20		26.5500
State University	20		28.0000
Sig.		.981	.938

(Source: author)

Table 7 shows that the perception of Accounting Professionals of IITs, IIMs and Central Universities are almost same and the perception of Accounting Professionals of Private Universities and State Universities are almost same.

## **6. Challenges Faced in Migration from Cash Basis to Accrual Basis**

Accrual accounting involves some tricky calculations and estimation, for which expertise having adequate knowledge of accrual accounting are required. Challenges faces by accounting professionals in migration from cash basis to accrual basis are as follows:

### **6.1 Proper and complete records**

Accrual accounting needs complete records to be maintained as in case of cash basis of accounting deferred revenues, accrued incomes, outstanding expenses, prepaid expenses etc. are ignored so, while maintaining the accounts as per accrual accounting these accounts are also need to be prepared along with the other accounts.

### **6.2 Record of Inventory**

It has been observed that by many of the Educational Institutions, inventory is not being maintained. As per Accounting Standards and New format of Financial Statements prescribed by MHRD, the Educational Institutes should maintain the following inventory: Stores and Spares, Loose Tools, Publications, Laboratory Chemicals, Consumables and Glassware, Building Material, Electrical Material, Stationary and Water Supply Material. If the Educational Institute has not recorded the inventory earlier then it would need some efforts to value and record the inventory in the books of account for the first time.

### **6.3 Recording of Fixed Assets**

Accrual accounting needs proper recording of fixed assets both tangible and intangible. It has been observed that many Educational Institutions do not record Tube wells and water supply system, Electrical Installation, Audio Visual Equipment and intangible assets i.e. Computer software, E-journals and Patents. It will be a great challenge to record all the fixed assets of the Educational Institution in the books of accounts.

### **6.4 Calibre of accounting employees**

In migration from cash basis to accrual basis of accounting, the major role is played by accounting employees of the Educational Institutions. As it has been observed that in the Educational Institutions using cash basis of accounting the accounting staff are not versed with accrual accounting system so, for successful migration from cash to accrual, the accounting staff are need to be more knowledgeable either through training or new recruitments.

### **6.5 Top management**

The support of top management is also necessary for the successful implementation of accrual basis of accounting. This is the responsibility of top management to facilitate the accounting staff with updated IT system, provide sufficient fund for operation, organise training to accounting staff etc.

### **6.6 Dependency on Chartered Accountants**

The work of Auditor is to audit the accounts but many of the Educational Institutions outsourced CAs, only day book is maintained by the accounting staff of the Institution and all other work is handled by the outsourced CAs. Until and unless the accounting staff of the Educational Institution will handle the accounting work the seamless implementation will not be possible.

### **6.7 Training to Accounting Staff**

Training for accrual basis of accounting should be provided to the accounting staff of Educational Institutions. MHRD should arrange training programs for the accounting professionals of Educational Institutions.

## **7. Conclusion and Suggestions**

As per the result of ANOVA, the perception of Accounting Professionals of different category of Higher Educational Institutions is different which shows that all the Higher Educational Institution are not on the same page in relation to accrual accounting. Tukey's HSD test shows that the perception of Accounting Professionals of IITs, IIMs and Central Universities are almost same and the perception of Accounting Professionals of Private Universities and State Universities are almost same. On analysing the questionnaire we can see that 78 percent of the respondents says that to work with accrual accounting is not as easy as cash accounting. 42 percent of the respondents say that there is no proper provision for training of accounting professionals. This clearly shows that there should be arrangements of training for the accounting staff of Educational Institutions. The top management should motivate the staff for the

implementation of accrual accounting and provide updated IT systems. MHRD with support of ICAI should arrange workshops, conferences and seminars for the accounting professionals of Educational Institutions.

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