

**PUBLIC SECTOR FINANCIAL REPORTING ISSUES:
PERSPECTIVES FROM USERS AND PREPARERS**

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ABSTRACT

Purpose: The past two decades have witnessed a raft of reforms introduced at all levels of Government within Australia. However, to date there has been no comprehensive analysis of the perceptions of users and preparers of public sector financial information on: (i) the appropriateness of selected conceptual framework issues; (ii) the relative usefulness of GAAP accrual-based, GFS accrual-based, and cash-based financial information for various decision specific situations; (iii) the extent to which selected accrual accounting information is considered useful for internal budgeting purposes and for external financial report users; and (iv) the appropriate accounting treatments and presentation of various information items for the general government sector as a whole.

Approach: Questionnaires seeking opinions on these four areas were distributed to a sample of public sector financial statement users (both internal and external) and preparers across all federal, state, and territory departments.

Findings: Our results reveal users and preparers generally do not believe that a single conceptual framework is appropriate for both private and public sectors and that any conceptual framework has to take into account the unique features of the public sector and the nature of its operations which differ from the private sector. In relation to the decision usefulness of financial information, we find that respondents consider GAAP accrual-based information the most useful, with GFS accrual-based information typically rated the least useful at departmental level. Our results on the usefulness of information for departments' internal budgeting purposes and for external financial report users highlight the importance of asset maintenance information, which is currently not required to be separately disclosed in the financial statements, and the fact that respondents do not perceive market value of non-financial and non-traded assets as useful. We also find broad support for the financial treatment and presentation of items in accordance with the treatments and presentation required by AASB 1049.

NOTE:

This paper reports the preliminary results of a study that was funded by a 2006/07 AFAANZ research grant. Due to the funding requirements for this research, we did not commence this project until we received notification that the grant application had been successful. However, we felt it was more appropriate to aim for this year's APIRA conference because of the timeliness of the issues. Consequently, as at the time of submitting this paper to APIRA, we are still receiving questionnaire responses. The results presented in this paper are based on responses received up to one week prior to the submission deadline. If this paper is accepted for the 2007 APIRA conference the paper presented at the conference will be based on the complete dataset and not the preliminary results contained in this paper.

KEY WORDS

Cash Accounting, Conceptual Framework, Decision Usefulness, GAAP Accrual Accounting, GFS Accrual Accounting, Public Sector Accounting, Sector Neutrality

INTRODUCTION

Although it has been more than a decade since reforms were introduced in Australian public sector financial reporting, the usefulness of accrual-based financial information is still the subject of ongoing debate in the public sector (e.g., Barton, 2002, 2004, 2005; Challen and Jeffery, 2003; Christensen, 2003; Challen, 2004; Carlin, 2005). Furthermore, the introduction of accrual-based accounting and budgeting at the whole of government level has resulted in two sets of financial statements based on different accrual accounting frameworks and this has fuelled further concern and confusion on the usefulness of different accounting frameworks. Were those issues not enough to contend with, other related areas of contention centre on the appropriateness of pursuing “sector neutrality” and on the wisdom of applying commercially-oriented accounting concepts in the preparation of public sector financial reports.

The former Victorian Auditor-General suggests that the Australian public sector is “at a crossroads in the financial accounting and reporting journey” (Cameron, 2006, p.2). He queried whether the evolution of public sector accounting and reporting in Australia had resulted in improved efficiency, transparency and accountability for governments, and called for more research into the information needs of public sector report users.

In this paper, we survey a comprehensive cross-section of users (both internal and external users) and preparers to ascertain their views on issues related to public sector financial reporting at three levels. At the conceptual framework level, we explore the suitability of a single framework and the appropriateness of adopting private sector definitions of concepts. We also examine perceptions of the usefulness of financial information at the department level, focusing on the usefulness for decision making of cash-based accounting information, generally accepted accounting principles (GAAP) accrual-based information, and GFS accrual-based information, and on the usefulness of information for internal budgeting purposes and for external report users’ purposes. Finally, we explore the appropriateness of various accounting treatments and presentation formats at the general government sector level.

The investigation of perceptions on issues pertaining to the conceptual framework and issues concerning accounting treatments and presentation are prompted by the extensive criticism levelled at the applicability of private sector accounting concepts to the public sector and the

feasibility of a single framework. In addition, Pallot (2001) commented that ‘hard’ evidence on the success of accrual accounting was often difficult to obtain because of its long-term effect. After more than a decade of reform, it is thus timely to review the success, or otherwise, of the accrual system of accounting in the public sector. Although prior research has considered the usefulness of accrual accounting in Australia, much of this work has been in the form of discussion papers or case studies (e.g., Barton, 2002, 2004; Challen and Jeffery, 2003; Carlin, 2005), and most large-scale survey research was conducted prior to 2003 (e.g., Jones and Puglisi, 1997; MAB, 1997; CPA Australia, 2000, 2003). Hence, there has been no large-scale survey research examining the comparative usefulness of the GAAP accrual-based, GFS accrual-based and cash-based systems of accounting.

Continuous research into users’ information needs at both the departmental and general government sector is necessary to encourage transparency and accountability (Cameron, 2006; Simpkins, 2006). The results of this paper will provide contemporary evidence to the ongoing debate in this area and contribute to a knowledge base for the evaluation of the usefulness of financial information in the public sector.

BACKGROUND

PUBLIC SECTOR REFORMS

The financial management reforms of the 1990s resulted in a shift from cash accounting to GAAP accrual accounting and budgeting systems for all federal, state and territory governments in Australia. The adoption of this reform was based on a belief that the cash-based system was inadequate for good financial management and that accrual accounting presented “a more complete basis for assessment of the financial performance of an activity” (MAB-MIAC, 1992, p. 313) and provided “a more appropriate level of accountability” (Department of Finance, 1992, Supplementary Financial Statements 1991-92, Canberra, as quoted in MAB-MIAC, 1992, p. 314). With the reform philosophy of devolving management decision authority to public sector agencies, the use of the accrual system has had significant implications on many aspects of public sector financial management including the implementation of accrual output based budgeting system for budget appropriation, the use of accrual information for service and outsourcing costing, the adoption of purchaser/provider role in government transactions, and the preparation of whole-of-government financial reports.

In line with these reforms, the Australian Accounting Standards Board (AASB), and the former Public Sector Accounting Standards Board, released three Australian Accounting Standards for the public sector (*AAS27 Financial Reporting by Local Governments*; *AAS29 Financial Reporting by Government Departments*, and *AAS31 Financial Reporting by Governments*). Based on the AASB's belief that there should be "sector neutral" accounting standards, it applied private sector business principles to the public sector. However, this move has created intense debate as differences are perceived to exist in the nature of services and the role of government (e.g. Barton, 2002, 2004; Christensen, 2003; Newberry, 2003; Challen, 2004; Challen and Jeffrey, 2005; Carlin, 2005).

The debate has been further intensified by the existence of two sets of accrual statements. These two frameworks, Australian Accounting Standards *AAS31 Financial Reporting by Governments* (GAAP), and GFS, provide different and confusing results. Given the pressure to improve the quality of public sector financial information, the Financial Reporting Council (FRC) issued a strategic direction in 2002 on the convergence of GAAP and GFS (Challen, 2004). Subsequently, an exposure draft *ED142 Financial Reporting of General Government Sectors by Governments* was released in July 2005. The purpose was to "achieve an Australian accounting standard for a single set of Government reports which are auditable, comparable between jurisdictions, and in which the outcome statements are directly comparable with the relevant budget statements" (FRC Bulletin 2002, as quoted in *ED142*). There were eighteen submissions to the exposure draft from various government bodies, the accounting profession and academics, provoking intense concerns about the accounting treatments and presentation of public sector financial statements. A new accounting standard *AASB 1049 Financial Reporting of General Government Sectors by Governments* was subsequently released in September 2006. With the pressing issue on sector neutrality, the FRC also commissioned research in 2005 (Simpkins Report, 2006) which highlighted the importance of meeting users' information needs in the public sector.

Australia is not the forerunner in the adoption of accrual accounting in the public sector. For example, New Zealand has implemented full accrual accounting and budgeting in 1992 (Pallot, 2001). The UK central government also moved from cash accounting to accrual based accounting and financial reporting with the introduction of Resource Accounting and Budgeting in the late 1990s, which is in line with the commercial model (Ellwood, 2003). In addition, the International Public Sector Accounting Standard Board (IPSASB) has proposed

development of a conceptual framework and has developed accounting standards addressing issues specific to the public sector. The International Accounting Standards Board (IASB)'s proposed conceptual framework is also underway but has no specific reference to the public sector at the current stage. With the intense debate on the future direction of public sector accounting and reporting, inputs by the IASB and the IPSASB are likely to have increasing relevance to the Australian development (Cameron, 2006).

ISSUES

Conceptual framework and applicability of commercially-oriented concepts

Under the AASB framework, financial reports should be useful for the purposes of decision making by users and for management to discharge its accountability (SAC 2, paras. 43, 44). For financial information to be useful, it should possess the qualitative characteristics of relevance, reliability, comparability and understandability (AASB Framework, paras. 25 to 44). While there is little dispute regarding these primary concepts, a major dilemma arose when the AASB applied the same private sector accounting principles to the public sector based on the concept of "sector neutrality", and users' information needs appeared to have been compromised.

From the viewpoint of many researchers (e.g., Guthrie, 1998; Barton, 1999, 2002, 2004; Pallot, 2001; Carnegie and West, 2005; Challen and Jeffery, 2005) the nature and operations of the public sector are fundamentally different from the private sector in various ways: (i) in a democratic society, governments are elected by citizens and are accountable to the citizens for their actions. Governments are entrusted to provide essential goods and services for public interests and the focus is on efficient and effective delivery of services rather than for-profit. Governments do not exist to maximize profit. On the other hand, the private sector operates under the market mechanism and aims at earning a profit for financial viability and growth; (ii) governments emphasise the pursuance of social and economic objectives rather than a commercial focus in carrying out their functions; (iii) goods and services provided by governments are largely in the nature of public goods such that the consumption by one person does not preclude the consumption by other persons, whereas goods and services provided in the private sector are generally for private consumption only; (iv) unlike the private sector, the public sector often lacks a market; and (v) governments have to be accountable for parliamentary budget compliance and outcomes while private sector companies are primarily responsible for their own financial performance and position.

Hence, it is argued that a single conceptual framework for both the private and public sectors may not be feasible.

Extensive criticisms have similarly been levelled at the use of commercially-oriented accounting concepts for the preparation of public sector financial reports (Robinson, 1998, 2002; Barton, 2002, 2004; Carnegie and West, 2005; Challen and Jeffery, 2005; Wise, 2006). A key issue relates to the usefulness of the elements of financial statements, including assets, liabilities, expenses, revenue and equity. The conceptual framework defines assets as resources controlled by the entity and from which future economic benefits are expected to flow to the entity (AASB Framework, para. 49). This definition is argued to be inappropriate for non-traded public sector assets such as heritage and community assets given their public goods' nature and the lack of market. Their recognition as assets in public sector financial statements is thus considered to be misleading. The valuation in terms of either cost or market value is problematic. Furthermore, the much needed information about the maintenance of such assets is not required to be separately disclosed in the financial statements.

The concept of revenue in the public sector is also debatable. In particular, Barton (2004) raised concerns about the use of the term "revenue" to describe government appropriation in the case of the Department of Defence. This practice is a consequence of the use of purchaser-provider contracts in government where the government acts as a customer purchasing and paying for the services delivered by the department. The treatment of government appropriation as a business transaction is considered to be unnecessary and misleading. There are also other areas of contention. For example, the inclusion of asset revaluation adjustments as operating revenue and expenses is also arguable. The resulting net surplus and equity makes Defence what Barton (2004) describes as "the most profitable enterprises in the nation" (p.281). The usefulness of the concept of equity for government is therefore questionable. Neither the equity amount reflects the financial performance of public sector entity, nor is the government an owner. Also, liabilities, particularly the accrued employee benefits, are generally regarded as important for proper liability management by the public sector. However, the extent to which public sector managers consider this information useful has not been widely researched.

The dilemma is further compounded at the whole of government level where two sets of financial statements based on two different accrual accounting frameworks are presented. It has been argued that information under the GFS is more useful to key public sector report users and provides a sound basis for comparison across jurisdictions (Barton, 2002, 2005; Challen and Jeffery, 2005). A key issue with the GAAP financial statement lies in the concept of control, which applies to business entities but is not considered appropriate for the public sector. As Challen (2004, p.10) suggested:

Governments have a wide potential range of control. They have the power to regulate the behaviour of many entities by use, with Parliament's consent, of their legislative powers. Such legislative arrangements govern accountabilities, but they also confer rights, functions and powers on public sector entities. Where such rights, functions and powers have been conferred, the entities may be placed beyond the control of the Government, and even of Parliament, subject to changing the relevant legislation, a process that is not always certain.

In that sense, public sector entities which are created or have power conferred by statute, such as government business enterprises and many statutory authorities, arguably should not be included in reporting aggregate government financial results (Challen, 2004; Challen and Jeffery, 2005). Thus, there may be a need to re-visit the concept of reporting entity under the Australian conceptual framework.

Experience in the UK also highlights discontent with the application of commercial accounting model to the public sector. A private sector conceptual framework was criticized as unsuitable for application to public benefits entities. Similarly, the preparation of whole of government accounts based on a commercial model raised issues on the concept of control and identification of the parent entity (Heald and Georgious, 2000; Ellwood and Newbury, 2006). The Government Accounting Standards Board (GASB) in US also recognises the fundamental differences between for-profit business enterprises and the government sector in order to produce relevant information to meet the needs of users of government financial reports (GASB, 2006).

Cash, GAAP-accrual and GFS-accrual

The public sector reform has placed much focus on resource management including assets and liabilities as a consequence of the devolution of greater financial administration responsibilities to public sector managers. Agencies are responsible for promoting the efficient and effective use of resources for accountability. The traditional cash-based accounting system is considered inadequate to provide the range of financial information necessary for good resource management. For example, the cash system does not report full costs of departmental program and activities, non-cash assets, and superannuation liabilities, and it is primarily used for budget compliance (e.g., Clarke-Lewis, 1996; Barton, 2002; Barrett, 2004). In this regard, there has been strong support from the government and the accounting profession for the use of accrual accounting (e.g., ANAO, 1994; MAB, 1997; CPA Australia, 2000, 2003).

Government departments are required to comply with AAS29 which requires the use of the accrual basis of accounting in the preparation of general purpose financial reports. AAS29 highlights that accrual accounting will “assist in ensuring that government departments are accountable for all the assets they control, the liabilities they incur and the effects of the operations for the reporting period on those items” and suggests that such information is decision useful to both external users and the internal management of the government departments (see *Main Features of the Standard*).

The use of accrual accounting creates the need to report assets and liabilities in the balance sheet. CPA Australia (2003, p.3) suggested that good balance sheet management in the public sector “enables a focus on, and management of, the organisation’s assets and liabilities, and assignment of responsibility for their management, ensures assets are better utilised to deliver the agency’s outputs”, and “ensures all significant financial issues relevant to the organisation are reported”. Thus, apart from external reporting, accrual information is also considered to be useful to improve resource management and allocation during the internal budget process.

However, these claimed benefits do not differentiate between GAAP-accrual and GFS-accrual systems. In fact, the GFS accrual system has not been required at the departmental level, nor has this issue been extensively researched. Such claimed benefits are also used to justify for the adoption of GAAP-accrual accounting in other countries such as NZ and UK. While some adoption problems were found in UK experience (Ellwood, 2003), there appears

to have general support for accrual accounting by public sector managers and politicians in NZ (Pallot, 2001; Lye, Perera and Rahman, 2005).

Convergence of GAAP and GFS

Major differences between GAAP and GFS accrual accounting exist in the classification and presentation of financial statement items. These include the different classification of items such as asset revaluations, gains or losses on disposal of assets, provision for bad debts, acquisition of defence weapons, dividends from other sectors, and goods and services tax; as well as different asset valuation bases. There are also differences in presentation of aggregate items on the face of financial statements. For example, items such as net operating balance from transactions, net worth, net lending or borrowing, cash surplus, and net change in financial assets are presented under GFS but not GAAP.

Barton (2002, 2004) criticised the use of business accounting concepts in the preparation of public sector financial statements as he believed that these provide misleading information for the assessment of government performance. While endorsing the benefits of accrual accounting for resources management, Barton (2002, 2005) highlighted the confusion posed by the existence of two sets of accrual accounting and budgeting systems which provide two sets of significantly different financial results.

Barton (2005, p.26) recommended:

The reintroduction of cash accounting and budgeting system as a subset of accrual accounting and budgeting system for the direct recording and timely reporting of cash transactions; and harmonisation of the sound features of AAS and GFS into one combined, robust accrual accounting financial management information and reporting system which is based on the GFS model and is relevant for the public sector.

A similar view is shared by other researchers (Challen, 2004; Christensen, 2003; Newberry, 2003; Carlin, 2005). Challen (2004), for example, argued that GAAP did not meet users' needs in the public sector and preferred the GFS as a suitable alternative.

Following the FRC's and AASB's efforts in harmonizing GAAP and GFS, various submissions to *EDI42* sent a mixed message about the usefulness of financial information.

There were different views among the submissions on various issues, including the presentation format (such as presentation of GFS-based aggregates, disclosure of budget information to be aligned and directly comparable with the financial statements); treatment of GGS investment in other sectors (at cost or fair value, and whether it should be recognised on balance sheet); and budgetary information (disclose original or revised budgets, and major variances). Given such diverse views from various stakeholders, the effect of the subsequent accounting standard *AASB 1049* on users' information needs remains to be seen.

EMPIRICAL EVIDENCE

As Pallot (2001) noted, there were often not a lot of 'hard' evidence on the usefulness of accrual information in the public sector. In the UK, Connolly and Hyndman (2006) conducted 15 interviews in 10 Northern Ireland government departments found diverse views between different levels of management. Accrual information was more likely to be used during department's discussion at high level management. However, there was limited use of accrual information at the operational level. Accrual information was considered by operation accountants as having benefit for the management of fixed assets, but not necessarily influencing decisions. Their findings highlighted that the claimed benefits of implementing accrual accounting in the Northern Ireland public sector was not justified. Paulsson (2006) also found low usage of accrual accounting by central government in Sweden. Contrary to Connolly and Hyndman (2006), Paulsson found accrual information was used more for management purposes rather than budgetary and policy making purposes. The level of usage also depended on the size and functions of different agencies

In Australia, several surveys have been conducted on the relevance and use of accrual accounting information in the public sector. The ANAO (1994), for example, found most government agencies agreed to the benefits of accrual accounting, but many were not prepared for the use of accrual information. MAB's (1997) survey found there was limited use of accrual accounting information for internal reporting purposes in the Commonwealth government sector and managers saw limited value in using accrual information for decision making. Jones and Puglisi (1997) examined the relevance of AAS29 and found that most government departments did not perceive GAAP accrual accounting information to have satisfied users' information needs. CPA Australia (2003) reported that CFOs in the public sector considered property, plant and equipment as the major asset to be managed by agencies; with management of employee entitlement also required. It was also reported that

many public sector agencies did not have much incentive to actively manage the balance sheet. These earlier studies suggest that there was hesitancy in using accrual accounting in the public sector.

More recently, Simpkins (2006) examined the “sector neutrality” issues which highlighted various stakeholders’ views on the benefits and challenges of using a set of common standards across all sectors. However, no consensus views were concluded and Simpkins (2006) suggested that “transaction neutrality” was a more appropriate term. Furthermore, although some accounting treatments of transactions could be common across sectors, there were presentation issues which were largely different between sectors and needed to be meaningful to the public sector. Concerns about the conceptual framework were also raised in relation to accountability, the notion of control, the valuation and depreciation of physical assets (particularly cultural and heritage assets), and the recognition of revenue of a non-exchange nature. Simpkins (2006) also reported that public sector users were most interested in the GGS and thus convergence of GAAP and GFS at GGS level was largely supported, but were not sure whether there would be benefits in applying GFS at the individual department level. The importance of meeting users’ information needs was again emphasised.

RESEARCH DESIGN

SAMPLE AND PROCEDURES

A questionnaire was used to examine the research questions. The questionnaire was disseminated to public sector financial statement users (both external users and internal users) and preparers across federal, state and territory departments. The external users group in our study comprised government officials responsible for accounting, reporting and budgets in Treasury and Finance departments, and public accounts committee members.¹ Questionnaires were sent to the relevant government officials in all state and territory Treasury and Finance departments, and also at the federal level. Questionnaires were also distributed to all members of public accounts committees in federal, state and territory governments. The internal users group comprised heads of departments, or deputy heads,

¹ The focus of this paper was on stakeholders who substantially rely on public sector financial statements for decision making or accountability purposes. Thus, while other external users of public sector financial statements may also include taxpayers, politicians and the media, we did not include these categories in our study.

and general managers. Individuals at these positions were selected because they are more likely to have familiarity with, and use, public sector financial statements. Lower level managers would generally not have exposure to, or responsibility for, the issues examined in this study. Questionnaires were distributed to 110 departments in federal, state and territory governments, and this substantially covers all government departments across Australia. On average, each government department received four questionnaires personally addressed to these internal users. The preparers group was represented by chief financial officers, or their equivalent. Questionnaires were sent to preparers in 96 departments in federal, state and territory governments.²

The names and mailing addresses of the sample were obtained from government department and parliamentary websites. Approximately four weeks after the initial distribution, a follow-up mailing was conducted to encourage participation. Since respondents were not asked to identify themselves, the follow-up mailing was sent to the whole sample, but excluded those from whom we had received unopened returned mail. Out of the final sample of 625, 89 responses were received.³ This represents a response rate of 14%.⁴ A summary is provided in Panel A of Table I showing the number of questionnaires distributed to each group, and the number of responses from each group. Panel B of Table I provides a profile of the respondents.

Panel B shows that approximately 73% of the sample had accounting backgrounds. Respondents had worked in the public sector for an average of 17 years and, on average, had 11 years of managerial experience in the public sector, and 14 years in public sector financial management. Forty-eight percent of the sample had private sector experience, ranging from 44% for internal users to 52% for external users. Those who had private sector experience had, on average, 9 years of private sector experience. Most of the respondents (81%) were employed by either State or Territory governments. Respondents were from across a range of department sizes as measured by the level of appropriation received. Overall, most

² Only 96 departments were sampled as we were unable to identify the names of chief financial officers from the websites of some departments.

³ This was the number that we had received at the time of data analysis but responses are still being received. Once data collection is complete, we will update the results and also test for the possibility of non-response bias.

⁴ We received notification from several government departments alerting us to the fact that they had chosen to provide a combined response rather than complete separate questionnaires. We have adjusted Table I to reflect instances known to us.

respondents were from departments receiving less than \$200 million. Most of the internal users who responded were from departments receiving less than \$500 million. Preparers were predominantly either from departments receiving less than \$200 million or receiving more than \$5,000 million.

[Take Table I here]

QUESTIONNAIRE DEVELOPMENT

The questionnaire was separated into two sections. One section of the questionnaire asked for demographical data from the respondents. The other section asked respondents to provide opinions on a range of topics, including:⁵

- the extent of appropriateness of selected conceptual framework issues.

Questions on this topic sought respondents' opinions on the scope of a conceptual framework for the public sector, and on the appropriateness of adopting private sector definitions of concepts such as controllability and assets. Respondents were provided with a series of statements on these issues and asked to convey their views using a five-point Likert scale, ranging from [1] 'strongly disagree' to [5] 'strongly agree'. Respondents were also asked to comment on their views on the appropriateness of a single conceptual framework that was applicable to both private and public sectors. Again, they were asked to provide a response on a five-point Likert scale, but additionally, written comments in support of their stance were sought.

- the usefulness of GAAP accrual-based, GFS accrual-based and cash-based financial information for various situations including performance assessment, discharge of accountability, resource allocation, cash flow needs and efficiency of service delivery. Respondents were asked to respond on a five-point scale, ranging from [1] 'not useful' to [5] 'very useful'. If a situation did not apply to their circumstances, respondents were asked to indicate this by selecting a 'not applicable' option.

⁵ In the interests of brevity, the complete listing of the questions asked for each of the following topics are provided in the discussion of results.

- the extent to which selected accrual accounting information is considered useful for respondents' internal budgeting purposes and for external financial report users.⁶

These questions focused on the usefulness of information items such as the acquisition costs of assets, the market value of non-financial assets and of non-traded assets, employee leave liabilities and superannuation liabilities. Responses were gauged on a five-point scale, ranging from [1] 'not useful' to [5] 'very useful'. Again, respondents were asked to select the 'not applicable' option for information items that did not apply to their circumstances.

- the appropriate accounting treatments and presentation of selected information items for the general government sector as a whole.

Questions on appropriate accounting treatments included items such as assets, the provision of doubtful debts, dividends, and development costs, while questions on presentation format covered items such as cash surpluses, total change in net worth and net change in financial assets. For each question, respondents were provided with four response options and asked to select the most appropriate response. Two options specified possible alternative treatments/presentations. These treatments were in accordance with either GAAP or GFS guidelines, but respondents were not told which alternative matched with which guidelines. Respondents were also provided with an option that indicated that they were 'indifferent between the two alternatives' and another option that stated that they were 'unsure which alternative is more appropriate'. Given the technical nature of these questions, these two options were included so that we could avoid respondents "guessing" which the more appropriate treatment was and we could gauge whether there was a clear preference in the alternative treatments/preferences.⁷

⁶ The external users' group was not asked to comment on the usefulness of the information items for internal budgeting purposes.

⁷ Based on discussions with senior managers who had responsibilities for accounting and reporting in the public sector, it was believed that general managers may not be familiar with this question as it is typically beyond the scope of their activities. Hence, this topic was excluded from the questionnaire sent to the general managers in the internal users group.

In developing the questionnaire, various sources were utilised, including relevant Australian accounting standards and exposure drafts, the conceptual framework, pertinent government documents and prior literature.

The questionnaire was pilot-tested using a group of academics who had familiarity with the operations of the public sector and public sector senior managers who had responsibilities for accounting and reporting in the public sector to seek feedback on terminology and issues, and on the clarity of the questionnaire.

DATA ANALYSIS

In the results section, we report general descriptive statistics across the whole sample and also by group (internal users, external users, and preparers) for each topic. To determine if any variations existed in the responses of the groups, we performed tests of differences between the groups and this is also reported in the results section. Non-parametric tests of differences (Wilcoxon signed ranks tests for paired samples; Mann Mann-Whitney *U* tests for independent samples) were used.

RESULTS

CONCEPTUAL FRAMEWORK ISSUES

The questions related to a conceptual framework for accounting in the public sector, and the responses to these questions, are presented in Table II. The table reports the descriptive statistics for the total number of responses received and also by group.

[Take Table II here]

We asked several questions pertaining to the characteristics of a conceptual framework for the public sector. When asked if government financial reports should be directly comparable with information prepared for internal budgeting purposes, sixty-four percent of respondents agreed with this statement. Table II also shows that external users agreed with this statement more than internal users and preparers, though there were no significant differences between the groups. These results suggest support for the need for comparability of financial reports, and suggest that external users view this attribute as more desirable than respondents from within government departments.

When asked if a conceptual framework should take into consideration social policy obligations, approximately 50% agreed with the statement. As can be seen from the results from Table II, there were many respondents who were neutral on the reporting of social policy obligations.

A similar observation can be made for the question asking whether a conceptual framework should give primary importance to “accountability” over “decision making” purposes. From Table II, it can be seen that 41% of the sample agreed that “accountability” should be given importance over “decision making”. However, only 8% of the sample disagreed with the statement. Again, there appeared to be a high proportion of respondents who were neutral on this question. Possibly, respondents did not see one purpose as being more important than the other, and may have perceived that a conceptual framework should embrace both “accountability” and “decision making” purposes.

We asked respondents whether government business entities should be excluded from consolidated government reports since they do not meet the criteria of control. Fifty-two percent of the sample disagreed with the statement. This view is fairly consistent across all user and preparer groups. Hence, consistent with Challen (2004) and Challen and Jeffery (2005) respondents believed that government business entities should be included in consolidated reports. This adds further support for the need to re-visit the concept of reporting entity as defined in the Australian conceptual framework.

The majority of respondents (77%) perceived that a conceptual framework should acknowledge differences in the nature of operations between the public and private sectors. This is a fairly similar view across all groups. This finding is consistent with observations made by Guthrie (1998), Barton (2006), Challen and Jeffery (2005) and others who have remarked on the fundamental differences in the two sectors.

We also asked a series of questions about the elements of financial statements since there are concerns about the applicability of commercially-oriented accounting concepts in the public sector. We asked respondents for their views on the treatment of public sector assets. As to whether public sector assets are considered resources controlled by the public sector entity,

the majority of the sample opined that they were. Again, this opinion was fairly consistent across all groups.

We also asked respondents for their views on the statement that public sector assets generated future economic benefits. Approximately 50% of the whole sample agreed with the statement. Overall, it would appear that respondents were fairly neutral on their beliefs about this statement.

In response to the question on the appropriateness of the accumulated surplus and equity item as a measure of government financial performance, a large proportion of the sample either disagreed with the statement or was neutral. Only 22% of the sample agreed with the statement. Hence, this item is considered to be an inappropriate measure of financial performance. This might be consistent with Barton's (2004) contention that this item is misleading but further research should explore why users and preparers believe this to be an inappropriate measure and consider what are more appropriate measures to reflect government financial performance.

For the question on whether a conceptual framework should take into consideration the renewal and maintenance of heritage and infrastructure assets, 65% of the sample agreed with this statement. However, from Table II, it can be seen that there were significant differences in the responses of internal users compared to the other groups. The internal users agreed less with this statement than external users and preparers. There were no significant differences in the opinions of external users and preparers. Perhaps further research is necessary to explore internal users' perceptions of the relevance and implications of accounting for heritage and infrastructure assets.

We concluded the set of questions by asking about the appropriateness of having a single conceptual framework applicable to both the private and public sectors. It is perhaps not surprising that at least half the sample thought that a single framework was not appropriate. Our results suggest that the users and preparers of public sector financial statements generally do not believe that a single conceptual framework is appropriate for both sectors. To obtain further insights into the reasons for their beliefs, we asked respondents to provide written comments in support of their stance.

Those who did not think that a single framework was appropriate cited differences in the objectives and outcomes of the two sectors and in the issues faced by the two sectors as the main reasons for their stance. These sentiments are consistent with the views expressed by earlier researchers (e.g., Guthrie, 1998; Barton, 1999, 2002, 2004 ; Pallot, 2001; Challen and Jeffery, 2005). Comments from respondents included:

“Public sector...deals with a range of accounting issues that are not experienced in the private sector e.g., assets.” (Internal user)

“There are some similarities but accountabilities are different as are incentives for action.” (Internal user)

“While nice in theory, assets are maintained for the public good which may not necessarily achieve financial objectives of the private sector.” (Preparer)

“Not until the value of such things as land under roads, national parks and trees etc can be realistically valued.” (Internal user)

“Because the private sector does not have the same responsibilities/obligations as the public sector.” (External user)

Those who believed that a single framework was appropriate gave reasons such as similarities in basic concepts or transactions, and that a single framework would facilitate comparability and consistency. However, it was evident from most responses that respondents believed that it was appropriate to have a single framework as long as differences between the two sectors were acknowledged. The following comments reflect this sentiment:

“There is commonality between sectors but a conceptual framework must also deal with the points of difference between public and private sectors.” (Preparer)

“Basic principles should be the same – just need additional guidance on unique characteristics.” (Internal user)

“Appropriate, but there are issues e.g., valuation of assets where they have no commercial purpose.” (External user)

“Based on transactional neutrality not sector neutrality. Sectors are different but most transactions similar.” (External user)

“Both operate as business type entities with government responsible for social obligations. This fact should not limit a single conceptual framework.” (External user)

USEFULNESS OF INFORMATION

Cash, GAAP-accrual vs GFS accrual

Table III reports the results related to respondents perceptions on the usefulness of GAAP accrual-based, GFS accrual-based, and cash-based financial information: (i) in assessing a department’s performance, (ii) in assessing a program’s performance, (iii) in assessing a department’s effectiveness in delivering goods and/or services, (iv) in assessing a department’s efficiency in delivering goods and/or services, (v) to assist in managing a department’s assets and liabilities, (vi) to assist in discharging a department’s accountability obligations, (vii) to assess a department’s cash flow needs, (viii) for departmental resource allocation decisions, (ix) for major departmental asset acquisition decisions, (x) for evaluating departmental resource allocation decisions, (xi) to assess future departmental resource needs, and (xii) to identify departmental costs of goods and/or services provided. Results are presented for the total number of respondents (Panel A), as well as by group: internal users (Panel B), external users (Panel C), and preparers (Panel D).

[Take Table III here]

Reviewing the descriptive statistics in Panel A of Table III, it can be seen that with the exception of assessing a department’s cash flow needs, GAAP accrual-based information

consistently is considered to be the most useful, with GFS accrual-based information consistently seen as being the least useful. With the exception of assessing a department's cash flow needs, where the results are unsurprisingly in the opposite direction, respondents believe GAAP accrual-based information to be statistically significantly more useful than cash-based information. For every situation, GAAP accrual-based information is also considered to be statistically significantly more useful than GFS accrual-based information, and in nine of the 12 situations, cash-based information is considered to be statistically significantly more useful than GFS accrual-based accounting information.

The descriptive statistics and results of Wilcoxon signed ranks tests presented in Panels B (internal users), C (external users), and D (preparers) are generally consistent with those presented in Panel A.⁸ However, two interesting points of note are: (i) that for preparers (Panel D) the results are even stronger than for the entire sample (Panel A); and (ii) that for external users (Panel C) in ten of the 12 situations there is no statistically significant difference between the usefulness of GAAP accrual-based information and GFS accrual-based information, and in 11 of the 12 situations there is no statistically significant difference between the usefulness of cash-based information and GFS accrual based information. Looking at the descriptive statistics for external users (Panel C) it can be seen that in half of the 12 situations GFS accrual-based information is considered to be the second most useful behind GAAP accrual-based information. The tendency for external users to rate GFS accrual-based information more highly than other respondents⁹ could be based on the fact that a large majority of respondents for the external user group come from the Commonwealth and State/Territory treasury and finance departments. It is people within these departments who are likely to have responsibility for whole of government reports (currently prepared using both GAAP and GFS accrual) and thus these respondents should have a better understanding of and greater familiarity with GFS accrual accounting, which may explain the higher usefulness scores they attribute to GFS accrual-based financial information.

⁸ It is acknowledged that within each panel there are not always as many statistically significant results; largely due to smaller sample sizes. However, respondents' opinions as to the most useful accounting format is largely similar to those in Panel A.

⁹ Though not reported, Wilcoxon signed ranks test showed that for all 12 situations external users rated GFS accrual-based information statistically significantly more useful than preparers, and for one of the 12 situations they rated GFS accrual-based information statistically significantly more useful than internal users.

The above results run counter to the arguments presented in the literature that GAAP accrual-based information does not meet stakeholders' information needs (Christensen, 2003; Newberry 2003; Carlin, 2005). The results in Table III would suggest that GAAP accrual-based information is meeting public sector users' and preparers' needs to a large extent. The above results may bring into question the need for convergence between GFS and GAAP accrual accounting at the departmental level.

The results might also suggest that GFS accrual accounting should be discontinued altogether and public sector financial reports presented solely based on GAAP accrual principles, a note of caution needs to be expressed if this course of action were to be considered. A possible explanation for the low usefulness scores recorded for GFS accrual-based information is due to most respondents (with the exception of the external users) being unfamiliar with GFS accrual accounting. If people are unfamiliar with the GFS accrual accounting they may not fully understand it and as such not fully comprehend its potential benefits over GAAP accrual accounting. Evidence for such a phenomenon can be seen based on the results of research conducted soon after the implementation of accrual accounting into the Australian public sector. The initial studies, such as Jones and Puglisi (1997) who undertook their research during 1993-94, reported that accrual-based information was generally only of "modest relevance to the internal decision making of government departments" (Jones and Puglisi, 1997, p. 124), whereas later studies (e.g., CPA Australia, 2000) found that accrual accounting had by then been widely accepted. It is likely that it takes public sector users and preparers time to become familiar with a new method of recording and presenting financial information and it is only through exposure for a period of time that these users and preparers come to understand the relevance and usefulness of the new accounting method.

Usefulness of information for department's internal budgeting purposes and for external financial report users' purposes

This questionnaire sought users' and preparers' opinions regarding the usefulness of various financial statement elements for their departments' internal budgeting purposes and for external financial report users. The descriptive statistics for the total number of respondents and by group are presented in Table IV. The results for the internal budgeting are initially presented, followed by the results for reporting to external users. A comparison of the results

for the two purposes is then provided. The focus of the analysis is on the significant items and between groups comparison.

[Take Table IV here]

With respect to the usefulness of information for internal budgeting purposes (Table IV, Panel A), the views of internal users and preparers, but not external users, were sought. An analysis of the total number of respondents showed that most of the respondents did not perceive market value of non-financial and non-traded assets as useful. Other information were largely considered to be useful. The most useful information were acquisition cost of assets and maintenance expenses.

Consistent with the total, most of the internal users considered that market value of non-financial assets were not useful as compared to the acquisition cost, nor was the market value of non-traded assets. Other information was perceived as useful to some extent. The most useful information was asset maintenance expenses.

Preparers shared similar views regarding which items were useful. They perceived acquisition costs of assets, asset maintenance expenses, employee liabilities and accrual/prepaid expense information as very useful. Compared to internal users, both internal users and preparers considered asset maintenance information as most useful, but preparers gave a higher usefulness rating for employee leave and superannuation liabilities, operating accrued/prepaid expenses and operating surplus/deficit. Preparers also had stronger objection to the usefulness of market value of non-traded assets.

With regard to the usefulness of information for reporting to external users (Table IV, Panel B), both internal and external users, and preparers were asked to express their opinions. Overall, the responses showed that information about employee leave and superannuation liabilities, operating accrued and prepaid expenses, and operating surplus or deficit appeared to be more useful. Again, market value of non-traded assets was less useful. Some differences in views among internal users, external users and preparers were also found.

Internal users perceived maintenance expenses, accumulated surplus/deficit and operating surplus/deficit would be useful to external users. On the other hand, external users regarded

most information as useful, but they had stronger negative response to the usefulness of the market value of non-traded assets. They also showed greater emphasis on the usefulness of operating results, employee leave and superannuation liabilities, operating accrued/prepaid expenses, and cash surplus/deficit than as internal users had perceived.

Preparers' views on the usefulness of such information for external users were more diverse. Contrary to the perception of internal users, more preparers than internal users perceived that employee leave and superannuation liabilities, and operating accrual and prepaid expenses would be useful for external users, while more internal users than preparers considered maintenance expense would be more useful to external users. Both groups considered market value of non-traded and non-financial assets were less useful to external users. Comparing to the views of external users, external users had higher usefulness rating than preparers, particularly for maintenance expenses, operating results and cash surplus or deficit.

Comparing the responses between information that was useful for the purposes of internal budgeting and for reporting to external users (Table IV, Panel C), responses from the whole sample showed that, except for depreciation, superannuation liabilities and operating results, significant differences in respondents' perception between these two purposes were found.

From the perspective of internal users, while market value of non-financial assets was considered to be the least useful for internal budgeting, no consensus view was found for reporting this information to the external users. In addition, more respondents rated asset maintenance expenses as useful for internal budgeting when compared to their rating for reporting to external users.

From the perspective of preparers, several significant differences between the internal and external perspectives were observed. A greater proportion of the respondents considered acquisition cost of non-financial assets, asset maintenance expenses, employee leave liabilities, accrued/prepaid expenses, and operating results were more useful for internal budgeting than for external users purposes. However, more respondents viewed market value of non-financial assets and non-traded assets as less useful for internal budgeting than for external users.

The results highlight the importance of asset maintenance information which is currently not required to be separately disclosed in the financial statements. It also provides evidence for the ongoing arguments against the use of market value for non-financial assets and non-traded assets, and accumulated surplus or deficit (Barton, 2002, 2004; Robinson, 1998, 2002; Carnegie and West, 2005). However, the reasons for the disagreement regarding their usefulness for external reporting require further exploration. The results highlight the different views among internal users, external users and preparers. Internal users are likely to have a need for information about asset maintenance, and acquisition costs of assets. On the other hand, external users tend to focus more on the operating results, cash surplus, and employee leave and superannuation leave. Preparers appear to agree with internal users on the usefulness of asset acquisition cost and maintenance, but also emphasise the importance of accrual/prepaid expenses and employee liabilities for both internal budgeting and for external users. The different focuses on assets and liabilities highlights different users' needs and perception gaps between users and preparers. The relatively lower usefulness rating for most items for external reporting purposes by the whole sample perhaps highlights respondents' concerns about how useful accrual accounting information is for external reporting, though many of such items are perceived as useful for internal budgeting purposes.

ACCOUNTING TREATMENTS AND PRESENTATION FOR GENERAL GOVERNMENT SECTOR

Given the different accounting treatments and presentation of various financial statement items under GAAP and GFS systems, and the diverse views from the submissions to *EDI42*, we also sought users' and preparers' views on what might be the appropriate treatments and presentation for selected items. The purpose is not to elicit support or opposition to either system, but to provide insight into the appropriate accounting treatments and presentation that would produce useful information to users.

Respondents were provided two different accounting treatments for various information items and were asked to select one which they regard as appropriate for that particular item, or indifference between the two alternatives. Given the technical nature of the issues and the possibility that the respondents may not have sufficient knowledge, respondents could also

indicate if they were unsure about the alternative treatments. The results are presented in Table V.

[Take Table V here]

Overall, the responses indicated that the majority of the respondents favoured treating gains or losses on asset disposal as operating income or expenses (consistent with GAAP treatment); valuation of assets at either historical costs or fair value (GAAP treatment); provision for doubtful debts as operating expenses and included in balance sheet (GAAP treatment); dividends from associates as revenue (GFS treatment); and goods and services tax (GST) be recognised as Commonwealth tax and grants to other states (GFS treatment).

These views exhibit a mix of preferences for GAAP and GFS accounting methods for particular transactions, and are consistent with those of AASB 1049 except the treatment of GST, about which the accounting standard is silent. Respondents' views on the GST treatment are consistent with the GFS requirements. Many respondents favoured the treatment of development costs as expenses similar to that under the GFS system. Their views are again inconsistent with AASB 1049, according to which development costs are recognised as intangibles.

About 50% of the respondents considered that it was inappropriate to put a value on the non-traded assets. This was consistent with the findings that users and preparers perceived valuation of non-traded assets was not useful for both internal budgeting and external reporting. However, the accounting standard still requires a cost or surrogated value be put on the non-traded assets. No clear direction of preference was found for accounting for the acquisition of defence weapons. This remains a controversial issue for users and preparers.

Under the GFS system, financial aggregates such as net operating balance, net lending/fiscal balance, net worth and net financial worth are presented on the face of the financial statements. AASB 1049 also has similar requirements but with slight moderation, such as the presentation of net operating balance from transactions, total change in net worth, net lending/borrowing and cash surplus, but the presentation of net change in financial assets is not required. Most respondents agreed to those presentations, including net change in financial assets. The results suggest that respondents welcome the presentation of these aggregates in consistence with the GFS system.

Internal and external users had similar views on these issues. Their views are also consistent with the total sample results. The major difference lies in the gains or losses on disposal of assets. Over 50% of the internal user respondents favoured including it as part of operating income or expenses (consistent with GAAP and AASB 1049), but there was no clear preference from the external user respondents. Internal users preferred to have the selected financial aggregates to be shown on the face of the financial statements, except net change in financial assets. External users appeared to agree but more of them also prefer to see net change in financial assets on the face of financial statements.

Preparers' views were similar to internal users' views in many aspects, but there were a number of differences between the opinions of preparers and external users. Preparers had a stronger preference than external users for: (i) including gains or losses on disposal of assets as operating income or expenses (consistent with GAAP, AASB 1049 and internal users' responses); (ii) not to put a value on non-traded assets (inconsistent with AASB 1049); and (iii) recognising acquisition of defence weapon as assets and providing depreciation (consistent with GAAP and AASB 1049). On these three issues, no clear preferences were observed from the perspective of external users. On the other hand, most external users preferred writing off development costs as expenses (consistent with GFS), but there was no consensus view from preparers.

The results reveal that respondents do not have particular preference for either GAAP or GFS system, but the results do show that respondents' perceptions of the appropriate treatments are consistent with most of those adopted by AASB 1049. Hence, there appears to have support for the new standard's potential in enhancing the usefulness of financial information in the public sector, though the effect of the standards remains to be seen. The differences in opinions between external users and preparers appear to be consistent with external users' emphasis on operating results and cash surplus/deficit. The results might suggest that external users are likely to be more concerned about whether items constituting the operating results could unnecessarily inflate the operating results figure (for example, recognising defence weapon as assets and development costs as intangibles would increase the level of operating surplus, but these assets can hardly be realised as cash for operational purposes).

CONCLUSIONS

The past two decades have witnessed a raft of reforms introduced at all levels of Government within Australia. These reforms included the introduction of GAAP accrual-based accounting to all levels of government, GFS accrual-based accounting at the whole of government level, and the pursuit of sector neutrality through the adoption of a single conceptual framework for both private and public sectors.

Given that, to date, there has been no comprehensive large-scale research on these public sector reporting issues, this study surveys a comprehensive cross-section of users (both internal and external users) and preparers to ascertain their views on: (i) the appropriateness of selected conceptual framework issues; (ii) the relative usefulness of GAAP accrual-based, GFS accrual-based, and cash-based financial information for various decision specific situations at the departmental level; (iii) the extent to which selected accrual accounting information is considered useful for internal budgeting purposes and for external financial report users; and (iv) the appropriate accounting treatments and presentation of various information items for the general government sector as a whole.

To examine these issues, a questionnaire was developed based on relevant Australian accounting standards and exposure drafts, the conceptual framework, pertinent government documents, and prior literature. Analysis was conducted on 89 responses received from public sector financial statement users (both internal and external) and preparers drawn from across all federal, state, and territory departments.

Results revealed that the majority of respondents believed that there should not be one common conceptual framework for both private and public sectors. However, if a single framework were adopted it would have to acknowledge differences between the two sectors, such as the public sectors social policy obligations, renewal and maintenance of heritage and infrastructure assets. Furthermore, results revealed that accumulated surpluses and equity were not considered to be appropriate measures of public sector financial performance. Further research is warranted on this matter to determine why this is deemed to be an inappropriate measure and to establish more appropriate measures to reflect government financial performance.

In relation to the decision usefulness of financial information, our results reveal that GAAP accrual-based information appears to be meeting the decision needs of public sector users and preparers. With the exception of assessing a department's cash flow needs, GAAP accrual-based information is consistently considered to be the most useful, with GFS accrual-based information consistently seen as being the least useful. This is true for both preparers and internal users. However, external users rate GFS accrual-based information as the second most useful for of financial information for six of the 12 situations we assess. The higher rating of the usefulness of GFA accrual-based information by external users is possibly due to these users having a greater deal of familiarity with GFS accrual accounting. If this is the case it may be worth conducting further research on the issue of the usefulness of financial information presented under both GAAP and GFS methods in several years time, when public sector internal users and preparers have gained an increased understanding of GFS accrual accounting.

In relation to the usefulness of information for departments' internal budgeting purposes and for external financial report users, our results highlight the importance of asset maintenance information, which is currently not separately disclosed in the financial statements. Furthermore respondents did not perceive market values of non-financial and non-traded assets nor the accumulated surpluses (deficits) item as being of use. However, differences in the usefulness of the various piece of information were found between the different stakeholders (internal users, external users, preparers), possibly due to the different focus of each stakeholder group. The differences in the usefulness of the different pieces of information and why different stakeholders find them to be of differing levels of use could be examined further in future research. The lower usefulness rating for most items for external reporting purposes by the whole sample could indicate concerns about how useful accrual accounting information is for external reporting. It would be interesting for more research to be conducted on this topic of the use of various pieces of information for internal budgeting purposes and for external reporting purposes and what is driving the lower scores for external reporting.

With regard to the appropriate accounting treatments and presentation, our results reveal that respondents have different preferences for various transactions. The results suggest that the major concern is on the most appropriate treatments for particular transactions rather than a preference for either system. The results could indicate the possibility that external users are

more concerned about those accounting treatments which are likely to inflate operating result figures. Our results also reveal consensus views for the presentation of financial aggregates similar to the GFS system. There appears to have broad support for the accounting treatments and presentation of items in accordance with those required by *AASB 1049*.

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TABLE I: Sample information and profile of respondents*Panel A: Sample information*

	TOTAL	INTERNAL USERS^a	EXTERNAL USERS^a	PREPARERS^a
Initial sample	708	433	179	96
Less: Survey returned as wrong addresses/ not in the positions/other reasons	(24)	(13)	(10)	(1)
Less: Combined responses ^b	(59)	(57)	(2)	---
Final sample	625	363 ^c	167	95
Responses received	89	23	21	45

Panel B: Profile of respondents

	TOTAL	INTERNAL USERS	EXTERNAL USERS	PREPARERS
Member of professional accounting association	73%	61%	57%	87%
Average public sector experience	17 years	19 years	16 years	17 years
Average public sector managerial experience	11 years	13 years	10 years	11 years
Average public sector financial management experience	14 years	15 years	10 years	14 years
Private sector experience: Proportion Average years	48% 9 years	44% 10 years	52% 9 years	49% 9 years
Employer: Commonwealth State/Territory	19% 81%	13% 87%	19% 81%	22% 78%
Level of govt. appropriation: Less than \$200 million \$201 - \$500 million \$501 - \$1,000 million \$1,001 - \$3,000 million \$3,001 - \$5,000 million More than \$5,000 million	38% 18% 11% 11% 2% 20%	50% 23% 4% 9% 0% 14%	--- --- --- --- --- ---	33% 16% 14% 12% 2% 23%

^a Internal users – Top management: comprises department heads and deputy department heads.

Internal users – General managers: comprises second and third level management including group managers, division managers and program managers.

External users: comprises those officials responsible for accounting, reporting and budgets at Treasuries and Finance, and public accounts committee members at Commonwealth, state and territory governments.

Preparers: include chief financial officers or equivalent positions of government departments.

^b Combined responses include those departments who notified the researchers that they had provided a combined response rather than individual responses, as well as those department heads and deputy heads who passed their questionnaires to the CFO or finance personnel to respond.

^c Given the common practice of combining responses from departments, the final sample for internal users could be as low as 110.

TABLE II: Conceptual framework issues

STATEMENT	TOTAL n=89				INTERNAL USERS n=23				EXTERNAL USERS n=21				PREPARERS n=45				SIGNIFICANCE		
	Disagree (%)	Agree (%)	Mean (SD)	Median	Disagree (%)	Agree (%)	Mean (SD)	Median	Disagree (%)	Agree (%)	Mean (SD)	Median	Disagree (%)	Agree (%)	Mean (SD)	Median	Internal vs. External	Internal vs. Preparers	External vs. Preparers
Government financial reports should be directly comparable with information prepared for internal budgeting purposes.	13.6	63.6	3.7 (1.1)	4.0	26.1	47.8	3.4 (1.2)	3.0	10.0	70.0	4.1 (1.2)	4.5	8.9	68.9	3.8 (1.0)	4.0	ns	ns	ns
For the purposes of government financial reports, a conceptual framework should take into consideration accounting for social policy obligations.	18.4	49.4	3.4 (1.1)	4.0	13.0	47.8	3.4 (0.8)	3.0	30.0	45.0	3.3 (1.1)	3.0	15.9	54.6	3.5 (1.2)	4.0	ns	ns	ns
For the purposes of government financial reports, a conceptual framework should give primary importance to “accountability” over “decision making” purposes.	8.2	41.3	3.5 (0.9)	3.0	8.7	34.8	3.4 (0.8)	3.0	15.0	40.0	3.5 (1.0)	3.0	6.8	45.4	3.6 (0.9)	3.0	ns	ns	ns
Government business entities are not controlled by the government and therefore should not be included in consolidated government reports.	52.3	26.8	2.5 (1.3)	2.0	45.5	28.1	2.6 (1.1)	3.0	60.0	35.0	2.4 (1.5)	2.0	52.3	27.3	2.6 (1.3)	2.0	ns	ns	ns
A conceptual framework should acknowledge differences in the nature of operations between the public and private sectors.	10.2	77.3	4.2 (1.0)	4.0	13.0	65.2	3.8 (1.2)	4.0	20.0	70.0	4.1 (1.2)	5.0	4.4	86.6	4.4 (0.8)	5.0	ns	ns	ns
Public sector assets are resources controlled by the public sector entity.	15.1	71.0	3.7 (1.1)	4.0	13.0	69.6	3.7 (0.9)	4.0	20.0	65.0	3.6 (1.2)	4.0	14.0	74.4	3.8 (1.0)	4.0	ns	ns	ns
Public sector assets generate future economic benefits which flow to the public sector entity.	25.3	48.2	3.2 (1.1)	3.0	21.7	47.8	3.4 (1.0)	4.0	30.0	40.0	3.1 (1.2)	3.0	25.0	52.2	3.3 (1.2)	4.0	ns	ns	ns
The accumulated surplus and equity reported in government financial statements is an appropriate measure of government financial performance.	50.0	21.5	2.6 (1.1)	2.5	34.8	17.3	2.6 (1.0)	3.0	35.0	25.0	2.9 (1.0)	3.0	57.8	22.2	2.4 (1.2)	2.0	ns	ns	ns
For the purposes of government financial reports, a conceptual framework should take into account the renewal and maintenance of heritage and infrastructure assets.	8.1	65.1	3.8 (0.9)	4.0	8.7	43.5	3.4 (0.8)	3.0	10.5	73.7	3.9 (1.0)	4.0	68	77.7	4.0 (1.0)	4.0	.049	0.14	ns
It is appropriate to have a single conceptual framework that is applicable to both private and public sectors.	56.8	25.0	2.5 (1.2)	2.0	52.2	26.0	2.8 (1.2)	3.0	50.0	35.0	2.7 (1.3)	2.5	62.2	20.0	2.3 (1.2)	2.0	ns	ns	ns

Scale: [1] strongly disagree – [5] strongly agree. In this table, ‘disagree (%)’ represents those who responded either ‘1’ or ‘2’ on the response scale; ‘agree (%)’ represents those who responded either ‘4’ or ‘5’ on the scale.

TABLE III: The usefulness of financial information prepared under the three different accounting methods for various situations

Panel A: Total respondents

ITEM	CASH-BASED INFORMATION				GAAP ACCRUAL-BASED INFORMATION				GFS ACCRUAL-BASED INFORMATION				SIGNIFICANCE OF WILCOXON SIGNED RANKS TEST		
	Less useful (%)	More useful (%)	Mean (SD)	Median	Less useful (%)	More useful (%)	Mean (SD)	Median	Less useful (%)	More useful (%)	Mean (SD)	Median	Cash vs. GAAP	Cash vs. GFS	GAAP vs. GFS
Assess department performance	35.9	50.0	3.3 (1.5)	3.5	2.3	89.8	4.3 (.8)	4.0	61.4	20.5	2.2 (1.4)	2.0	.000	.004	.000
Assess program performance	38.2	51.3	3.3 (1.5)	4.0	9.1	72.7	4.0 (1.0)	4.0	67.4	16.3	2.1 (1.2)	2.0	.004	.001	.000
Assess department's effectiveness in delivery of goods/services	53.4	41.1	2.8 (1.6)	2.0	18.8	58.8	3.6 (1.2)	4.0	64.3	19.1	2.1 (1.3)	1.5	.000	ns	.000
Assess department's efficiency in delivery of goods/services	49.3	38.4	2.8 (1.5)	3.0	12.6	62.1	3.7 (1.1)	4.0	66.7	16.7	2.0 (1.3)	1.0	.000	.013	.000
To assist in managing department's assets & liabilities	50.7	34.3	2.8 (1.5)	2.0	2.3	87.5	4.3 (.7)	4.0	62.8	18.6	2.2 (1.3)	2.0	.000	ns	.000
To assist in discharging department's accountability obligations	30.1	43.8	3.3 (1.4)	3.0	2.3	86.4	4.4 (.8)	5.0	53.5	25.6	2.5 (1.4)	2.0	.000	.023	.000
To assess the cash flow needs of department	6.5	81.8	4.3 (1.1)	5.0	16.3	58.1	3.6 (1.2)	4.0	67.4	14.0	2.0 (1.1)	2.0	.000	.000	.000
For departmental resource allocation decisions	43.4	44.7	3.1 (1.6)	3.0	8.0	77.3	4.0 (.9)	4.0	62.8	18.6	2.2 (1.4)	2.0	.000	.030	.000
For major departmental asset acquisition decisions	35.6	43.8	3.2 (1.4)	3.0	9.5	67.8	3.9 (1.0)	4.0	64.3	19.1	2.1 (1.3)	2.0	.000	.012	.000
For evaluating departmental resource allocation decisions	41.9	44.6	3.0 (1.6)	3.0	9.1	65.9	3.8 (.9)	4.0	69.8	16.3	2.0 (1.2)	2.0	.000	.015	.000
To assess future departmental resource needs	40.5	43.9	3.1 (1.6)	3.0	4.5	71.6	4.0 (.9)	4.0	62.8	18.6	2.1 (1.4)	2.0	.000	.011	.000
To identify departmental costs for goods/services provided	47.3	39.2	2.9 (1.5)	3.0	4.5	86.3	4.3 (.9)	4.0	60.5	23.3	2.2 (1.4)	2.0	.000	ns	.000

Panel B: Internal Users

ITEM	CASH-BASED INFORMATION				GAAP ACCRUAL-BASED INFORMATION				GFS ACCRUAL-BASED INFORMATION				SIGNIFICANCE OF WILCOXON SIGNED RANKS TEST		
	Less useful (%)	More useful (%)	Mean (SD)	Median	Less useful (%)	More useful (%)	Mean (SD)	Median	Less useful (%)	More useful (%)	Mean (SD)	Median	Cash vs. GAAP	Cash vs. GFS	GAAP vs. GFS
Assess department performance	38.1	52.4	3.4 (1.5)	4.0	0.0	91.3	4.4 (.7)	5.0	54.5	18.2	2.3 (1.2)	2.0	.014	ns	.007
Assess program performance	36.8	57.9	3.5 (1.5)	4.0	8.7	78.2	4.0 (1.1)	4.0	54.5	36.4	2.5 (1.4)	2.0	ns	ns	.035
Assess department's effectiveness in delivery of goods/services	52.6	42.2	2.9 (1.5)	2.0	14.3	61.9	3.6 (1.1)	4.0	50.0	30.0	2.4 (1.4)	2.5	ns	ns	ns
Assess department's efficiency in delivery of goods/services	45.0	50.0	3.0 (1.5)	3.5	17.4	69.6	3.8 (1.3)	4.0	45.5	27.3	2.5 (1.3)	3.0	ns	ns	ns
To assist in managing department's assets & liabilities	50.0	27.8	2.8 (1.4)	2.5	4.3	82.6	4.1 (.8)	4.0	63.6	18.2	2.2 (1.7)	2.0	.004	ns	.016
To assist in discharging department's accountability obligations	33.3	27.8	3.1 (1.4)	3.0	0.0	87.0	4.5 (.7)	5.0	36.4	36.4	2.7 (1.5)	3.0	.002	ns	.027
To assess the cash flow needs of department	9.5	76.2	4.1 (1.3)	5.0	13.6	59.2	3.7 (1.2)	4.0	72.7	9.1	2.0 (1.0)	2.0	ns	.005	.017
For departmental resource allocation decisions	30.0	50.0	3.4 (1.5)	3.5	4.3	78.2	4.1 (.9)	4.0	63.6	9.1	2.1 (1.0)	2.0	ns	ns	.011
For major departmental asset acquisition decisions	30.0	40.0	3.3 (1.4)	3.0	9.1	54.6	3.8 (1.1)	4.0	72.7	9.1	2.0 (1.0)	2.0	ns	.045	.017
For evaluating departmental resource allocation decisions	31.6	47.4	3.3 (1.5)	3.0	8.7	60.8	3.7 (.9)	4.0	72.7	9.1	2.0 (1.0)	2.0	ns	.034	.014
To assess future departmental resource needs	26.3	47.3	3.4 (1.5)	3.0	4.3	56.5	3.9 (1.0)	4.0	63.6	9.1	2.1 (1.0)	2.0	ns	.048	.011
To identify departmental costs for goods/services provided	36.8	47.4	3.2 (1.5)	3.0	4.3	91.3	4.3 (.8)	4.0	63.6	18.2	2.2 (1.2)	2.0	.011	ns	.007

Panel C: External Users

ITEM	CASH-BASED INFORMATION				GAAP ACCRUAL-BASED INFORMATION				GFS ACCRUAL-BASED INFORMATION				SIGNIFICANCE OF WILCOXON SIGNED RANKS TEST		
	Less useful (%)	More useful (%)	Mean (SD)	Median	Less useful (%)	More useful (%)	Mean (SD)	Median	Less useful (%)	More useful (%)	Mean (SD)	Median	Cash vs. GAAP	Cash vs. GFS	GAAP vs. GFS
Assess department performance	28.6	42.9	3.3 (1.4)	3.0	9.5	70.9	3.9 (1.0)	4.0	35.7	42.8	3.1 (1.4)	3.0	ns	ns	ns
Assess program performance	28.6	47.6	3.4 (1.3)	3.0	14.3	57.2	3.6 (.9)	4.0	50.0	14.2	2.6 (1.1)	2.5	ns	ns	.050
Assess department's effectiveness in delivery of goods/services	55.0	35.0	2.8 (1.5)	2.0	23.8	38.1	3.3 (1.2)	3.0	42.9	28.5	2.6 (1.3)	3.0	ns	ns	ns
Assess department's efficiency in delivery of goods/services	50.0	25.0	2.7 (1.2)	2.5	14.3	52.4	3.4 (1.1)	4.0	50.0	21.4	2.4 (1.3)	2.5	ns	ns	ns
To assist in managing department's assets & liabilities	55.0	30.0	2.7 (1.6)	2.0	4.8	76.2	4.1 (.9)	4.0	28.6	35.7	3.1 (1.3)	3.0	.009	ns	ns
To assist in discharging department's accountability obligations	30.0	40.0	3.2 (1.2)	3.0	9.5	71.5	3.9 (.9)	4.0	42.9	28.5	2.9 (1.4)	3.0	.027	ns	ns
To assess the cash flow needs of department	5.0	90.0	4.4 (.8)	4.5	19.0	42.8	3.3 (.9)	3.0	42.9	21.4	2.6 (1.0)	3.0	.003	.002	.031
For departmental resource allocation decisions	50.0	45.0	2.9 (1.2)	2.5	19.0	66.6	3.7 (1.0)	4.0	28.6	25.7	3.1 (1.3)	3.0	.014	ns	ns
For major departmental asset acquisition decisions	55.0	35.0	2.6 (1.3)	2.0	4.8	76.2	4.0 (.8)	4.0	21.4	42.8	3.2 (1.1)	3.0	.001	ns	ns
For evaluating departmental resource allocation decisions	50.0	35.0	2.6 (1.4)	2.5	23.8	61.9	3.5 (1.1)	4.0	50.0	28.6	2.7 (1.4)	2.5	.011	ns	ns
To assess future departmental resource needs	55.0	40.0	2.8 (1.3)	2.0	4.8	90.5	4.0 (.6)	4.0	28.6	25.7	3.1 (1.3)	3.0	.003	ns	ns
To identify departmental costs for goods/services provided	45.0	40.0	3.0 (1.4)	3.0	9.5	81.0	4.0 (1.1)	4.0	28.6	50.0	3.2 (1.3)	3.5	.005	ns	ns

Panel D: Preparers

ITEM	CASH-BASED INFORMATION				GAAP ACCRUAL-BASED INFORMATION				GFS ACCRUAL-BASED INFORMATION				SIGNIFICANCE OF WILCOXON SIGNED RANKS TEST		
	Less useful (%)	More useful (%)	Mean (SD)	Median	Less useful (%)	More useful (%)	Mean (SD)	Median	Less useful (%)	More useful (%)	Mean (SD)	Median	Cash vs. GAAP	Cash vs. GFS	GAAP vs. GFS
Assess department performance	38.9	52.8	3.2 (1.6)	4.0	0.0	93.2	4.4 (.6)	4.0	84.2	5.3	1.6 (1.1)	1.0	.000	.007	.000
Assess program performance	44.4	50.0	3.1 (1.7)	3.5	6.8	77.3	4.1 (1.1)	4.0	88.9	5.6	1.5 (1.0)	1.0	.004	.008	.000
Assess department's effectiveness in delivery of goods/services	52.9	44.1	2.8 (1.7)	2.0	18.6	67.4	3.7 (1.2)	4.0	88.9	5.6	1.5 (1.0)	1.0	.002	.040	.001
Assess department's efficiency in delivery of goods/services	51.5	39.4	2.7 (1.7)	2.0	9.3	62.8	3.8 (1.1)	4.0	94.1	5.9	1.4 (1.0)	1.0	.002	.015	.001
To assist in managing department's assets & liabilities	48.6	40.0	2.9 (1.6)	3.0	0.0	95.5	4.4 (.6)	4.0	88.9	5.6	1.5 (1.0)	1.0	.000	.006	.000
To assist in discharging department's accountability obligations	28.6	54.3	3.4 (1.5)	4.0	0.0	93.2	4.5 (.6)	5.0	72.2	16.7	1.9 (1.3)	1.0	.000	.038	.001
To assess the cash flow needs of department	5.6	80.6	4.3 (1.1)	5.0	16.3	65.1	3.7 (1.3)	4.0	83.3	11.1	1.6 (1.0)	1.0	.016	.001	.002
For departmental resource allocation decisions	47.2	41.6	2.9 (1.7)	3.0	4.5	81.9	4.1 (.8)	4.0	88.9	11.1	1.5 (1.2)	1.0	.000	.021	.000
For major departmental asset acquisition decisions	27.3	51.6	3.5 (1.6)	4.0	12.2	70.7	3.9 (1.0)	4.0	94.1	0.0	1.4 (1.0)	1.0	ns	.003	.001
For evaluating departmental resource allocation decisions	42.9	48.5	3.1 (1.8)	3.0	2.3	70.4	4.0 (.8)	4.0	83.3	11.1	1.6 (1.0)	1.0	.001	.030	.000
To assess future departmental resource needs	40.0	42.9	3.1 (1.8)	3.0	4.5	70.4	4.0 (1.0)	4.0	88.9	11.1	1.4 (1.1)	1.0	.001	.005	.001
To identify departmental costs for goods/services provided	54.3	34.3	2.7 (1.7)	2.0	2.3	86.3	4.4 (.8)	5.0	83.3	5.6	1.5 (1.1)	1.0	.000	.035	.000

Scale: [1] not useful – [5] very useful. In this table, 'less useful (%)' represents those who responded either '1' or '2' on the response scale; 'more useful (%)' represents those who responded either '4' or '5' on the scale.

TABLE IV: Usefulness of information for department’s internal budgeting purposes and for external financial users’ purposes

Panel A: For internal budgeting purposes

ITEM	TOTAL				INTERNAL USERS				EXTERNAL USERS ^a				PREPARERS				SIGNIFICANCE
	Less Useful (%)	More Useful (%)	Mean (SD)	Median	Internal vs Preparers	More Useful (%)	Mean (SD)	Median	Less Useful (%)	More Useful (%)	Mean (SD)	Median	Less Useful (%)	More Useful (%)	Mean (SD)	Median	
Acquisition cost of assets	4.5	83.3	4.3 (1.0)	5.0	.081	69.6	4.0 (1.2)	5.0	---	---	---	---	2.3	90.7	4.5 (0.8)	5.0	.081
Market value of non-financial assets	63.3	18.4	2.2 (1.2)	2.0	ns	14.3	2.2 (1.1)	2.0	---	---	---	---	66.7	20.5	2.2 (1.3)	2.0	ns
Market value of non-traded assets (e.g., heritage or community facilities)	69.5	15.2	2.0 (1.1)	2.0	.071	33.3	2.4 (1.3)	2.0	---	---	---	---	77.4	6.5	1.7 (1.0)	1.0	.071
Depreciation of non-financial assets	23.4	62.5	3.5 (1.3)	4.0	ns	71.4	3.6 (1.2)	4.0	---	---	---	---	25.6	58.1	3.4 (1.4)	4.0	ns
Maintenance expenses for non-financial assets	3.2	85.8	4.3 (0.9)	5.0	ns	81.8	4.2 (1.0)	5.0	---	---	---	---	2.4	87.8	4.3 (0.8)	5.0	ns
Employee leave liabilities	13.4	73.1	4.1 (1.1)	5.0	.011	60.9	3.6 (1.3)	4.0	---	---	---	---	9.1	79.6	4.3 (1.0)	5.0	.011
Employee superannuation liabilities	17.3	71.2	3.8 (1.2)	4.0	.004	52.6	3.2 (1.2)	4.0	---	---	---	---	9.1	81.8	4.2 (1.1)	5.0	.004
Operating accrued and prepaid expenses	9.1	77.3	4.1 (1.0)	4.0	.030	68.2	3.7 (1.1)	3.0	---	---	---	---	6.8	81.8	4.3 (0.9)	5.0	.030
Accumulated surplus or deficit	36.4	53.1	3.2 (1.5)	4.0 00	ns	45.5	3.0 (1.2)	4.0	---	---	---	---	34.1	56.8	3.3 (1.6)	4.0	ns
Operating surplus or deficit	17.9	73.1	4.0 (1.3)	5.0	.005	65.2	3.5 (1.3)	4.0	---	---	---	---	13.6	77.3	4.2 (1.3)	5.0	.005
Cash surplus or deficit	15.0	70.2	3.9 (1.3)	4.0	ns	60.9	3.7 (1.1)	3.0	---	---	---	---	15.9	75.0	4.0 (1.3)	5.0	ns

Panel B: For external financial users

ITEM	TOTAL				INTERNAL USERS				EXTERNAL USERS				PREPARERS				SIGNIFICANCE		
	Less Useful (%)	More Useful (%)	Mean (SD)	Median	Less Useful (%)	More Useful (%)	Mean (SD)	Median	Less Useful (%)	More Useful (%)	Mean (SD)	Median	Less Useful (%)	More Useful (%)	Mean (SD)	Median	Internal vs. External	Internal vs. Preparers	External vs. Preparers
Acquisition cost of assets	19.3	54.5	3.6 (1.2)	4.0	17.3	47.8	3.6 (1.2)	3.0	19.1	66.7	3.7 (1.1)	4.0	20.5	52.3	3.5 (1.2)	4.0	ns	ns	ns
Market value of non-financial assets	41.0	42.2	2.9 (1.4)	3.0	27.3	36.4	3.1 (1.3)	3.0	47.6	52.3	3.0 (1.4)	4.0	45.0	40.0	2.8 (1.4)	3.0	ns	ns	ns
Market value of non-traded assets (e.g., heritage or community facilities)	51.4	28.0	2.5 (1.3)	2.0	33.3	26.6	2.8 (1.3)	3.0	71.4	29.1	2.0 (1.2)	2.0	46.9	34.4	2.6 (1.3)	3.0	.060	ns	ns
Depreciation of non-financial assets	16.3	55.8	3.4 (1.2)	4.0	4.5	45.5	3.5 (0.9)	3.0	14.3	61.9	3.6 (1.2)	4.0	22.7	56.8	3.3 (1.3)	4.0	ns	ns	ns
Maintenance expenses for non-financial assets	10.6	62.3	3.7 (1.0)	4.0	4.5	63.6	3.8 (0.8)	4.0	4.8	71.4	4.0 (0.8)	4.0	16.7	57.1	3.5 (1.2)	4.0	ns	ns	ns
Employee leave liabilities	9.0	68.5	3.9 (1.1)	4.0	4.3	52.1	3.6 (0.9)	4.0	4.8	81.0	4.2 (0.9)	5.0	13.3	71.1	3.9 (1.2)	4.0	.026	.088	ns
Employee superannuation liabilities	12.2	67.5	3.9 (1.2)	4.0	15.8	47.4	3.3 (1.1)	3.0	4.8	80.9	4.4 (0.9)	5.0	14.7	70.6	3.9 (1.3)	4.0	.001	.005	.092
Operating accrued and prepaid expenses	5.6	70.8	3.9 (0.9)	4.0	0	56.5	3.7 (0.7)	4.0	0	76.1	4.3 (0.8)	5.0	11.1	75.5	3.9 (1.1)	4.0	.033	.088	ns
Accumulated surplus or deficit	17.1	62.5	3.6 (1.2)	4.0	9.1	59.1	3.6 (1.0)	4.0	19.0	66.6	3.8 (1.3)	4.0	20.0	62.2	3.5 (1.3)	4.0	ns	ns	n.s
Operating surplus or deficit	11.3	72.7	3.9 (1.2)	4.0	4.3	60.9	3.7 (0.9)	4.0	9.5	85.7	4.4 (1.2)	5.0	15.9	72.8	3.8 (1.3)	4.0	.009	.036	.070
Cash surplus or deficit	14.8	62.5	3.7 (1.2)	4.0	13	43.4	3.4 (1.0)	3.0	10.0	85.0	4.3 (1.1)	5.0	17.8	62.2	3.7 (1.3)	4.0	.008	.033	.069

Panel C: Differences between information useful for internal budgeting purposes and for external financial reports users' purposes

ITEM	TOTAL			INTERNAL USERS			PREPARERS		
	For Internal Budgeting Mean (SD)	For External Users Mean (SD)	Significance	For Internal Budgeting Mean (SD)	For External Users Mean (SD)	Significance	For Internal Budgeting Mean (SD)	For External Users Mean (SD)	Significance
Acquisition cost of assets	4.3 (1.0)	3.6 (1.2)	.000	4.0 (1.2)	3.6 (1.2)	ns	4.5 (0.8)	3.5 (1.2)	.000
Market value of non-financial assets	2.2 (1.2)	2.9 (1.4)	.001	2.2 (1.1)	3.1 (1.3)	.017	2.2 (1.3)	2.8 (1.4)	.017
Market value of non-traded assets (e.g., heritage or community facilities)	2.0 (1.1)	2.5 (1.3)	.004	2.4 (1.3)	2.8 (1.3)	ns	1.7 (1.0)	2.6 (1.3)	.018
Depreciation of non-financial assets	3.5 (1.3)	3.4 (1.2)	ns	3.6 (1.2)	3.5 (0.9)	ns	3.4 (1.4)	3.3 (1.3)	ns
Maintenance expenses for non-financial assets	4.3 (0.9)	3.7 (1.0)	.000	4.2 (1.0)	3.8 (0.8)	.090	4.3 (0.8)	3.5 (1.2)	.000
Employee leave liabilities	4.1 (1.1)	3.9 (1.1)	.081	3.6 (1.3)	3.6 (0.9)	ns	4.3 (1.0)	3.9 (1.2)	.037
Employee superannuation liabilities	3.8 (1.2)	3.9 (1.2)	ns	3.2 (1.2)	3.3 (1.1)	ns	4.2 (1.1)	3.9 (1.3)	ns
Operating accrued and prepaid expenses	4.1 (1.0)	3.9 (0.9)	.051	3.7 (1.1)	3.7 (0.7)	ns	4.3 (0.9)	3.9 (1.1)	.043
Accumulated surplus or deficit	3.2 (1.5)	3.6 (1.2)	.054	3.0 (1.2)	3.6 (1.0)	.072	3.3 (1.6)	3.5 (1.3)	ns
Operating surplus or deficit	4.0 (1.3)	3.9 (1.2)	ns	3.5 (1.3)	3.7 (0.9)	ns	4.2 (1.3)	3.8 (1.3)	.073
Cash surplus or deficit	3.9 (1.3)	3.7 (1.2)	.048	3.7 (1.1)	3.4 (1.0)	ns	4.0 (1.3)	3.7 (1.3)	ns

Scale: [1] not useful – [5] very useful. In this table, ‘less useful (%)’ represents those who responded either ‘1’ or ‘2’ on the response scale; ‘more useful (%)’ represents those who responded either ‘4’ or ‘5’ on the scale.

^aExternal users’ views on this part have not been sought.

TABLE V: Appropriate accounting treatment and presentation for general government sector

ITEM	Alternative 1	Alternative 2	TOTAL				INTERNAL USERS			
			Alternative 1 (%)	Alternative 2 (%)	Indifference (%)	Unsure (%)	Alternative 1 (%)	Alternative 2 (%)	Indifference (%)	Unsure (%)
Accounting Treatment										
Asset write down	As operating expenses	As revaluation, not expenses	38.4	43.8	8.2	9.6	36.4	27.3	18.2	18.2
Gains or losses on disposal of assets	As operating income or expenses	As revaluation, not income or expenses	71.6	20.3	5.4	2.7	54.5	18.2	18.2	9.1
Valuation of assets	At either historical costs or fair values	At current prices only	73.6	20.8	2.8	2.8	63.6	27.3	0	9.1
Non-traded assets (e.g., heritage or community facilities)	Measured at market value	Not appropriate to put a value on them	27.8	48.6	8.3	15.3	27.3	36.4	9.1	27.3
Provision for doubtful debts	As operating expenses and included in balance sheet	Such provision is not an economic event and need not be accounted for	84.9	8.2	2.7	4.1	81.8	0	9.1	9.1
Acquisition of defence weapons	As assets on the balance sheet, and depreciation as expenses	As expense at the time of acquisition, no depreciation is recorded	38.6	22.9	12.9	25.7	11.1	0	11.1	77.8
Interest flows related to swaps and other financial derivatives	As operating income or expenses	Should not be included in revenue or expenses	48.6	12.9	11.4	27.1	44.4	0	22.2	33.3
Dividends from associates	As revenue	As a deduction from the investment costs in associates	68.6	8.6	8.6	14.3	66.7	0	11.1	22.2
Dividends from other sector entities	As revenue	As part of equity	78.3	4.3	4.3	13.0	55.6	0	22.2	22.2
Development costs	Write off as expenses	Recognised as intangibles	56.3	32.4	2.8	8.5	54.5	36.4	0	9.1
Obligations to registered beneficiaries of a social benefit scheme	Recognised as a liability	Not to be recognised as a liability	39.1	26.1	7.2	27.5	30.0	20.0	10.0	40.0
Goods and services tax	Recognised as Commonwealth tax and grants to other states	Do not need to recognise in the financial statements	64.8	15.5	4.2	15.5	70.0	20.0	0	10.0
Presentation										
Net operating balance from transactions	Presented in the financial statements	In the notes to the financial statements	80.6	11.1	1.4	6.9	80.0	0	10.0	10.0
Total change in net worth	Presented in the financial statements	In the notes to the financial statements	66.7	23.6	5.6	4.2	80.0	0	10.0	10.0
Net lending/borrowing	Presented in the financial statements	In the notes to the financial statements	53.5	40.8	1.4	4.2	60.0	20.0	10.0	10.0
Cash surplus	Presented in the financial statements	In the notes to the financial statements	74.0	19.2	1.4	5.5	63.6	18.2	9.1	9.1
Net change in financial assets	Presented in the financial statements	In the notes to the financial statements	56.2	35.6	4.1	4.1	45.5	36.4	9.1	9.1

TABLE V: Appropriate accounting treatment and presentation for general government sector (Continued)

ITEM	Alternative 1	Alternative 2	EXTERNAL USERS				PREPARERS			
			Alternative 1 (%)	Alternative 2 (%)	Indifference (%)	Unsure (%)	Alternative 1 (%)	Alternative 2 (%)	Indifference (%)	Unsure (%)
Accounting Treatment										
Asset write down	As operating expenses	As revaluation, not expenses	25.0	50.0	10.0	15.0	47.6	38.1	7.1	7.1
Gains or losses on disposal of assets	As operating income or expenses	As revaluation, not income or expenses	47.6	42.9	4.8	4.8	88.1	9.5	2.4	0
Valuation of assets	At either historical costs or fair values	At current prices only	65.0	30.0	0	5.0	80.5	14.6	4.9	0
Non-traded assets (e.g., heritage or community facilities)	Measured at market value	Not appropriate to put a value on them	40.0	45.0	10.0	5.0	22.0	53.7	7.3	17.1
Provision for doubtful debts	As operating expenses and included in balance sheet	Such provision is not an economic event and need not be accounted for	70.0	20.0	5.0	5.0	92.9	4.8	0	2.4
Acquisition of defence weapons	As assets on the balance sheet, and depreciation as expenses	As expense at the time of acquisition, no depreciation is recorded	33.3	33.3	23.8	9.5	47.5	22.5	7.5	22.5
Interest flows related to swaps and other financial derivatives	As operating income or expenses	Should not be included in revenue or expenses	47.6	28.6	14.3	9.5	50.0	7.5	7.5	35.0
Dividends from associates	As revenue	As a deduction from the investment costs in associates	61.9	14.3	9.5	14.3	72.5	7.5	7.5	12.5
Dividends from other sector entities	As revenue	As part of equity	90.0	5.0	0	5.0	77.5	5.0	2.5	15.0
Development costs	Write off as expenses	Recognised as intangibles	78.9	10.5	0	10.5	46.3	41.5	4.9	7.3
Obligations to registered beneficiaries of a social benefit scheme	Recognised as a liability	Not to be recognised as a liability	55.0	20.0	10.0	15.0	33.3	30.8	5.1	30.8
Goods and services tax	Recognised as Commonwealth tax and grants to other states	Do not need to recognise in the financial statements	81.0	9.5	0	9.5	55.0	17.5	7.5	20.0
Presentation										
Net operating balance from transactions	Presented in the financial statements	In the notes to the financial statements	90.5	4.8	0	4.8	75.6	17.1	0	7.3
Total change in net worth	Presented in the financial statements	In the notes to the financial statements	52.4	33.3	9.5	4.8	70.7	24.4	2.4	2.4
Net lending/borrowing	Presented in the financial statements	In the notes to the financial statements	60.0	35.0	0	5.0	48.8	48.8	0	2.4
Cash surplus	Presented in the financial statements	In the notes to the financial statements	90.5	4.8	0	4.8	68.3	26.8	0	4.9
Net change in financial assets	Presented in the financial statements	In the notes to the financial statements	52.4	42.9	0	4.8	61.0	31.7	4.9	2.4