

## ACCRUAL ACCOUNTING IN THE PUBLIC SECTOR: EXPERIENCES FROM THE CENTRAL GOVERNMENT IN SWEDEN

GERT PAULSSON\*

### INTRODUCTION

Introduction of accrual accounting is an important component in the New Public (Financial) Management reform movement that has been sweeping over many western countries during the last decades (Olsson et al., 1998). Several studies show that the trend towards accrual accounting is likely to continue during the years to come (OECD, 2000; and Lüder and Jones, 2003b). Furthermore, international organisations like the International Federation of Accountants Public Sector Committee (IFAC PSC) and the OECD Public Management Committee (PUMA) directly or indirectly support such a move. For example, IFAC PSC has used the International Accounting Standards (IAS), which are developed for private companies, as a basis for the development of their International Public Sector Accounting Standards (IPSAS). They argue in the following way for this choice:

The PSC has decided to use IASs as the starting point for IPSASs in an effort to be consistent, where possible, with existing international guidance, as well as avoiding the need to 'reinvent the wheel' for the public sector. Although the public sector context is different, the fundamental objectives of financial reporting are the same across both public and private sectors (IFAC PSC, 2000, p. 55).

Several scholars have studied the development towards accrual accounting in public organisations. Some have questioned the usefulness of business-like accounting techniques in public organisations, (e.g., Bromwich and Lapsley, 1997; Falkman, 1997; Broström, 1998; Guthrie, 1998; Robinson, 1998; and Monsen, 2002). Others have carried out empirical studies in public organisations in which accrual accounting has been introduced. ter Bogt and van Helden (2000), Näsi and Kohvakka (2001), Pallot (2001), Christiaens and Vanhee (2003) and Newberry and Pallot (2004) are examples of studies of that kind. Though the result of these studies vary, most of them lead to a questioning of the accrual

\* The author is Assistant Professor at the Department of Business Administration, School of Economics and Management, Lund University. He wishes to thank the Swedish National Financial Management Authority (Ekonomistyrningsverket) for financial support and useful help during the project.

**Address for correspondence:** Gert Paulsson, Department of Business Administration, P.O. Box 7080, SE-220 07 Lund, Sweden.  
e-mail: gert.paulsson@fek.lu.se

accounting movement. Practitioners have expressed hopes and fears in connection with the introduction of accrual accounting in public organisations. Likierman (2000) has summarized the concerns that were expressed in the central government in the United Kingdom. Altogether, there has been a lot of interest in the prospects for accrual accounting in public organisations, but due to the fact that it is a relatively recent phenomenon in most countries, few studies have been made in organisations where it has been used for a long time period.

In Sweden, accrual accounting was introduced in the local government in 1986, and in the central government in 1993. In the latter sector it was first introduced in the agencies, but soon after that, it was decided that a consolidated statement for the whole of the central government, except state owned enterprises, should be prepared by the government for the Riksdag.

The introduction of accrual accounting in the central government was part of a wider reform agenda, and the most important official argument that was put forward in connection with the reform was that accrual accounting was needed to support the performance management system that was introduced in the late 1980s (Mattisson et al., 2003). Cash based accounting information was not considered to be relevant for e.g., value-for-money-discussions in such a system.

The purpose of this paper is to present experiences from the use of accrual accounting information in the central government in Sweden and, thus, to contribute to our understanding of the prospects for using that kind of accounting in public organisations.

The study deals with the use of the accrual accounting information in the central government agencies and the Government offices. The consolidated accounts for the whole of the central government are not included in the study.

#### DATA GATHERING

The evaluation of the accrual accounting model was carried out in 2003. Data gathering included two questionnaires, one to all central government agencies and one to the Government offices, and interviews in the central government agencies and the Government offices.

##### *Questionnaire to the Central Government Agencies*

The questionnaire was sent by e-mail to the financial managers of the 160 largest agencies, and it was answered by managers in 124 agencies. Thus, the response rate was 77.5%. Almost all of the 124 managers who responded sent in wholly completed questionnaires. Thus, for the questions that concern the use of accrual accounting information internally in the central government agencies,  $N$  is very close to 124. The high response rate is probably, to a large extent, explained by the fact that it was stressed in the introductory letter that the Swedish National Financial Management Authority (Ekonomistyrningsverket) had authorized the

study. This meant that the questionnaire was considered as almost an official demand for information.

The questionnaire included 128 questions which were designed as statements on a scale of 1 to 5. 1 indicating full disagreement and 5 indicating full agreement (or in some cases 1 indicating to a low degree and 5 indicating to a high degree). In addition to that, the questionnaire included 20 open questions. Before it was sent out to all recipients, the questionnaire was tested in a small pilot study.

#### *Questionnaire to the Government Offices*

The questionnaire was sent by e-mail to about 100 senior advisors in the Government offices who are responsible for the relationship between the government and the Government agencies, and it was answered by 60 analysts. However, 100 is not the exact number of senior advisors responsible for this relationship. The reason for this is that the title of these advisors differ between different ministries. Therefore, the questionnaire was sent to a larger number of advisors, but only those responsible for government – agency relationships were asked to respond. Sixty analysts sent in the questionnaire, but it is not known exactly how many such analysts did not respond. A manager responsible for budget and planning in the Government offices estimated that there would be about 100 analysts with that kind of responsibility in the entire Government offices.

Thus the response rate was about 60%. Almost all of the 60 analysts who responded sent in wholly completed questionnaires. Thus, for the questions that concern the use of accrual accounting information in the Government offices,  $N$  is very close to 60.

The questionnaire included 72 questions which were designed as statements on a scale of 1 to 5. 1 indicating full disagreement and 5 indicating full agreement (or in some cases 1 indicating to a low degree and 5 indicating to a high degree). In addition to that the questionnaire included 10 open questions.

#### *Interviews in the Central Government Agencies*

This part of the data gathering included interviews with senior advisors in six government agencies. The interviews were focused on the same areas as the questionnaires, and the purpose of the interviews was to deepen our understanding of the use of accrual accounting information in the agencies.

The choice of interviewees was based upon an attempt to cover agencies with different types of activities, different financing, different size etc. The requests for interviews were sent to the agencies by mail, and all agencies that were asked to participate accepted to do so.

*Interviews in the Government Offices*

The interviews in the Government offices included group-interviews with senior advisors who are responsible for the government – agency relationship and coordinators of budgeting and financial management in three ministries. The interviews were focused on the same areas as the questionnaires, and they aimed to deepen our understanding of the use of accrual accounting information in the Government offices.

The choice of interviewees in the Government offices was based upon an attempt to cover ministries that are responsible for different types of activity areas, e.g., the social security sector and industry policy, and agencies with different size financing etc. The request for interviews were sent by mail to heads of the budgeting and planning section at each of the three ministries that were chosen. These persons were then asked to choose the analysts who should participate in the interviews. All ministries that were asked to participate accepted to do so, and the number of participants in the interviews varied from two to seven.

## PUBLIC MANAGEMENT REFORMS IN THE CENTRAL GOVERNMENT IN SWEDEN

The public sector in Sweden consists of the central government, the county councils (regional government) and the municipalities (local government). The central government, which is focused in this paper, consists of the Riksdag (parliament), the government, including the Cabinet and the Government offices, and the central government agencies.

Presently, the Cabinet consists of 20 ministers, including the prime minister. The Government office is organized in ten ministries, plus the Prime Minister's Office and the Office for Administrative Affairs. Small staffs of politically appointed secretaries of state and advisors support each minister. The total number of the politically appointed staff in the government is about 120, while the total number of employees in the Government office is about 4,500 persons (Regeringskansliet, 2001), including about 1,500 employees who work abroad in the foreign administration. (See Mattisson et al., 2003, for a more thorough presentation of the central government in Sweden.)

Sweden has a long tradition of central government agencies. The number of agencies is about 250, and the number of employees in the agencies is about 200,000 (Statskontoret, 2000). The size, activities, organizational structure, etc., of the agencies differ considerably. Nevertheless, all agencies follow the same overall rules for financial management, though some exceptions are made on an individual basis for, e.g., some very small agencies. On one hand, the agencies are relatively independent from the government. For example, the agencies are free to make decisions in the specific issues for which they are responsible without any direct involvement from the government, and the Director

Generals are free to organise and manage their agencies in whatever way they find suitable. On the other hand, the government can influence the agencies in many ways. For example, it has the power to decide what activities should be carried out in the agencies and the objectives for these activities, and it is has the right to get whatever information it needs concerning the performance of the agencies.

A final characteristic of the central government in Sweden is that decision making in the Cabinet is collective. This means that each central government agency is responsible to the entire Cabinet, and not only to the minister in charge of the policy areas in which the agency is engaged.

The introduction of accrual accounting in the central government in 1993 was one component in a wider public management reform agenda (Lundqvist, 2002; Mattisson et al., 2003; and Paulsson, 2003). That is the case in many other countries, as well (Bromwich and Lapsley, 1997; ter Bogt and van Helden, 2000; Guthrie, 1998; Pallot, 2001; Lüder and Jones, 2003a; and Newberry and Pallot, 2004).

In connection with the reforms during the last years, the government in Sweden has presented three overall objectives for financial management; control of central government finances, resource allocation in accordance with political priorities, and high efficiency and effectiveness in the use of central government resources (Finansdepartementet, 2000).

One important reform during the last decades is the far reaching delegation of authority and responsibility. The above-mentioned relative autonomy of the agencies is one example of this, but there has been a decentralisation to lower organisational levels within the agencies, as well. This is a common trend in other countries, too, where new public management reforms have been introduced (see e.g., Newberry and Pallot, 2004).

Another early reform was the introduction in the late 1980s of a formalised system for performance management. The purpose of that reform was to shift focus in the budget and follow-up process from the resources used to the services produced and the effects of these services. In practice, the reform meant that the government now decides on objectives and performance criteria for the central government agencies, and that the agencies report their performance against these objectives and criteria in their annual reports. In the second half of the 1990s, the use of a similar technique was formally introduced in the relationship between the Riksdag and the government, too.

The introduction of frame appropriations in 1993 was an important financial management reform. Frame appropriations make it possible for the agencies to balance over unused appropriations between different budget years and to get a credit on the appropriations for a future budget year. The reform was an attempt to give decision makers in the agencies incentives to use their resources in an efficient manner over a longer time period than the individual budget year. In the traditional system, where appropriations were withdrawn at the end of each budget year if they were not fully used, it was

considered to be a custom among the agencies to use the rest of the appropriations during the twelfth month of the budget year, whether they needed to do so or not.

At the same time as the frame appropriations were introduced, the agencies got the opportunity to take internal loans from the National debt office for financing of investments. This was an alternative to the traditional cash based appropriations for investments. The right to take loans includes investments in all assets except infrastructure and military equipment which are still financed by specific appropriations on the state budget.

In the early 1990s, the central government in Sweden faced a severe financial crisis. At the same time, several studies showed that the institutional arrangements in the state budget process were important for the state finances, and that these arrangements were weak in Sweden (Finansdepartementet, 1992). One important part of the subsequent budget reform was the introduction of a three-year expenditure ceiling and a target of surpluses in public finances as a percentage of the GDP on average over an economic cycle. Another important part of the reform was a change in the budget process from a relatively bottom-up decision making process, to a more top-down process. Finally, the budget year was changed so that it now coincides with the calendar year. All these changes came into force in the preparation of the 1997 state budget.

The state budget in Sweden is still based upon a modified cash principle. During the last years, efforts have been made in the government to change these principles towards accrual budgeting. These efforts have resulted in two white papers from the Ministry of Finance, the first presenting the principal idea behind accrual budgeting and its links to performance management (Finansdepartementet, 2000), and the second presenting specific proposals for changes in the Budget Act (Finansdepartementet, 2004). In spite of these efforts, to this date no authoritative decisions have been made in the government and the Riksdag to move towards accrual budgeting.

The reforms in public management in the central government in Sweden are important for our understanding of both the triggers behind the introduction of accrual accounting, and the actual use of the accounting information. For example, the felt need for accounting information to support the performance management system was, no doubt, the main official argument for accrual accounting when the technique was introduced in the early 1990s (Riksrevisionsverket, 1992) and it is still emphasized in books and papers about accrual accounting in the central government in Sweden (e.g., Lundqvist, 2002). Of course, it is likely that there were other reasons for the reform, as well, some of which may not have been expressed publicly. Broström (1998) discusses that phenomenon in a paper about the development of accounting regulation in the local government in Sweden, and he presents several approaches that may be used when the 'real' reasons behind a reform are discussed. However, such an analysis is beyond the scope of this paper.

## ACCRUAL ACCOUNTING IN THE CENTRAL GOVERNMENT

Accrual accounting is one of several accounting practices in the central government in Sweden. Follow-up information against the cash based appropriations on state budget, reporting to the National Accounts, and reporting against non-financial performance objectives are others. According to Jones and Pendlebury (2000) it is common that several accounting practices are used, and they should not be considered mutually exclusive.

IFAC PSC defines accrual accounting in the following way in its *Handbook of International Public Sector Accounting Pronouncements* (IFAC, 2002):

A basis of accounting under which transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recorded in the accounting records and recognized in the financial statements of the periods to which they relate. The elements recognized under accrual accounting are assets, liabilities, net assets/equity, revenue and expenses (p. 679).

Though, it is common to distinguish between full and modified accrual accounting, there are many different types of accrual accounting (Jones and Pendlebury, 2000). Using the broad distinction, the accounting system in the central government in Sweden is based upon a relatively full accrual principle (see Ström, 1997; and Lundqvist, 2002). The only significant exceptions from the accrual principle are the treatment of heritage assets and taxes. Heritage assets are treated on a cash basis, and taxes are recognized when the tax is charged by the government, though the final tax is decided when the income of the taxpayer is finally decided several months after the end of the budget year.

Another important technical issue in accrual accounting is whether historical or current costs should be used as a basis for valuation (Jones and Pendlebury, 2000). In Sweden there is a long lasting tradition in all sectors of society to use historical costs, and that is also the principle that is applied in the central government.

Concerning the reporting of accrual accounting information, each agency is obliged to send an annual report to the government no later than February 22 and a semi-annual report no later than August 15. These documents are the main sources of accrual accounting information, and they include several statements. (See Table 1.)

**Table 1**

The Accrual Based Financial Statements in the Semi-annual and Annual Reports

	<i>Annual Report</i>	<i>Semi-annual Report</i>
Income statement	X	X
Balance sheet	X	X
Fund statement	X	
Cost per objects	X	

The income statement, balance sheet and fund statement are general-purpose financial statements, while the information about cost per object is management accounting information. In addition to these accrual based accounting statements, the annual and semi-annual reports include follow-up information against the cash based appropriations on the state budget.

#### THE USE OF ACCOUNTING INFORMATION

There are several possible users of central government accounting information; taxpayers, grantors, investors, fee-paying recipients, management, voters etc. (Jones and Pendelbury, 2000, referring to Government Accounting Standards Board, GASB). This paper focuses on two main groups of users – officials in the government and managers in the agencies. Among the former, the ministers, secretaries of state and other political advisors is one important subgroup, and the non-political advisors in the government offices is another. Managers in the agencies are the director generals, other senior managers, and department managers etc. at lower levels in the agencies. Concerning the users in the agencies, there is no distinction made in the study between different categories of managers. However, the interviews indicate that the financial managers are key persons in analysing and presenting the information to the rest of the managers.

The mean on the question about whether accounting information is used by agency managers is 3.34 on a five digit scale. The corresponding mean for the use in the government offices is 3.14. When a distinction is made between politicians and non-political advisors in the Government offices it becomes evident that it is primarily the non-political advisors responsible for the government – agency relationships that directly read and analyse the accounting information from the agencies (4.59), while it is less common that the ministers (1.68) or the secretaries of state (2.06) read and analyse the accounting information, themselves. However, this should not be interpreted as if the politicians don't receive the information, or don't use it. On the contrary, the survey in the Government offices clearly shows that the non-political advisors present the result of their analysis to the politicians in both oral and written form. The interviews in the Government offices confirm this result. The important role of the non-political advisors in the analysis and communication of accounting information to politicians was also found in a study in the local government sector in Sweden (Broström, 1998).

The most obvious reason why politicians and senior managers in the agencies don't read and analyse the accounting information themselves is probably that they have a too heavy workload in order to have the necessary time to do it. Another possible reason is that they have difficulties to understand accounting information, and that accrual accounting information is even more difficult to understand than cash based accounting information (Bourmistrov and



Mellemvik, 2003). That problem was discussed in the interviews in the Government offices, but it was not emphasized as much in these interviews as it has been in some other studies (e.g. Guthrie, 1998).

The result that is presented above, concerns the use of accounting information in general. When a distinction is made between different types of accounting information, it becomes clear that there are large differences. In the agencies, information about cost per objects is used most (3.66), and the cash based information for follow-up against the appropriations on the state budget is used to a slightly lesser degree (3.41). On the other hand, general-purpose financial statements are not at all used to the same extent (2.83). In the Government offices, the cash based follow-up information against the appropriations on the state budget is used most (3.82). Also the information about cost per objects is used to a relatively large extent (3.2), while the general-purpose financial statements are used less (2.6).

Classifications of uses of accounting information often include two main uses e.g., decision making and control, while IFAC-PSC provide a more detailed list of 13 possible uses, ranging over broad areas such as 'assess the allocation and use of resources' and 'assess the government's long term ability to meet financial obligations' (IFAC, 2000, p. 11). The uses that are focused in this study are related to both these classifications, but they are more directly linked to the various phases of the yearly budget preparation and follow-up process in the central government.

Table 2 indicates that there are relatively small differences in the use of accrual accounting information in different phases of the yearly budget process. Thus, it is not possible to identify clear differences in the use of the information for e.g., planning and follow-up. Instead, the most striking result is that the figures are rather low. Therefore, at a first glance, this study seems to support earlier studies, which have shown that accrual accounting information is not used to any large extent in public organisations (see e.g., Näsi and Kohvakka, 2001). However, both the answers to the questionnaire and the interviews provide alternative explanations for this result.

Firstly, several interviewees argue that the accrual accounting information is used to a relatively large extent, but that it is difficult to link this use to specific phases in the budget process. Rather than being used directly in these phases, the information is used as a general source of information in many different situations both in the agencies and in the government. In the Government offices, examples of such situations are when there is a discussion about a possible merger of two agencies that are involved in a certain policy area, and when a minister is preparing for a debate in the Riksdag concerning the whereabouts of a certain agency. In the agencies, examples of such situations are when the director general is going to present the agency to a group of journalists, and when there are discussions about possible organisational changes within the agency.

Secondly, the study shows that there are large variations in the use of different kinds of accrual accounting information depending on what type of agency it is and the situation that agency is facing. The figures in Table 2 show the average

**Table 2**

## Uses of Accounting Information in Different Phases of the Budget Process

		<i>The Government Offices</i>	<i>Mean</i>	<i>The Agencies</i>	<i>Mean</i>
Planning	- Preparation of the spring budget bill and the budget bill		3.12	- Activity planning and budgeting	2.54
	- Preparation of the approval letters to the agencies		2.80		
Follow-up	- The formal dialogue between the politicians in the government and the top management of the agencies		2.98	- Follow-up and evaluation of the activities in various organizational units within the agency	2.64
	- The informal dialogue between senior administrators in the government offices and the agencies		3.10	- Follow-up and evaluation of the performance of the managers of the various organisational units within the agency	2.23
	- Follow-up and evaluation of the activities in the agencies		3.31		
	- Follow-up and evaluation of the performance of the director generals of the agencies		2.78		

result for the entire central agency sector. However, the agencies are very different from each other. Some are small and some are very large, some have a standardized technology and some have a less standardized technology, some are financed entirely by appropriations on the state budget and some are financed entirely by fees, some are responsible for activities that are constantly on the political agenda and some are engaged in areas of more administrative nature that are almost never on that agenda etc. These and other differences between the agencies obviously have an important effect on the use of accrual accounting information, both in the agencies and in the Government. Table 3 contains a few examples of cases where a certain kind of information is used to a large extent.

Table 3 shows that the use of certain types of accrual accounting information in certain types of agencies tends to be rather high. For example, large and medium sized agencies tend to use information about cost per organisational units to a large extent, while that kind of information is used less in small agencies. Furthermore, agencies that are financed primarily by fees tend to use the income statement to a large extent, while that statement is used less in agencies that are financed primarily by appropriations.

Finally, some interviewees in the Government offices argue that the use of the accounting information is highly linked to the financial situation in the individual agency. If that situation is good, the initial analysis of the information by the non-political advisor leads to nothing but brief information to the politicians. On the other hand, if the financial situation is bad the initial analysis leads to a further investigation and discussion both among the non-political advisors and the politicians in the government, and together with the agency management.

**Table 3**

Examples of the Use of Accounting Information in Certain Cases

<i>User</i>	<i>Uses</i>	<i>Mean</i>
Agencies	Use of information about cost per organisational unit in activity planning and budgeting in large agencies	4.52
	Use of the income statement in activity planning and budgeting in agencies that are financed primarily by fees	4.50
	Use of information about cost per organisational units in the follow-up and evaluation of activities in large and medium sized agencies	4.32
Government	Use of information about cost per activity area as a basis for follow-up and evaluation of the activities in the agencies	3.52
	Use of information about cost per activity area as a basis for the informal dialogue between administrators in the government and the agencies	3.40
	Use of income statements in the follow-up and evaluation of the activities in the agencies	3.32

Thus, the argument by the interviewees is that accrual accounting information is used in the Government offices, but primarily as an alarm clock.

To sum up, the study shows that the use of accrual accounting information in the agencies and the Government differs a lot depending on the characteristics of the agency and the situation the agency is facing. This is consistent with the argument that is presented by Bourmistrov and Mellemvik (2003) in their analysis of the prospects for accounting reform in the central government in Norway.

#### ACCRUAL ACCOUNTING AND CASH BASED BUDGETING

Both the survey and the interviews indicate that the use of accrual accounting information may be lower than it otherwise would be, due to the fact that the state budget in Sweden is still based upon a modified cash principle. This is consistent with the arguments put forward and the experiences and results presented in other papers and reports (Likierman, 2000; Hepworth, 2002; Lundquist, 2002; Christiaens and Vanhee, 2003; and Algemene Rekenkamer, 2004). The report from Algemene Rekenkamer in the Netherlands, which includes experiences from accrual accounting in other countries, concludes that:

the main lesson from Sweden is that the separate introduction of accrual accounting while retaining a cash based budgeting system is not advisable and creates many matching problems (p. 90).

Furthermore, IFAC PSC argues that one purpose of accrual accounting is to enable users to 'assess the entity's compliance with accrual budgets'. (IFAC PSC, 2000, p. 59). That kind of assessment is of course not possible if the budget is based upon a cash principle.

Presently, there is a proposal for accrual budgeting in the central government in Sweden (Finansdepartementet, 2004), and if that kind of budgeting is implemented it will be interesting to study the development of the use of accrual accounting information during the years to come.

However, the time lag between the introduction of accrual accounting and accrual budgeting in public sector organisations is not a Swedish phenomenon alone. On the contrary, several studies show that it is a common pattern in most countries which have introduced accrual accounting (OECD, 2000; and Lüder and Jones, 2003b). In some countries, accrual accounting and cash based budgeting is considered to be a permanent solution, while in other countries accrual budgeting is viewed as a natural second step after the introduction of accrual accounting. Bourmistrov and Mellemvik (2003) present several possible patterns of introduction of accrual accounting and accrual budgeting.

#### MANAGEMENT RATHER THAN POLITICS

The budgetary process in the central government in Sweden includes both budgetary politics, general policy making, and management of the large agency

sector. The result of the study shows that accrual accounting information is used more in situations which can be referred to as management, than in budgetary politics and policy making. Examples of the former is the internal processes of planning, budgeting and follow-up in the agencies, and the preparation of the approval letters for the agencies in the Government offices and the dialogues between the Government offices and the agencies during the budget year.

The management orientation of the use of accrual accounting information is also supported by the fact that it is cost per different objects, like organisational units, activity areas and projects, that are used most, while the general-purpose financial statements are used to a much lesser extent. The only exception is the income statement for agencies that are financed primarily by fees. Thus, it is management accounting information, rather than financial accounting information that is used most. This finding is supported by the general observation by Bromwich and Lapsley (1997) that management accounting information seems to be an important component in the public management reforms in the central government.

This result is well in line with the initial intentions behind the introduction of accrual accounting in the central government in Sweden, i.e. to support performance management and other public management innovations. It also means that the contribution of accrual accounting to the attainment of the objectives of financial management in the central government in Sweden, probably is linked to the third objective, i.e., high efficiency and effectiveness in the use of central government resources (see Finansdepartementet, 2000).

The use of accrual accounting information for managerial purposes has been considered to be a benefit in other countries, as well (see e.g., Likierman, 2002). Furthermore, the fact that accrual accounting is not used in budgetary politics in Sweden is probably explained by the fact that the central government still has a cash based budget.

The use of accrual accounting information for management purposes has been criticised, as well. For example, Robinson (1998) argues that accrual accounting in public sector organisations may have a more important role to play 'as a measure of the fiscal stance of the public sector, particularly, with respect to intergenerational equity' (pp. 35–36).

#### THE COST OF THE ACCRUAL ACCOUNTING SYSTEM

This paper is focused on the use of accrual accounting information, while the cost of running the system has not been dealt with in any depth. Nevertheless, the empirical study included a few questions about the complexity of the work with accrual accounting in the agencies, and that issue was also discussed during some of the interviews. The result shows that accrual accounting is considered to be relatively easy to handle in the agencies and that the agencies have feasible software packages and a good support from The Swedish National Financial

Management Authority in matters which concern the accrual accounting system. The problems that were identified had to do more with the size of the regulatory framework and the reporting requirements, than with the principles and practices of accrual accounting, *per se*. Furthermore, it is obvious that representatives from both the agencies and the Government offices consider accrual accounting to be self-evident. Thus, there is no discussion at all about a change towards a more cash based accounting system. Pallot (2001) reports about the same situation in the New Zealand government.

However, the fact that the agencies consider the accrual accounting system to be relatively easy to handle, cannot be taken as evidence for the low cost of running the system. Firstly, there were massive educational efforts when the system was introduced in the early 1990s, and the implementation of the necessary software went on for several years after the introduction. The need for extensive investments in the implementation phase is experienced in other countries as well, e.g., New Zealand (Pallot, 2001) and Australia (Guthrie, 1998). Secondly, the accounting departments in the agencies have undergone considerable changes since the introduction of accrual accounting. Whether these changes have led to higher costs for accounting, all together, is not possible to judge based upon this study. Thus, the question of whether it is value for money to use accrual accounting in public organisations still remains unanswered.

#### CONCLUSIONS

At first sight, the present study seems to confirm the results from other empirical studies, i.e., that accrual accounting information is less useful in public organisations. However, a more detailed analysis of the data clearly shows that this overall result does not give the full picture of the use of accrual accounting information in the central government in Sweden. Firstly, several interviewees argue that the accrual accounting information is used to a relatively large extent, but that it is difficult to link this use to individual phases in the budget process or to specific decisions. Rather than being used directly in such situations, the information is used as a general source of information in different situations both in the agencies and in the Government office. Secondly, the study shows that there are large variations in the use of different kinds of accounting information. For example, cost per different objects is used much more than most general-purpose financial statements. Thirdly, it is obvious that the degree to which accrual accounting information is used depends on, among other things, the organisational context of the specific organisation and the financial situation it is facing. Agencies that are financed primarily by fees tend to use the income statement much more than agencies that are financed primarily by appropriations in the state budget, large agencies tend to use cost per different objects much more than small agencies, the accrual accounting information is used much more in the Government offices when a specific agency is facing financial problems than when the financial situation in the agency is good, etc.

There are strong indications that accrual accounting information is used less for both budgetary politics and policy making in public sector organisations where the budget is still based upon a cash principle. This is the case in the central government in Sweden where the accrual accounting information is used mostly as a tool in the management of the agencies. That is not at all surprising, but it is nevertheless worth emphasising since public sector organisations in several countries consider implementing accrual accounting without a corresponding change in the principles for budgeting.

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