

## IMPACT OF INCOME LEVEL ON GOVERNMENT ACCOUNTING

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### ABSTRACT

*It needs to disseminate information of high quality of government accounting in terms of understandability, relevance, materiality, reliability, and faithful representation, substance over form, neutrality, prudence and comparability. The study is confined to the how far the level of income of an individual impact on government accounting. The data collected from the 120 respondents who possess the qualifications of PG/CA/ICWA. The study used the techniques of mean, standard deviation, percentages along with the chi-square analysis. The study found that the level of income associated with the all the factors of government accounting at 1 per cent level, ( $P = 0.000$ ). The study also found that the activities of government accounting should determine as per the needs of the country, and it disseminate information of high quality in terms of understandability, relevance, materiality, reliability, and faithful representation, substance over form, neutrality, prudence and comparability (mean, 1.91) further it should be useful for the uplift of the welfare of its citizens (mean, 1.73). The public sector comparator useful as a tool for financial feasibility analysis of government projects (mean, 1.54) and wanted to introduce a accrual accounting in government departments (mean, 2.54). The intergovernmental front levels increase with the fiscal surplus of the grantee rather than with fiscal deficit (mean, 2.63). Hence, it is suggested to strengthen the existing accounting policies and procedure for sustainability of Government accounting.*

**Keywords:** *Public sector comparator, Accrual Accounting, Welfare of Citizens, Disseminate of Information etc.*

### Introduction:

Government accounting plays an important role in the maintenance of expenditure and revenue of government. The activities of Government accounting are determined by the needs of the country. Public sector accounting refers to the field of accounting that specifically finds application in the public sector or government. The unique objectives of government accounting do not preclude the use of the double entry accounting system. The objectives for which government entities apply accountancy can be organized in two main categories: - The accounting of activities for accountability purposes. In other words, the representatives of the public, and officials appointed by them, must be accountable to the public

for powers and tasks delegated. The relevant role-players, especially officials and representatives, need financial information that is accounted, organized and presented for the objectives of their decision-making. The governmental accounting system sometimes uses the historic system of accounting. A set of separate, self-balancing accounts are responsible for managing resources that are assigned to specific purposes based on regulations and limitations. The governmental accounting measures the flow of financial resources instead of recognizing revenue when they are earned and expenses when they are incurred, revenue is recognized when there is money available to liquidate liabilities within the current accounting period, and expenses are recognized when there is a drain on current resources. There are several tools available for

analysis of Government accounting. One of the tools is public sector comparator as a tool for financial feasibility analysis of government projects. Besides that, there is a possibility of introducing accrual accounting in Government department. The inter-Governmental grant level increase with the fiscal surplus of the grantee rather than with the fiscal deficit. The Government accounting needs to disseminate information of high quality in terms of understandability, relevance, materiality, reliability, and faithful representation, substance over form, neutrality, prudence and comparability. The Government accounting should uplift the welfare of its citizens.

### Review of Literature:

Bowerman et al. (2001) discuss the recent benchmarking initiative for UK local government. concluded that Best Value will mainly lead to 'defensive benchmarking' This is a type of benchmarking in which local governments are primarily interested to show a good, or at least not a bad performance, to central government audit bodies. The paper concludes that rather than 'defensive benchmarking' an 'improvement – oriented benchmarking approach' is also an option for an individual local government. In that case an organization will need to support the underlying goals (improvement in order to become the best, instead of legitimacy) and it has to invest in information gathering, in order to enable a comparison of its own performance with best practice.

Collier (2001) reports a field study concerning the introduction, implementation and use of devolved budgeting (internal decentralization of budgets) in a local police force in the UK. This paper shows that in the course of time, despite some resistance from the work floor, a powerful coalition of central and local police managers, which supported the accounting change, emerged. The new system contributed to both legitimacy (external regulation asked for devolved budgeting) and to the management of operational policing activities (leading to greater discretion for local police managers).

Both Shields (1997, pp. 22-29) and Scapens and Bromwich (2001, pp. 8-9) point to several new directions for management accounting research, which could also be considered by governmental management accounting researchers. These concerns the management accounting impacts of horizontal relationships, for example in partnerships and networks, as well as those of different strategic options. They also concern so-called virtual management accounting, which refers to management information systems that can provide customized financial and non-financial information to many different users in many different locations. However, organizational management accounting research – referring to one of Shields' other

recommendations – is already predominant in the field of governmental management accounting research.

Pallot (1999) attempted to highlight the emerging trends in public management accounting and raises questions about their implications for accounting. First, rather than vertically oriented management systems, co-ordination between policy fields is necessary, emphasizing the government as a whole. Second, public sector organizations should pay more attention to long-term strategic policy making. Third, the focus on outputs should be replaced by a focus on outcomes and assurance for future capabilities. And finally, involvement in wider community thinking is needed with contract-based agreements replaced by trustful partnership relations.

Yamamoto (1999) designs a model to explain accounting change in Japanese local (and second tier) government, mainly based on Lüder's contingency model of governmental accounting research. The model is relevant to the local governmental sector as a whole, as well as to two specific governmental organizations (prefectures). These examples show that financial stress is becoming increasingly important and additionally that institutional factors, such as new legislation on auditing, are influential. Accounting change is particularly directed to the introduction of accrual accounting (including full costing of services), performance measures (including benchmarking) and VFM audits.

Midwinter (2001) examines the New Labour agenda for modernizing local government in the UK. Main elements in these 1995 agenda are: more citizen Participation, replacement of the council as municipal executive by a political executive and avoidance of the tax and spending trap. The author criticizes this agenda for the following reasons. First, some issues go back to old traditions in government, for instance in the case of managerialism. Second, other changes will not lead to the supposed effects, or may even have negative side-effects: for example the replacement of the council by a political executive will harm democracy and will not solve the problem of political party paternalism. Third, there also seems to be a hidden agenda with spending constraints to local government and a strengthening of central government power over local authorities. Finally, although Best Value instead of Compulsory Competitive Tendering puts quality on the local government agenda, it neglects the existing positive appreciation of local government service delivery and it also rests on the unproven assumption of inefficient and ineffective operations of local government.

### Objectives of the study:

The study contains the following objectives.

1. To know the association between level of income with the various factors of Government accounting.

2. To analyze and interpret the perceptions of the respondents regarding different issues of Government accounting.
3. To offer a suitable suggestions to strengthen the existing Government accounting procedure and practices.

**Methodology of the Study:**

The data has been collected through a structural questionnaire along with the informal conversations with the concerned respondents. The secondary data has been collected through a text books, journals and magazines.

**Selection of the sample:**

120 respondents were selected for an interview through the questionnaire. The respondents consist of the chartered accountants, post graduates and cost accountants on the district of Visakhapatnam and west Godavari of Andhra Pradesh state.

**Techniques:**

The chi-square test is applied to know the association between incomes of the individual with various factors of Government accounting. Besides that descriptive statistics used like, Mean, standard deviation and percentages.

**Table1: Distribution of Respondents based on their Income.**

Income of the respondent(Per Month)	Frequency	Percent
below 10,000	32	26.6
10,000-20,000	44	36.7
20,000-30,000	44	36.7
30,000-40,000	-	-
40,000-50,000	-	-
<b>Total</b>	<b>120</b>	<b>100.</b>

This table shows that distribution of respondents by their level if income. All of the respondents represents below the income level of 30,000. The some percentage of respondents represented from the income groups of 10,000- 20,000 and 20,000-30,000.

**Table 2: Distribution of Respondents based on their Education Qualification**

Education Qualification	Frequency	Percent
SSC/10 <sup>th</sup>	-	-
Intermediate 10+2	-	-
Degree 10+2+3	-	-
PG	109	90.8
CA/ICWA	11	9.2
<b>Total</b>	<b>120</b>	<b>100.0</b>

This table reveals that, distribution of respondents by their educational qualifications. The majority of the respondents possess the qualification of post-graduation, followed by the chartered accountants and cost accountants. There were no single respondents for the 10<sup>th</sup> class, intermediate and degree qualifications.

**Table 3: Public sector Comparator as a Tool for Financial Feasibility Analysis of Government Projects Vs Income**

Public sector comparator as a tool for financial feasibility analysis of government projects	Income					Total
	Below - 10,000	10,000 - 20,000	20000- 30000	30000-40000	40000-50000	
Strongly Agree	22 (68.8)	0 (.0)	33 (75.0)	-	-	55 (45.8)
Agree	10 (31.2)	44 (100.0)	11 (25.0)	-	-	65 (54.2)
<b>Total</b>	32 (100.0)	44 (100.0)	44 (100.0)	-	-	120 (100.0)

Pearson Chi-Square =59.077<sup>a</sup> df=2,Asymp. Sig. (2-sided)= .000

a. 0 cells (.0) have expected count less than 5. The minimum expected count is 14.67.

**Null Hypothesis (Ho):**

There is no significance association between Income and Public sector comparator as a tool for financial feasibility analysis of government projects.

**Alternative Hypothesis (Ha):**

There is a significant association between Income and Public sector comparator as a tool for financial feasibility analysis of government projects.

**Analysis:** The proposed null hypothesis was rejected ,where Pearson Chi-Square =59.077<sup>a</sup>, **df=2**,Asymp. Sig. (2-sided)= .000, hence, it can be concluded that there was a significant association between Income and Public sector comparator as a tool for financial feasibility analysis of government projects.

The table 6 shows that all the respondents agreed that public sector comparator as a tool for financial feasibility analysis of government projects. The 45.8 percent of the respondents strongly aged regarding this opinion.

**Table 4: The Activities of Government Accounting are determined by the needs of the Country Vs Income**

The activities of government accounting are determined by the needs of the country	Income					Total
	Below - 10,000	10,000 - 20,000	20000-30000	30000-40000	40000-50000	
Strongly Agree	21 (65.6)	33 (75.0)	44 (100.0)	-	-	98 (81.7)
Agree	11 (34.4)	11 (25.0)	0 (.0)	-	-	22 (18.3)
<b>Total</b>	<b>32 (100.0)</b>	<b>44 (100.0)</b>	<b>44 (100.0)</b>	-	-	<b>120 (100.0)</b>

Pearson Chi-Square =16.684<sup>a</sup> df=2,Asymp. Sig. (2-sided) = .000

a. 0 cells (.0) have expected count less than 5. The minimum expected count is 5.87.

**Null Hypothesis (Ho):**

There is no significant association between levels of Income to the activities of Government accounting which are described by the needs of the country.

**Alternative Hypothesis (Ha):**

There is a significant association between the between level of Income to the activities of Government accounting which are described by the needs of the country.

**Analysis:**

The null hypothesis was rejected ,where Pearson Chi-Square =16.684<sup>a</sup> df=2,Asymp. Sig. (2-sided) = .000, hence ,it can be concluded that there is a significant association between the between level of Income to the activities of Government accounting which are described by the needs of the country. Table 7 shows that the majority of the respondents (81.7) strongly agreed that activities of government accounting were determined by the needs of the country. And 18.3 percent of the respondents agreed regarding this statement. Hence it can be conclude that all the respondents agreed that the activities of government accounting were determined by the needs of the country.

**Table5: There is a Possibility of Introducing Accrual Accounting in Government Department Vs Income there is a possibility of introducing accrual accounting in government department and Income**

There is a Possibility of Introducing Accrual Accounting in Government Department Vs Income There is a possibility of introducing accrual accounting in government department and Income	Income					Total
	Below - 10,000	10,000 - 20,000	20000-30000	30000-40000	40000-50000	
Strongly Agree	11 (34.4)	0 (.0)	0 (.0)	-	-	11 (9.2)
Agree	0 (.0)	11 (25.0)	33 (75.0)	-	-	44 (36.7)
Neutral	10 (31.2)	33 (75.0)	11 (25.0)	-	-	54 (45.0)
Disagree	11 (34.4)	0 (.0)	0 (.0)	-	-	11 (9.2)
<b>Total</b>	<b>32 (100.0)</b>	<b>44 (100.0)</b>	<b>44 (100.0)</b>	-	-	<b>120 (100.0)</b>

Pearson Chi-Square =1.056E2<sup>a</sup>df=6,Asymp. Sig. (2-sided) = .000

a. 6 cells (50.0) have expected count less than 5. The minimum expected count is 2.93.

**Null Hypothesis (Ho):**

There is no significant association between levels of Income to the possibility of introducing accrual accounting in government department.

**Alternative Hypothesis (Ha):**

There is a significant association between the level of Income to the possibility of introducing accrual accounting in government department.

Analysis: The proposed hypothesis was rejected, where, Pearson Chi-Square =1.056E2<sup>a</sup>df=6,Asymp. Sig. (2-sided) = .000, therefore, it can be concluded that there is a significant association between the level of Income to the possibility of introducing accrual accounting in government department.

The above table reveals that 9.2 percent of the respondents strongly agreed to introduce the accrual accounting in government departments and 36.7 percent of the respondents agreed regarding this issue. 45 percent respondents did not give any opinion regarding this issue. but 9.2 percent of the respondents disagreed to introduce the accrual accounting system in government departments.

**Table6: Inter Governmental Grant Levels Increase with the Fiscal Surplus of the Grantee rather than with Fiscal Deficit \* Income**

Intergovernmental grant levels increase with the fiscal surplus of the grantee rather than with fiscal deficit	Income					Total
	Below - 10,000	10,000 - 20,000	20000 - 30000	30000-40000	40000-50000	
Strongly Agree	11 (34.4)	0 (.0)	0 (.0)	-	-	11 (9.2)
Agree	11 (34.4)	11 (25.0)	11 (25.0)	-	-	33 (27.5)
Neutral	10 (31.2)	33 (75.0)	22 (50.05)	-	-	65 (54.2)
Disagree	0 (.0)	0 (.0)	11 (25.0)	-	-	11 (9.2)
<b>Total</b>	<b>32</b> (100.0)	<b>44</b> (100.0)	<b>44</b> (100.0)	-	-	<b>120</b> (100.0)

Pearson Chi-Square =56.769<sup>a</sup>,df=6,Asymp. Sig. (2-sided) = .000

a. 6 cells (50.0) have expected count less than 5. The minimum expected count is 2.93.

**Null Hypothesis:**

the inter-governmental grant levels do not increase with the fiscal surplus of the grantee rather than with fiscal deficit associated with the level of income.

**Alternative Hypothesis:**

The inter-governmental grant levels increase with the fiscal surplus of the grantee rather than with fiscal deficit does not associated with the level of income.

**Analysis:**

The null hypothesis was rejected, where Pearson Chi-Square =56.769<sup>a</sup>,df=6,Asymp. Sig. (2-sided) = .000 hence it can be concluded that the inter-governmental grant levels increase with the fiscal surplus of the grantee rather than with fiscal deficit does not associated with the level of income.

The above table shows that the majority of the respondents 54.2 per cent did not express any opinion regarding the inter-governmental grant levels increase with the fiscal surplus of the grantee rather than with fiscal deficit and 9.2 percent of the respondents strongly agreed, 33 per cent of them agreed regarding this issue. Hence in can be concluded that the majority of the respondents did not express their opinion regarding fiscal surplus and fiscal deficit.

**Table7: It needs to disseminate information of high quality terms of understand ability relevance, materiality, reliability, faithful representation, substance, over form, neutrality prudence and comparability. \* Income**

It needs to disseminate information of high quality terms of understand ability relevance, materiality, reliability, faithful representation, substance, over form, neutrality prudence and comparability.	Income					Total
	Below - 10,000	10,000 - 20,000	20000- 30000	30000-40000	40000-50000	
Strongly Agree	0 (.0)	22 (50.0)	11 (25.0)	-	-	33 (27.5)
Agree	10 (31.2)	22 (50.0)	33 (75.0)	-	-	65 (54.2)
Neutral	22 (68.8)	0 (.0)	0 (.0)	-	-	22 (18.3)
<b>Total</b>	<b>32</b> (100.0)	<b>44</b> (100.0)	<b>44</b> (100.0)	-	-	<b>120</b> (100.0)

Pearson Chi-Square =84.269<sup>a</sup>,df=4,Asymp. Sig. (2-sided) = .000

a. 0 cells (.0) have expected count less than 5. The minimum expected count is 5.87.

**Null Hypothesis (Ho):**

There is a significance association between levels of Income to disseminate information of government accounting.

**Alternative Hypothesis (Ha):**

There is no significance association between levels of Income to disseminate information of government accounting.

The table reveals that the majority of the respondents (54.2) agreed that there is a need to disseminate information of high quality in terms understandability, relevance, materiality, reliability, and faithful representation, substance over form, neutrality, prudence and comparability regarding the government accounting, but a 27.5 per cent of the respondents strongly agreed this issue, but 18.3 per cent of the respondents did not express any opinion regarding this issue. The chi-square value of this table shows that 84.269 at degree of freedom 4, and significant at 1 percent level. Hence, it can be conclude that the level of income associated with the activities of government accounting.

**Table8: The government accounting should uplift the welfare of its citizens \*Income**

Public sector comparator as a tool for financial feasibility analysis of government projects	Income					Total
	Below - 10,000	10,000- 20,000	20000- 30000	30000-40000	40000-50000	
Strongly Agree	10 (31.2)	33 (75.0)	22 (50.0)	-	-	65 (54.2)
Agree	11 (34.4)	11 (25.0)	11 (25.0)	-	-	33 (27.5)
Neutral	0 (.0)	0 (.0)	11 (25.0)	-	-	11 (9.2)
Disagree	11 (34.4)	0 (.0)	0 (.0)	-	-	11 (9.2)
<b>Total</b>	<b>32</b> (100.0)	<b>44</b> (100.0)	<b>44</b> (100.0)	-	-	<b>120</b> (100.0)

Pearson Chi-Square =56.769<sup>a</sup>,df=6,Asymp. Sig. (2-sided) = .000

a. 6 cells (50.0) have expected count less than 5. The minimum expected count is 2.93.

**Null Hypothesis (Ho):**

There is no significance association between levels of Income and uplift the welfare of citizens through the government accounting.

**Alternative Hypothesis (Ha):**

There is a significance association between levels of Income and uplift the welfare of citizens through the government accounting.

**Analysis:**

The proposed null hypothesis was accepted, where Pearson Chi-Square =56.769<sup>a</sup>,df=6,Asymp. Sig. (2-sided) = .000, hence, it can be concluded that there was a significance association between levels of Income and uplift the welfare of citizens through the government accounting.

The majority of the respondents (54.2 per cent) strongly agreed that the government accounting should uplift the welfare of its citizens. 27.5 percent of the respondents agreed regarding this issue. There were a some percentage of respondents (9.2 per cent) neutral as well as disagreed these issues. Hence it can be concluded that the majority of the respondents opined that, the welfare of the citizens should increase through the government accounting.

**Findings of the study:**

The study identified the following findings.

1. The all of the respondents opined that public sector comparator useful as a tool for financial feasibility analysis of government projects.
2. All of the respondents opined that the activities of government accounting should determine as per needs of the country.
3. About 45 percent of respondents wanted to introduce accrual accounting in government department.
4. The majority of the respondents (65 percent) did not express any opinion regarding inter government grant levels increases with the fiscal surplus of the grantee rather than with the fiscal deficit.
5. The majority of the respondents wanted to disseminate information of high quality on terms of understandability, relevance, materiality, reliability, and faithful representation, substance over form, neutrality, prudence and comparability.
6. Most of the respondents opined that the government accounting should be useful for the uplift of the welfare its citizens.

**Conclusion and Suggestions:**

The government accounting played a very important role in the appraisal of government revenue and expenditure. The public sector comparator useful as a tool for financial feasibility analysis of government projects and the activities of government accounting

should cater the needs of the country. The majority of the respondents wanted to introduce an accrual accounting in government department but they remain silent with the concept of inter government grant levels increase with the fiscal surplus of the grantee rather than with the fiscal deficit. The government accounting should useful for the uplift of the welfare of its citizens and disseminate information of high quality in terms of understandability, relevance, materiality, and reliability, and faithful representation, substance over form, neutrality, prudence and comparability. The necessary authority should take necessary steps to ameliorate the existing position of government accounting and its activities.

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