An Analysis of the Characteristics of the New Government Accounting System Reform Based on the Accrual System

Meihong Zhu
Southwest Petroleum University, Chengdu, Sichuan 610500, China

ABSTRACT. With the development of society, the disadvantages of the cash-based system gradually appear, and people's demand for government accounting information is growing. Stakeholders also urgently demand the government to disclose financial information. At present, there is a lack of accurate and effective data support in the authenticity of government accounting information disclosure in order to achieve the goal of relieving public fiduciary duty and the usefulness of decision-making. Accrual basis, as a more objective accounting basis reflecting the business performance of commercial enterprises, has gradually replaced the cash basis and become the dominant accounting basis in the commercial field. As the core content of Chinese government accounting reform, the introduction of accrual basis is not only a technical change, but also a fundamental transformation of government accounting function. This paper discusses the limitations of the cash basis in Chinese government budget accounting, emphasizes the importance of using accrual basis, and puts forward suggestions on the implementation of accrual basis in Chinese government budget accounting.

KEYWORDS: Financial information, Accrual basis, Accounting, Government

1. Introduction

As a kind of artificial order, government accounting standards are the result of institutional changes under the influence of many environmental factors. In the 1970s, government accounting in some developed countries was still based on the payment realization system. However, with the development of society, the shortcomings of the payment realization system have gradually emerged. The public's demand for government accounting information is increasingly strong, and stakeholders are also pressing for the government to disclose financial information [1]. Government accounting is an important part of China's accounting system. With the modernization of the national governance system and the acceleration of the establishment of a modern fiscal system, the government accounting system is in urgent need of corresponding reforms and adjustments [2]. Government accounting plays an important role in the formulation and implementation of fiscal policies and is at the center of modern government. Therefore, this reform makes government accounting goals need to be repositioned [3]. China is currently brewing the reform of the government accounting system. In the process of establishing the new government accounting system, the choice and conversion of the accounting foundation is a very important issue. With the transformation of government functions, China's fiscal management model has gradually changed from productive and constructive finance during the planned economy period to public finance. In these years, a series of major reforms have been carried out in fiscal management and significant results have been achieved [4]. However, at present, in order to achieve the goal of dismissing public entrusted responsibility and the usefulness of decision-making, the government accounting information disclosure lacks accurate and effective data support in terms of authenticity [5].

The government's annual fiscal budget must be strictly reviewed and more transparent, and every sum of money must be spent on the ground. However, traditional government accounting only pays attention to expenditure, which will inevitably lead to the occurrence of financial crisis [6]. The Ministry of Finance regards government accounting reform as one of the key tasks for the construction of a modern fiscal system, and successively revised a series of government accounting systems, gradually incorporating the accrual system into the government accounting confirmation and accounting basis [7]. The production of rights and responsibilities has become an accounting basis that more objectively reflects the operating performance of commercial enterprises, and has gradually replaced the receipt and payment realization system, and has become the dominant basis in commercial accounting. From the perspective of fiscal and taxation system reforms, the second generation of fiscal decentralization theory is based on the theory of public choice. It believes that government officials may have rent-seeking motives in administrative management, and that the greater the power of local governments, the greater the fiscal risk of local governments. The larger [8]. New Public Management believes that a sound and transparent government accounting system is the cornerstone of good
public sector governance. The article expresses views on the limitations of the Chinese government budget accounting’s adoption of the receipt and payment realization system, emphasizes the importance of using the accrual system, and makes suggestions for the Chinese government’s budget accounting to shift to the accrual basis of implementation.

2. Necessity of Introducing Accrual Basis into Government Accounting Reform

2.1 It is the Need of Expanding the Goal of Government Financial Management

Government accounting system is a financial management system that reflects the use of financial funds and public resources by the government in the process of performing its functions. In the process of China's government accounting system reform, financial management reform and economic development, there is an objective necessity to adopt accrual basis. With the constant change of social environment, the economic situation is becoming increasingly complex, which puts forward higher requirements for government accounting information. Traditional government accounting based on cash basis can no longer adapt to the current social environment. Using the cash basis, the accounting procedure is relatively simple. At the same time, because the budget funds actually put into storage are taken as the confirmation number, it is convenient to arrange the budget allocation and budget expenditure progress and truthfully reflect the results of budget revenue and expenditure [9]. However, in the process of budget implementation, for some large expenditure items, it is necessary to allocate funds by stages according to the project schedule. When some projects cross-year, the actual allocation amount may be less than the amount required by the budget expenditure items.

With the transformation of government functions and the deepening of modern financial system reform, the government's financial management objectives have gradually expanded from budget balance to more complex and diverse objectives such as managing government assets, controlling administrative costs, improving operational efficiency, preventing debt risks, and promoting sustainable financial development. The positioning of government accounting objectives is shown in Figure 1.

In the current accounting system, fixed assets reflect only the increase in assets formed by the government's annual fiscal capital expenditures, rather than the asset stock formed through the distribution of fiscal funds over the years. If there is no comprehensive accounting and reflection of fixed assets, the movement information of government financial funds will be lacking in integrity, so that government financial funds cannot be used effectively, and it is not conducive to strengthening government financial management and supervision. While the government's financial management objectives change accordingly, the government accounting system also needs to make corresponding reforms and changes, and develop government financial accounting based on the accrual system to provide scientific, accurate and forward-looking government accounting information [10]. Because the cost information is incomplete, it cannot fully reflect the cost of government provision of public services. In addition, the form of government investment is showing a trend of gradual diversification, and is no longer limited to the original forms of unpaid financial appropriation and partial paid loans. The form of government equity participation has also been adopted more and more.

2.2 It is the Need to Improve the Scope of Government Accounting

The receipt and payment realization system will only recognize expenditure when cash is actually used to pay off the debt, and cannot reveal in advance the hidden liabilities formed by future promises, guarantees and other factors, and the government's potential fiscal crisis will also be covered. As the main body of accounting, the government should take the changes in government fixed assets as part of government financial management, and capitalize the
purchase cost of fixed assets. At the same time, the cost of fixed assets consumed in the operation of the government and its departments is confirmed and measured by the method of depreciation in installments. The formation of some local government debts is often not caused by a single government, nor can it be solved by a single government. It often accumulates with the accumulation of history. If the accrual system is fully introduced, incumbent officials will certainly not be willing to take responsibility for their predecessors, and they do not want to see a large amount of debt reflected in the accounts of the current government and affect the image of the current government.

The government accounting system is an important foundation of the public financial system. In order to be compatible with the public financial reform, it must be reformed in time to follow the development of the situation so as not to hinder the overall pace of China's public financial reform. The structure of the government accounting system is shown in Figure 2.

![Fig.2 Government Accounting System](image)

The data mining process in financial analysis generally consists of five main stages: determining financial analysis objects, data preparation, data mining, result analysis, and knowledge assimilation, as shown in Figure 3.

![Fig.3 Data Mining Process in Financial Analysis and Management](image)

When the government procurement is paid by self-financing, the accrual accounting basis should be adopted according to the actual performance of the contract. Although accrual basis is more complicated and cumbersome than cash basis in method system, it can truly and comprehensively reflect the actual disposable financial resources of financial departments and budget units, better reflect the annual changes of assets and liabilities, and provide more accurate and comprehensive information for the government and leaders to make decisions. A large amount of foreign funds have contributed to the construction of China's market economy, and the providers of these funds have become creditors of the Chinese government as soon as they are foreign governments or international organizations. The reform of the new public management system promotes the gradual change of the Chinese government's concept, from the original management and mystery to the service-oriented and open and transparent modern government. The implementation of the government financial accountability system makes the Chinese government function as a performance-oriented government. In order to track the use of financial funds and ask for efficiency, it is an inevitable trend to gradually establish a government performance evaluation system.

3. The Characteristics of Government Accounting System Reform from the Perspective of Accrual Basis

Judging from the documents issued by the Ministry of Finance, the new government accounting system is centered on the accrual system, which fundamentally breaks through the framework of the fiscal budget and final accounts system that only reflects the fiscal revenue, expenditure, and deficit surplus of the year. Transactions need rules, and the
contract is the carrier of the rules agreed by the two parties and the result of the negotiation between the two parties. It embodies the freedom, agreement and binding force on both parties. Contracting has become the best way to form a system, and it can even be said that it is the only way for a system to gain legitimacy in a democratic society. From the perspective of the newly promulgated government accounting standards, the government's accounting goals have expanded from serving managers to the dual goals of reflecting government fiduciary responsibility and information usefulness [11]. Under the accrual budget, the transactions between the lower and lower levels of finance and various departments are recorded as corresponding claims and debts, which can easily induce the non-standard expansion of the discretionary power in the financial accounting of administrative institutions. Government’s fixed asset depreciation and intangible asset amortization are accounted for by the government’s accounting, and specific regulations have been carried out. Depreciation and amortization are calculated according to the purpose of the current expenses or related asset costs, which is conducive to objective and true reflection of the value of government assets.

In order to reduce the government's fiscal risk, government accounting should reveal the government's hidden liabilities as fully as possible, and make the hidden debts explicit. For the accrual accounting of the social security fund, individual and corporate insurance funds collected can be used as a separate increase in “social security fund income” and managed by a special account. Due to the expansion of accounting content and objects, the scope of basic data required for government accounting based on the accrual system is much larger than the current budget accounting. The traditional accounting foundation is based on the realization of receipt and payment system, which is mainly the control and recording of cash flow. The supervision of fixed assets is really blank. The asset accounting performed by the administrative agency is only used as statistical data, as the government's reference material, and finally shows In financial statement analysis. Government accounting based on the payment realization system obviously cannot meet the requirements of government environmental changes for accounting information. The increase in the difference between information supply and demand will inevitably promote the reform of accrual government accounting [12]. With the development of social contract thought and its practice in political life, the nature of modern government's social contract has gradually been demonstrated in depth. In the process of introducing the accrual system, China must seek truth from facts. According to the characteristics of government accounting, different accounting foundations are adopted for different accounting matters. The role of the payment realization system cannot be denied because of the introduction of the accrual system.

4. Conclusions

It will be a long-term task to introduce accrual basis into the reform of Chinese government accounting. With the change of reform environment, it will also face new problems, which also means that new challenges will emerge. Throughout the reform of modern developed countries, it is the general trend to introduce accrual basis into government accounting. At present, China is also carrying out the reform of accrual basis of government accounting. In the process of Chinese government accounting reform, we should also pay attention to the construction and improvement of relevant supporting measures, such as information system and personnel training. Compared with cash basis, accrual basis government accounting will involve more operational business, process more data, and require higher information system construction. The requirements of the society for government performance will correspondingly produce the requirements of the society for the transparency of the government. In the long historical evolution, it is the power of these claims that promotes the formation, development and continuous improvement of government performance governance mechanism. The key to the reform of accrual basis government accounting is to introduce the basis of accrual accounting into government accounting, so as to establish accrual based government accounting system. In the process of introducing accrual basis into China, we must seek truth from facts and adopt different accounting basis for different accounting events according to the characteristics of government accounting.

References


