



ACCRUAL ACCOUNTING SYSTEM AND IDENTIFICATION OF BARRIERS TO ITS ESTABLISHMENT

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Article history:

Received: December 26th 2021

Accepted: January 26th 2022

Published: February 28th 2022

Abstract:

Background: Public sector accrual accountant in practice in the 1990s and the need to achieve the cost of services requires the use of accrual accounting basis in users of the public budget.

Methodology: This research has been applied in terms of purpose, how to collect data qualitatively, and data collection tools in the form of in-depth specialized interviews of accrual accounting experts in three stages of open, centralized, and selective coding of data. The sampling method was a snowball. Obstacles identified as a model in three dimensions, components, and indicators tested by fuzzy triangular Delphi technique by 25 knowledgeable accrual accounting elites. Obstacles were also rated using the AHP technique and finally with cluster analysis, guidelines for establishing and implementing accrual accounting were provided.

Discuss: Findings indicate that obstacles and limitations of the establishment of accrual accounting system include: Limitations of the General Accounting Law and other upstream laws, challenges in applying public sector accounting standards, problems with fixed assets, problems with requirements, inventory of goods, failure to record some financial events in the accrual accounting system, lack of specialized staff and They have experience and a structural approach.

Conclusion: According to the research findings, it can be said that in the opinion of the subjects, to implement the accrual accounting system, the limitations of the General Accounting Law and other upstream laws have the highest rank and the structural approach in the organizational structure has the lowest rank in obstacles.

Keywords: Operational budgeting, accrual accounting, cost accounting, public sector accounting, public sector financial reporting.



INTRODUCTION

Users of government financial statements are increasingly expecting governments to provide information on assets, liabilities, and the impact of current expenditures on their net assets held. Cash accounting is not designed to provide such information. The purposes of cash accounting are clear: Report incoming cash flows, outgoing cash flows, and changes in retained cash balances. Those who want more information are required to record and maintain complementary information or should consider moving to another basis. On the other hand, the information obtained from the reports prepared on the basis of commitment is useful both for accountability and for decision-making. Financial statements based on accrual accounting allow users to:

Evaluate the accountability of the reporting entity against the sources under its control and its improvement;

Assess the financial position, financial performance, and cash flows of the reporting entity;

Decide on the resources of the reporting unit or to deal with it (IF AC, 2013)

At the national level, the importance of accrual accounting for macroeconomic policies stems from the fact that the measurement of assets and liabilities is related to the overall state of policies and financial stability, but this information cannot be used on a cash basis. Achieved. (Khan, Mayes, 2009)

The public sector accounting system is a set of accounting concepts, hypotheses, standards, procedures, and instructions for identifying, measuring, recording, classifying, summarizing, and reporting the financial events of reporting units. Theoretical foundations and theoretical support The accounting instructions of this collection are theoretical concepts and accounting standards of the public sector, which have been developed and approved by the Auditing Organization with the participation of the Deputy of Financial Supervision and Treasury, the Management and Planning Organization, and the Court of Accounts. . (Public Sector Accounting System, 2016)

The main objectives of the public sector accounting system can be classified into three groups as follows:

Assisting the public sector in fulfilling and evaluating public accountability;

Providing information needs of users of financial reports of reporting units;

Creating the necessary platform for extracting and accurately calculating the cost of programs, activities, services, and products in line with performance-based budgeting (Public Sector Accounting System, 2016)

Many researchers have discussed the possible consequences of using accrual accounting in the public sector and its role in organizational and social change;

However, it seems that the number of researches on the obstacles to the establishment and implementation of accrual accounting in the public sector and especially in the military apparatus is limited and there are still many other aspects that require more research. However, a large part of the existing works, without mentioning the possible issues and problems of the establishment and implementation of accrual accounting, has only encouraged its implementation.

Thus, despite the importance of the scope and consequences of developments in the field of public sector accounting, there is still coherent research on many issues, such as examining the methods of establishing and implementing accrual accounting system and especially one of the main and time-consuming problems in preparing Public sector financial statements, ie identification and valuation of assets have not been done.

One of the features that provide the necessary basis for operational budgeting is the use of accrual basis in public accounting through accrual accounting in the public sector and determining the cost and actual costs of programs, operations and activities. (Law on Regulating a Part of Government Financial Regulations, 2005)

Also, the lack of a proper financial reporting system and the lack of preparation of balance sheets and other basic financial statements for the government due to lack of reporting of assets and liabilities is not able to provide the required information of financial accounting system based on accrual emphasis.

THEORETICAL FOUNDATIONS

Most new financial accounting and reporting systems are based on the concept of financial and operational accountability. Thus, there are currently two approaches to choosing a financial reporting model for large public sector institutions.

One approach emphasizes that the financial reporting model of private for-profit entities is used with modification for public sector entities and requires considerable support and opposition.

Another approach acknowledges the inadequacy of the financial reporting model of private sector entities for public sector entities and argues that these institutions should use specific financial reporting models based on the environmental characteristics governing governance and business activities. However, financial reporting patterns in the public and commercial sectors are due to the characteristics of the operating environment, the structure of resources, the purpose of formation, information users, and others that have different roles and functions. In the business sector, operational accountability is important. But in the public sector, both operational and financial accountability is important. Therefore, it is expected



that the financial reporting model in the public sector, in addition to providing the information needed to facilitate the operational accountability process, also provides the information needed to facilitate the financial accounting process.

One of the models of financial reporting in the public sector, which is noteworthy in the public sector of most developed and developing countries, is the US and international financial reporting model (Hesarzadeh, 2015).

The reason for the importance of the American model is that it has a long history and rich literature support. The reason for the importance of the International Model (IFAC) is that it has been welcomed by many countries with different characteristics. (Hesarzadeh, 1394)

International Public Sector Accounting Standards (IFAC) focus on both cash and accrual accounting.

Moving along the spectrum of cash and accrual accounting has several points, and the action of governments in the transition to accrual accounting varies considerably depending on the circumstances of each government. (IFAC, 2016) In addition to the development of accrual accounting standards, which resulted in 32 standards at the end of June 2013, the IF AC International Public Sector Accounting Standards Board has devoted considerable time in recent years to developing a conceptual framework consistent with the principles and standards of sectorial accounting.

PRIVATE MATCHES.

The Public Sector Accounting Standards Committee, in the first step, formulated some statements on the theoretical concepts of public sector financial reporting by accepting the accrual basis of accounting as the basis for financial reporting. Theoretical concepts are the main framework used to formulate accounting standards. One of the most important and unavoidable factors in financial transparency is the existence of a common and generally accepted financial language, known as accounting standards. The transition to accrual accounting in the public sector goes far beyond a change in accounting rules and regulations; because this change affects the whole public sector.

It is necessary to fully consider the various challenges arising from the adoption of accrual accounting and to define a precise and clear methodology and practical plan. Whereas accrual-based accounting is more complex than cash-based accounting and provides more comprehensive information; thus, there is a wide range of important issues that governments face in implementing public sector accrual accounting standards.

These include identifying assets, liabilities, revenues, and expenditures, having full political support at the governmental level, and allocating sufficient and

appropriate resources. Governments need to analyze the costs and benefits of adopting this approach and have the capacity to effectively implement these changes before deciding to transition to accrual accounting. Political commitment and adequacy of existing systems are the factors that affect the success of change in accounting principles. Governments that have made this change pay more attention to accrual accounting (Nowak, 2017).

BACKGROUND RESEARCH

Babajani et al. In the 2009 year in their research on the feasibility of change in the accounting and financial reporting system of the Iranian public reached the following results:

All incomes of universities and institutes of higher education and research, except research incomes, have the necessary condition (measurability) to use the accrual basis. All incomes of universities and institutes of higher education and research, except research incomes, have a sufficient condition (receivability) to use the accrual basis. Expenses of universities and institutes of higher education and research are recorded at the time of creation. Capital assets are reflected in the underlying financial statements of universities and higher education institutions using appropriate valuation techniques. The long-term debts of universities and higher education institutions are reflected in the underlying financial statements. It is possible to calculate the depreciation of capital assets using appropriate methods and reflect it in the financial statements of universities and higher education institutions with some hesitation.

In 2011, Taliban et al. studied the impact of environmental factors on the process of public accounting reform in Iran through a contingency model. The results of their survey research indicated that government accounting in Iran is on the verge of a fundamental change. The main drivers of this change are the increase in demand for more information following the reforms proposed in the management of Iran's public sector, including the legal requirements regarding the operation of the budget.

Kazemi in 2012 in a study entitled Challenges of establishing a reporting system based on accrual accounting (with emphasis on accountability) in the Iranian public sector concluded that five factors for the implementation of accrual accounting in Iran are: Lack of theoretical framework, rules, and regulations in the financial and accounting system, government accounting standards, lack of full implementation of operational budgeting, and lack of performance auditing.

In 2013, Babajani et al. conducted a study on the factors and drivers of change in the financial and



operational accountability system of the Iranian public sector. In this research, an attempt has been made to examine the literature related to such developments and to extract the stimuli and factors affecting the change in the financial and operational accountability system of the Iranian public sector from the perspective of Iranian experts. Accordingly, using the Delphi research method and surveying 142 experts, the key drivers and factors of change in the financial and operational accountability system of the Iranian public sector have been identified and their position in the current situation of the country has been evaluated.

Aramesh et al. In 1397 in a study as the selection of cost incentives in activity-based costing with fuzzy Delphi technique and fuzzy hierarchical analysis process. The results of this study showed that for the correct implementation of activity-based costing according to accrual accounting, after identifying activities, by selecting appropriate cost incentives, the cost is assigned to the activity, which requires full compliance with public sector accounting standards in accrual accounting. Failure to comply with this standard will result in incorrect identification of the cost of activities.

In 2008, Seguin reviewed the process of implementing accrual accounting in Canada and presented a comprehensive model for the implementation of this financial system in the public sector by examining the technical and cultural challenges of society and expressing the benefits of implementing this accounting basis in the public sector.

In 2013, Baker examined the effects of changing the accounting system from cash to liability in two German states. The results showed that this change faces many difficulties. An important part of these difficulties is related to the acceptance of the new system by accountants and its replacement with the new system in practice.

By studying the background of research, it can be concluded that the main obstacles to the lack of establishment and implementation of accrual accounting system include:

- Lack of recognition and valuation of assets and liabilities;
- No obligation to use new systems for linking financial information;
- Lack of effort to implement the required changes in legal regulations;
- Lack of effective and strong project management, the transition from a cash system to accrual;
- 5 - Lack of strong human resource management and capacity building and effective training programs;
- Lack of coordination of public sector accounting standards with the financial and accounting laws and regulations of the country; Of course, achieving this

goal requires reforming some laws and regulations of the country and reforming the financial structure of the public sector.

The cost centers in the organization are not specified.

RESEARCH METHODOLOGY

The present study is in the framework of a mixed approach that is collected from the qualitative approach using the data theory method (grounded theory (data) barriers) with the survey method and in-depth and open interview tools with snowball sampling and from the knowledgeable accrual accounting elite. It has been done in three stages open, central, and selective coding. Also, using content analysis from the upstream documents of the model, the design and validity of the model were tested using fuzzy triangular Delphi from 30 knowledgeable accrual accounting elites. From the quantitative approach, the obstacles are ranked using the AHP technique and finally, through cluster analysis, guidelines are provided to remove the obstacles.

The following methods have been used to collect the required data.

Library methods

This section, which has been done to form the theoretical basis of the research subject, books, articles, journals, instructions, rules, and sections of letters and other available written sources (with priority related to the field of accrual accounting), are studied and reviewed.

Field methods

This range consists of two parts. In the first part, which includes a qualitative study, the expert opinions and opinions of experts have been used to identify obstacles to the establishment and implementation of accrual accounting (completion and formulation of a conceptual research model) and with the help of interview tools. In the second part, which includes a quantitative study, to collect the information needed to validate the conceptual model of the research using a questionnaire using fuzzy triangular Delphi from the opinions of executive experts and ranking obstacles using the AHP technique and finally by analysis Cluster guidance was used to establish and implement accrual accounting.

In this research, the statistical population of the research, according to the type of research, is formed of three separate sections.

The first part, which is related to identifying barriers to the establishment and implementation of accrual accounting, includes; Experts and financial experts are in the study device, which according to the quality of the research, the number of experts is selected by factors such as data adequacy, expert conditions and the number of available samples. To maintain the validity of the data, the theoretical sampling method has been used (according to this method, 30 experts



have been used).

The second part is related to the validation of the conceptual model of the research by using the questionnaire tool using fuzzy triangular Delphi based on the opinions of executive experts and snowball sampling method (according to this method, 30 experts have been used).

Section 3 deals with the ranking of obstacles using the AHP technique and cluster analysis to provide guidance. Accrual accounting experts and experts are based on snowball sampling (according to this method, 30 experts have been used). Considering the use of the mixed method in this research, consequently, the corresponding analysis methods and techniques also have two stages qualitative analysis and quantitative analysis (field study). Considering the collection of two types of data in this study (quantitative and qualitative data), it is necessary to select and use appropriate tools and techniques for analyzing the collected data.

In this study, face-to-face interviews with experts were used to identify and collect information on the dimensions of barriers to the establishment and implementation of accrual accounting. After conducting face-to-face interviews and collecting the results, the analysis of the interviews was compiled using the content analysis tool and the results were compiled in the form of a research model.

RESEARCH FINDINGS

In this study, face-to-face interviews with experts were used to identify and collect information on barriers to the establishment and implementation of accrual accounting. After conducting face-to-face interviews and collecting the results, the analysis of the interviews was compiled using the content analysis tool and the results were compiled in the form of a research model. The content analysis seeks to find relevant contexts and categories from within the data. In this methodology, data collection and analysis are done simultaneously with the researcher's effort to understand the phenomenon under study. In content analysis, the steps of determining the theoretical framework, sampling, determining the content unit, and preparing the analysis classes need to be done.

The results of content analysis are as follows:

After identifying the experts by determining the questions and thematic scope of the interview, the interviews were conducted on paper at predetermined times and the results were performed on qualitative content analysis.

At this stage, experts by the level of expertise and expertise related to the subject introduced and presented their views on the dimensions of the barriers to the establishment and implementation of accrual accounting.

The content required by the researcher to identify and extract these dimensions was prepared by interviews. After performing the first step of qualitative content analysis and extracting the initial concepts from the interview, in the second step it is necessary to categorize and integrate the extracted concepts coherently and purposefully (by the theoretical model of the research and theoretical foundations of the subject). Finally, the selected categories or codes are converted to the main categories and the main dimensions of each variable are extracted.

To investigate whether the mentioned barriers to the establishment of accrual accounting are effective or not, in the first step, the fuzzy Delphi method was used to conduct research. This method is used to acquire group knowledge; It is a process that has a predictive structure and helps decision-making during survey rounds, gathering information, and finally, group consensus. The purpose of using the Delphi method is to access the most secure group agreement of experts on a particular topic, which is done frequently and according to the feedback obtained by using questionnaires and consulting experts. In this method, the mental data of experts are transformed into almost objective data using statistical analysis (Azar and Faraji, 2012)

The statistical population in this study were people who, while having at least a relevant minimum master's degree (accounting, management), have valuable experience in the financial profession (at least 10 years of relevant work experience), ie having a university education and professional experience. They were together. Also, the appropriate number of members is an important point that should be considered in the formation of the panel.

When there is homogeneity between the members of the panel, about 10 to 20 members are recommended (Mashayekhi et al., 2015), so the number of samples in this the study was selected by a judgmental method to prepare and confirm the initial questionnaire of 30 people.

The mentioned questionnaire was handed over to 30 experts for the second time and with repeated follow-ups, 30 questionnaires were returned and analyzed based on fuzzy calculations of the provided answers. The results were evaluated by 11 groups of factors.

The mentioned questionnaire was handed over to 30 experts for the third time and with repeated follow-ups, 30 questionnaires were returned and analyzed based on fuzzy calculations of the provided answers. After three stages of polling accrual accounting experts using the Delphi fuzzy triangular method to measure validity and reliability, the result was determined as the main obstacles to the establishment and implementation of accrual accounting.

Problems regarding fixed assets



2. Challenges of applying public sector accounting standards

Restrictions of the General Accounting Law of the country and other upstream laws

Problem regarding supplies, inventory

Structural approach in organizational structure

Lack of specialized and experienced staff

Failure to record some financial events in the accrual accounting system. Given the above, it can be concluded that the purpose of the research is achieved in the second part, which assesses the validity and reliability of barriers using fuzzy Delphi techniques.

In the third step, using the AHP technique, the main obstacles identified in the previous step were weighed (second step, fuzzy Delphi). At this stage, pairwise comparisons were performed to determine the importance of each of the factors identified by experts, and finally, the weight and importance of each of them were determined. To determine the importance of the barriers identified in the previous section of this study, the mentioned factors were again discussed with the experts and the relevant concepts included in the matrix questionnaire format for each category and they were asked to For each question, comment on their importance by inserting the numbers 1 to 9 in the square from the intersection.

The submitted comments were collected and arranged. It should be noted that the statistical population in this part of the study were the same experts participating in the first panel and 30 people were selected in the discussion of accrual accounting. To facilitate the calculations, all steps of this part of the research design have been done by Expert Choice 11 software.

Given the above, it can be concluded that the purpose of the research was achieved in the third part, which was to rank the obstacles using fuzzy Delphi techniques, AHP and gain the consensus of experts, and the results are as follows:

First rank: Restrictions of the General Accounting Law of the country and other upstream laws,

Second rank: Challenges of applying public sector accounting standards,

Third place: problems with fixed assets,

Fourth place: the problem of supplies, inventory,

Fifth rank: Failure to record some financial events in the accrual accounting system,

Sixth place: Lack of specialized and experienced staff,

Rank 7: Structural approach in organizational structure.

In the fourth step to analyze the barriers ranked in the previous step, we analyze it using cluster analysis and the results include three categories as follows:

Limitations of the General Accounting Law of the country and other upstream laws, challenges in applying public sector accounting standards,

Failure to record some financial events in the accrual accounting system, structural approach in the organizational structure, and lack of specialized and experienced staff.

Problems regarding fixed assets, problems regarding requirements, inventory, Cluster analysis is a tool for exploring data structure without the assumptions we make in statistical methods. Cluster analysis is also called the method of finding clusters in data. Cluster analysis has grown rapidly and has spread among various sciences, as can be seen from the thousands of articles published in scientific journals, and this has left science researchers unaware of its growth in other sciences. For this reason, there is no precise information on who developed it or in which science is developed. Clustering algorithms group samples or data based on the size of the similarity between the two samples. The sample-set contains raw data that for cluster analysis we need two standard forms (pattern matrix and proximity matrix).

DISCUSSION AND CONCLUSION

Due to legal requirements, many public sector units have to report to the public sector on an accrual basis. On the other hand, the necessary mechanisms have been partially organized through the development of theoretical concepts of financial reporting and public sector accounting standards. Also, some obstacles to the implementation of the accrual basis in public sector accounting have been removed; But there are still obstacles to enforcing the commission basis. However, due to the implementation of accrual accounting in the public sector, there will be problems in implementation. Therefore, to eliminate the possible challenges in the implementation path, we must first identify the challenges and take the necessary measures to solve them with proper planning.

In this study, the initial barriers identified include 11 components and after measuring their validity and reliability through fuzzy triangular Delphi, 4 components were removed and the final model with 7 components was approved. Approved components include: limitations of the General Accounting Law and other upstream laws, challenges in applying public sector accounting standards, failure to record some financial events in the accrual accounting system, structural approach in the organizational structure, lack of specialized and experienced staff, problems In the case of fixed assets and the problem of requirements are inventories.

Some of these identified barriers are consistent with the results of Saber research in 2009 and Kazemi et al. In 2012 and Babajani et al. In 2013 as follows: Lack of capacity of financial and accounting laws and regulations, lack of necessary manpower capacity and lack of capacity of government accounting standards



and methods, lack of theoretical framework, lack of full implementation of operational budgeting, and lack of performance auditing.

To provide a strategy, solution, and guidance, the obstacles are first clustered by cluster analysis. The first cluster includes the limitations of the country's public accounting law, the challenges of applying public sector accounting standards. The second cluster includes non-recording of some financial events in the accrual accounting system, structural approach in the organizational structure, and lack of specialized and experienced staff. The third cluster includes problems with fixed assets and problems with requirements. Finally, guidelines comparing cluster analysis using interviews with accrual accounting experts are provided in the Suggestions section.

SUGGESTIONS

After ranking the barriers, guidelines based on the ranking of barriers and the use of cluster analysis are provided as follows: This guide can be a prescription for the establishment and implementation of accrual accounting.

The first rank of obstacles Given the mentioned weights of importance, it can be suggested that amendments to financial and accounting laws and regulations, including the General Accounting Law, be made to identify revenues and expenses to facilitate the establishment of accrual accounting.

Second place Obstacles should be adjusted and localized according to the weights of importance mentioned in public sector accounting standards under the economic and social characteristics of different countries. It can be suggested that the plan be implemented.

Third place of obstacles Due to the mentioned weights of importance, it can be suggested that a group of 9 accounts that comply with public sector accounting standards and are in line with accrual accounting be created instead of independent accounts.

The fourth-place of obstacles Due to the mentioned weights of importance, it can be suggested that the method of initial identification, permanent removal, and transfer of government assets, Ministry of Economic Affairs and Finance, be followed.

The fifth rank of obstacles according to the mentioned weights of importance can be suggested that with the correct implementation of accrual accounting, this shortcoming can be eliminated.

Sixth place Obstacles Given the importance of the mentioned weights in preparing the cash flow statement on an optional basis, which is, in fact, the link between the operating budgeting system and financial reporting based on commitment in the public sector, it can be suggested that if the government level Financial flows should be prepared based on the

flow of economic resources, the full accrual basis must be used, but if the flow of financial resources is measured according to the constitutional requirement, the adjusted accrual basis must be used.

Rank 7 Obstacles Given the weight of importance mentioned in the structural approach, based on the hierarchy, if the process approach should be used in the accrual accounting system and operational budgeting, it can be suggested that to control costs and Measure responsibility It is necessary to separate different departments into multiple cost centers. This separation, while creating cost control in cost centers, also allows the calculation of the cost price of services provided by each center or activity.

Eighth place of obstacles Due to the mentioned weights of importance in the absence of skilled manpower and with experience to change the cash approach to accrual, it can be suggested that firstly the recruitment and employment of financial manpower be done through the Deputy of Manpower and secondly workshops to Accountants should be held accountable for the new accrual accounting software.

Ninth place Obstacles Given the weight of the importance of not registering a fixed asset account in the accounting software when creating, changing, and removing, it can be suggested that the instructions on fixed assets (purchase, construction or donation, scrap, revaluation of assets) Tangible and intangible fixed assets, sale and any reduction of fixed assets and their transfers and statements).

Tenth place Obstacles Given the importance of the mentioned weights regarding the non-recording of the cost of unfinished and unfinished projects, it can be suggested that the information about the ongoing projects that have not been put into operation by the end of the previous fiscal year Recorded the opening of the new fiscal year.

Eleventh rank Obstacles Due to the weight of the mentioned importance regarding not registering the inventory account in the accounting software, it can be suggested that the inventory and warehousing instructions be issued.

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