Conceptual Framework on Antecedents of True and Fair View Reporting Surrounding Migration to Accrual-Based Accounting by Public Sector Entities: A Case of Federal Statutory Bodies (FSB) in Malaysia

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Abstract: Following the institutional reforms in Malaysia, the Federal Government issued Treasury Circular PS 1.2/2020. Federal Statutory Bodies (FSBs) are now required to adopt the Malaysian Public Sector Accounting Standard (MPSAS) as the standard for preparing financial statements. While most private sectors strongly embrace accrual accounting systems and derive many benefits from them, the practice and application in the public sector, including FSBs, is still in its infancy. Therefore, this study examines the antecedents of true and fair view reporting in the context of migration to accrual accounting by FSB in Malaysia. This study is due to the lack of research on accrual accounting in the public sector, as researchers rigorously focus on the private sector that controls the economy. In addition, there are few studies on the conversion of the public sector in emerging economies to accrual accounting. The study provided a conceptual discussion on the antecedents that potentially affect the true and fair view reporting through the adoption of accrual accounting. The discussion is expected to benefit many stakeholders, especially regulators and policymakers, as emerging economies such as Malaysia continue to actively pursue institutional reforms. By adding new variables from the study so that they can be used in various and extensive aspects of the research.

Keywords: True and Fair View, Financial Reporting, Accrual Accounting, Public Sector Accounting and Federal Statutory Bodies.

1. Introduction and Background

According to Johari et al (2019), the Malaysian government has implemented a series of administrative changes since the early 1980s to increase the efficiency and effectiveness of public service delivery. The first phase of reform, New Public Management (NPM), was implemented between 1981 and 2005 to make public institutions more business-like and market-oriented. In 2009, the second reform phase, known as the Government Transformation Program (GTP), selected seven National Key Results Areas (NKRAs) as priorities for change to increase accountability. Quantifiable goals and outcomes were assigned to each NKRA to enable performance assessment at multiple levels. Despite the changes, the overall performance of Malaysia’s public sector organizations fell short of expectations. Malaysia’s competitiveness ranking dropped from 12th in 2013 to 14th in 2014, from 14th to 19th in 2015, dropped to 18th in 2016, and dropped again to 23rd in 2017, 25th in 2018, and the latest report was released in 2019, placing the country 27th, far behind Singapore, which ranked first in the world (Global Competitiveness Report, 2010-2019; IMD World Competitiveness Report). Apart from the fact that most private sector companies are very much using the accrual accounting system and deriving many benefits from it, the practice and application in the public sector as a whole is still in its infancy, including the Federal Statutory Bodies (FSB), despite the issuance of Treasury Circular of Finance Circular PS 1.2/2020 on the adoption of the Malaysian Public Sector Accounting Standard (MPSAS) as part of accrual accounting. Therefore, this study examines the antecedents of true and fair view reporting in the context of the transition to accrual accounting by public sector entities: A Case of Federal Statutory Bodies (FSB) in Malaysia.

2. Literature Review

Public Sectors and Federal Statutory Bodies in Malaysia: The public sector in Malaysia includes 25 ministries, 141 departments and agencies, 127 Federal Statutory Bodies, and over 1.4 million employees (Samah, 2021). The Ministry of Finance (2022) has produced data on the FSB. Currently, there are 132 Federal Statutory Bodies in Malaysia. According to the Ministry of Finance, the Statutory Bodies (Accounts
and Annual Reports Act) 1980 [Act 240] defines a Federal Statutory Body as "anybody corporate, irrespective of its name, that is incorporated under the provisions of federal law and is a public authority or an agency of the Government of Malaysia but does not include a local authority or a body corporate incorporated under the Companies Act 1965" Similar to a company, a Federal Statutory Body is a distinct legal organization with the capacity to manage, sue and be sued, contract, acquire, purchase and retain assets in its name.

In conjunction with the previous statement, Federal Statutory Bodies (FSBs) in Malaysia faced the unique situation of reporting to the Accountant General Department (AGD) but using accrual accounting under the Private Entities Reporting Standard (PERS) instead of the modified public sector cash basis to prepare their financial reports. Since the federal government issued Treasury Circular PS 1.2/2020, FSBs are now required to use the Malaysian Public Sector Accounting Standard (MPSAS). Although both standards are based on accrual accounting, there are enough differences between the two standards that raise several accounting dilemmas. A fundamental difference between the two standards is the objective of reporting; with MPSAS focusing on public accountability as the main source of funding are government taxes, while PERS is intended for the corporate sector, which focuses on investors and creditors as its main stakeholders. Accrual accounting is a method of accounting in which transactions and other events are recorded when they occur (rather than when cash or its equivalent is received or paid). This means that every transaction is documented in the books and reflected in the company's financial statements. Income statement, financial position and cost items are all recorded on an accrual basis.

**Accrual Accounting:** The reform of the public sector to make it more efficient, effective, and accountable in the delivery of public services is a global phenomenon. In conjunction with the changes in the public sector, significant accounting reforms have been implemented in several countries. Among the changes is the transition from traditional cash accounting to the accrual accounting business model (Hasan & Yeow, 2012). Budgetary reform follows a sequence that begins with cash-based accounting and moves through the introduction of double-entry accounting with elements of modified cash-based or modified accrual cost analysis to the introduction and development of full accrual accounting that emphasizes performance-based information. However, several public sector reforms in recent years have driven a global shift to accrual accounting. Figure 1 shows the spectrum of government accounting systems developed by Baker & Rennie (2006). On this scale, we have cash accounting at one end, modified cash accounting in the middle, and full accrual at the other end.

**Figure 1: Accounting System Spectrum, adapted from Baker and Rennie (2006)**

![Accounting System Spectrum](image)

New Zealand was the first independent country in the world to begin implementing accrual accounting in the public sector in the late 1980s (Pallot & Ball, 1997). Funnel and Cooper (1999) also noted that Australia was one of the first countries to introduce accrual accounting in its government. In the United Kingdom, accrual accounting was fully implemented in the public sector in 1998/99. In Malaysia, the evolution of government accounting is as follows: Before the introduction of the Program Performance Budgeting System (PPBS) in 1969, Malaysia used the Traditional Budgeting System (TBS), which is based on a line-item budget and prioritizes the inputs or objects of expenditure. In 1969, the PPBS was first used to help government officials and administrators prioritize and plan based on the most efficient and cost-effective means of achieving the government’s program objectives when budgeting for competing programs (Dean, 1989). In 1990, Treasury Circular No. 11 of the Ministry of Finance introduced the Malaysian Budget System (MBS), commonly known as the Modified Budget System, which was fully implemented in all government ministries and agencies by 1995. The main objectives of the MBS are to increase the accountability of controlling officials and program managers and to better allocate funds to government programs. Then, in 1992, the Micro Accounting System (MAS) was introduced by the Malaysian government to improve the data previously generated by the MBS cash-based accounting system. The goal of MAS, similar to activity-based costing, is to calculate the value of goods and services provided by government agencies.
In 1996, the government-wide standard accounting system SAGA was introduced. The Malaysian government eventually introduced an electronic accounting package using the accrual method. The main objective of the Statutory Accounts and General Administration Act (SAGA) is to ensure that the Statutory Bodies' financial records of government agencies are regularly updated and submitted promptly for audits (Abdul Rauf et al., 2003). The systems allow state agencies, public corporations, and government-related organizations to use the accrual method of accounting. The federal and state governments in Malaysia are considering switching to the accrual accounting system. Given the increasing prevalence of accrual accounting in the public sector around the world and the benefits of accrual accounting, government books must be forced by circumstances to adopt accrual accounting. In 2013, the Malaysian government began forcing all of its departments and the FSB to move fully to accrual accounting (Ministry of Finance).

Figure 2: Government Accounting System evolution in Malaysia

According to the International Public Sector Accounting Standard (IPSAS), accrual accounting is used when transactions and/or business events occur rather than waiting for cash to be received or paid. This means that transactions and business events, even if they were (or will be) accounted for in the prior period, are documented, recognized and reported in the financial period that corresponds to the period in which they occurred (or the future period). The main reason for these changes is to ensure high-quality reporting and relevance of the information identified, which will ultimately increase both transparency and accountability (Abdulkarim, Umlai & Al-Saudi, 2020). However, there are obstacles mentioned by (Abdulkarim et al., 2020). Adopting the established accrual accounting standards would involve high costs of implementation, variations in the accounting system, and the cost of training public sector employees. The obstacle is closely related to the country’s budgeting process, where budgets are constructed either on a cash basis or on a modified cash basis. In an Italian study, the obstacles of accrual accounting were affected by the lack of technical qualification, human resources and know-how. Saleh, Isa, & Hasan (2021) stated that strong support from the top, availability of hardware, the readiness of accounting systems, and adequate accounting experience are all important success factors that distinguish accrual accounting. The study also found that all employees need to be made more aware and that each organization should develop comprehensive action plans. Malaysia has taken several initiatives since 2011 to facilitate the adoption of accrual accounting. Establishing an Accounting Standards Advisory Committee (GASAC) to analyze existing policies, standards, rules, and regulations; conducting a gap-fit analysis to plan effective processes and technologies; and training to improve staff competency were some of these initiatives (IFAC, 2013).

In the context of accrual accounting, there is still little evidence on the public sector. More researchers rigorously focus on the private sector as it represents an open economy and free market transactions (Rautiainen & Luoma-aho, 2021). It could be that some parties are affected by these statistics and the financial situation, even though this so-called New Public Management trend does not necessarily fit the circumstances of the public sector. In particular, the use of public sector accounting data by politicians is a problem that is both current and under-researched (Haustein, Lorson & Oulasvirta, 2021). However, Teruki, Nyamori & Ahmed (2019) mention that few studies address the organizational, social and environmental domains in which financial disclosure occurs. Moreover, previous studies have been conducted in Western countries. The topic of financial disclosure in local governments in Southeast Asian countries has received little attention. The findings may contribute to the existing understanding of public sector disclosure practices in underdeveloped countries. This is because previous research has tended to focus exclusively on developed countries (Abu Bakar & Saleh, 2016). Bakar & Saleh (2015) mentioned that previous research has generally yielded poor results in terms of the extent and quality of disclosures made by public sector organizations. The vast majority of previous studies seem to have focused on local governments; studies on other types of public sector organizations, such as federal and state governments, higher educational
institutions, and parastatal groups, seem to be rare. Institutional theory is widely used in the social sciences and has not been sufficiently explored in political science (Mahmud, 2017). Based on previous studies, some factors drive truthful and fair reporting of public institutions based on institutional theory that justifies this current study.

**The Underpinning Theory - Institutional Theory:** According to Baker, Bedard & Prat de Hauret (2014), since Weber’s 1947 metaphorical portrayal of bureaucracy as an "iron cage," neo-institutional theory has developed into a research paradigm that has had a tremendous impact on many social scientific areas. Although neo-institutional theory originated in sociology, it has now been applied to various academic fields such as political science, organizational behavior and strategic management. Various components of neo-institutional theory have offered a framework for accounting study, including studies on the accounting profession, accounting regulation and the Securities and Exchange Commission's regulatory role (SEC). It acknowledges that institutional forces continue to have an impact on processes across all of their stages by drawing on institutional theory. The implementing Customs administration continues to submit to the coercive, mimetic, and normative pressures arising from its organizational environment, which consists of the community of suppliers, customers, professional networks, and governmental bodies. This is because of the ongoing uncertainties and complexities surrounding a Risk Management project (Alsharari, 2022)

Rana, Ahmed, Narayan & Zheng (2022) mentioned that Neo-institutionalism has been defined as a socio-political theory of political, social, and economic practices that examines how structures, such as schemas, rules, norms, and routines, come to be institutionalized. Performance and accountability-related NPM reform initiatives have swept the globe, influencing how labor, service provision, and behavior are organized and carried out. Other than that, Polzer & Reichard, (2020) stated that according to new institutional theory; Institutional settings (such as legislation, procedures, or, more generally, widespread (accounting) traditions or prior government reform experiences) impact socioeconomic life. The doubt on "how do institutions influence individual behaviors?" (In this case, how do accountants react to the elements impacting "true and fair view" reporting with the harmonization of accounting standards through MPASAS?) is central to any institutional analysis. De Silva Lokuwaduge & De Silva, (2020) mentioned that institutional theory and new institutional sociology have been increasingly popular in the study of public accounting. Organizations, according to institutional theory, strive to adopt dominant social norms, systems, practices, and structures that are believed to be acceptable in society. Traditional cash-based accounting systems in government entities are being phased out in favor of accrual-based IPSAS as part of the New Public Financial Management (NPFM) initiative, as it "provides more and accurate information about government solvency, patrimonial goods, and the costs of public services". Governments all around the globe are under increasing pressure from international professional accounting groups, who act as legitimate stakeholders and advocate for the adoption of accrual-based IPSAS standards.

Alsharari, (2020) found, that the results demonstrate the interconnectedness of social and economic forces, the vulnerability of public organizations to institutional pressures, and the importance of extra-organizational competition and inventive dissemination in budgetary transformation processes. These conclusions would be supported by other case studies that examined the interface between macro- and micro-levels of institutional transformation. Mahmud (2017) stated that, even if it has been shown that institutions do have a role in public policymaking, the thorniest challenge with institutional theory or institutionalism is how such institutions play a role. How institutions empower and constrain policy actors is the best method to characterize how institutions influence policy outcomes. Understanding the trends in institutional theory will aid in a better analysis of the policymaking process. Institutional theory asserts that institutions matter in policymaking because policymaking is nearly inextricably linked to a state’s institutional framework, which is why institutional theory is the finest theoretical understanding to apply in policymaking. The role of institutions in constraining and empowering human behavior is defined by institutional theory or institutionalism. New institutionalism recognizes that institutions operate in a society that includes a variety of other institutions.

To improve transparency and accountability, the Malaysian government has switched from using the modified cash-basis accounting system to the accrual accounting system (Ahmad, Abul Hasan, and Ismail, 2021). As a result, Institutional Theory is the best choice for explaining the framework, and it has an effect on
the framework's creators as well as on regulators and standard-setters. Weber (1947) noted that Institutional Theory has primarily concerned itself with the social sciences; however, after extensive research, several disciplines have been incorporated into its framework. These include political science, organizational behavior, strategic management (decision-making), and accounting professions and regulations. According to Polzer & Reichard (2020), it had a significant effect on financial statement reporting in that it led to a more unified system of accounting for government agencies and other organizations across Malaysia. Bell and Lundblad (2011) state that institutional theory deals with shifts in organizational policy. The goal of this theory is to evaluate how pressure from outside the organization affects the decision to come clean. Institutions carry out policies that are fraught with legal, economic, and social complexities. That is the significant external pressure put on businesses by law, regulation, and local customs. Organizations keep their "status and legitimacy" by following the formalized sets of agreements, norms, conventions, and traditions that entities and people are expected to follow, as outlined by the institutional theory of Bruton, Ahlstrom, and Li (2015). According to Dacin, Goodstein, and Scott (2002), the existence of diverse and contradictory beliefs and practices can lead to institutional pressure. These pressures are known as "functional pressure," "political pressure," and "social pressure," respectively. Hence, the institutional theory is well suited to the conceptual framework of this study as it covers the shifting of the accounting method, government reformation in terms of regulations and accountability and lastly, the changes that lead to the institutional pressure. Those portray, the accommodation of institutional theory into the structure is well underpinning (Haladu & Salim, 2016).

True and Fair View Reporting in the Public Sector: Based on Treasury Circular PA 3.1/2013, Generally Accepted Accounting Principles (GAAP) are defined in Treasury Circular No. 15 of 1994 as "standard accounting principles and practices prepared and announced by a professional body established by law for the use of its members about the annual accounts for trade, industry, and business in Malaysia." As a result, while generating yearly financial statements, all FSBs use the MASB accounting rules set by the Malaysian Accounting Standards Board. The MASB accounting standards have since been superseded by two (2) new accounting standards, Financial Reporting Standards (FRS) and Private Entity Reporting Standards (PERS). In addition, a "true and fair view" of financial statement reporting and auditing indicates that the auditor judged the evidence produced sufficient after evaluating all audit papers. This, on the other hand, demands a professional assessment of what data is available and how much of it can be validated. When the term "true and fair" was first coined in the United Kingdom in 1948, it was thought to be a high-level notion requiring judgment on the part of accountants and auditors (Stacy, 1997). To evaluate if a set of financial accounts represents a "true and fair" assessment of a set of circumstances, both the accountant and the auditor must apply their judgment, skill, and professional knowledge.

The spectrum of "True and Fair View" (TFV) under Section 226(2) of the Companies Act 1985 (UK), the words "true and fair view" to describe what the balance sheet and profit and loss account shall give: "The balance sheet shall give a true and fair view of the state of affairs of the company as at the end of the financial year, and the profit and loss account shall give a true and fair view of the profit or loss of the company for the financial year." Accountants and auditors are both familiar with the concept of "true and fair view" (TFV). For many years, it has been the foundation of audited accounts. The necessity to display a TFV was originally enacted in the United Kingdom's Companies Act of 1948. Accounting standards have been created and published primarily to develop financial records designed to produce a "TFV" since the publication of Statement of Standard Accounting Practice (SSAP) I – Accounting for Associated Companies (ASC, 1971) in January 1971. As new accounting rules and pronouncements from the Accounting Standards Board (ASB) are released, it is necessary to establish if the accounts present the TFV. Because there is no accepted definition of a TFV, it is ultimately a legal concern (Jayalakshmy, Seetharaman & Khong, 2005).

Antecedents of True and Fair View

Political Interventions: Firms with political clout hold a disproportionate amount of power compared to other corporations. Firms engaged in auditing are at significant peril (Bliss and Gul, 2012). Political companies do poorly in accounting terms when compared to their non-political counterparts (Khelil, Khlif & Amara, 2021). Comprehensive research reveals how and why political interactions affect economic development. Weak laws and a concentration on family business mean that political ties are more common in
developing nations. Due to a lack of external and internal controls, political-affiliated enterprises have an agency issue. Monitoring and controlling shareholders are more likely to come to blows. Najaf & Najaf (2021) found in their studies that, politically linked businesses incur significant agency costs and top management is motivated by financial incentives. As a result, it has the most detrimental effect on a company's worth. Due to their political clout, politically connected boards are more likely to generate tension between owners and employees.

Yudhanti & Tjahjadi (2021) found, that politically connected entities are thought to be uninformative regarding social responsibility and engage with stakeholders less transparently. According to the current study, entities with political ties do not contribute to the consolidation of corporate scale or social responsibility statements. Businesses with political ties are less open when it comes to sharing information with the public, even more so when the information is supplied voluntarily. In comparison to minority ownership, majority state control in China is associated with greater political benefits and hence outperforms (Liljeblom, Maury & Horhammer, 2020). According to Abdallah and Ismail (2017), the beneficial effects of corporate governance on performance are highest in GCC states where the government or local businesses are the main owners. (Nirvana & Haliah (2018) observed that political issues impact the financial statements quality. The high political elements will affect the quality of financial statement’s quality.

Political changes and transitions in political power have an effect on accountability and management systems in the public sector. Additionally, such an influence may be felt in poor countries (Harun, Van Peursem & Eggleton, 2012). Changes at the national level provided an opportunity for technocrats at the Ministry of Finance (MOF) and elsewhere to translate new concepts into accrual accounting standards and procedures. Political ties can take the shape of formal or informal relationships between municipal officials and senior corporate executives. It is stated that a strong political relationship with China would enable the attainment of two essential globalization goals: real economy finding in emerging nations and technology acquisition from industrialized countries. Moreover, voluntary disclosure may be a policy option for certain political groupings. Due to political ties, shareholders may suffer significant agency concerns. As a result, they are considered to have a lesser quality of earnings and a lack of financial reporting clarity (Yudhanti & Tjahjadi, 2021). The preceding discussion established the premise that there is a substantial link between political intervention and the disclosure of true and fair views. The first hypothesis statement of the investigation is as follows:

H1: Political intervention has a positive relationship with the ‘true and fair view’ reporting.

Economic Consequences: For long-term socioeconomic growth, the Twelfth Plan 2021-2025 includes measures and efforts to protect national security and sovereignty. The government will then place a high value on digitalization, citizen involvement in decision-making, the execution of projects, and coordinating efforts across the three branches of government. Honesty and openness, as well as an understanding of the current skill shortages, governance ecosystem and program management, can help to further develop and improve the public sector. Priorities for implementing the Twelfth Plan revolve around creating a high-performing civil service, promoting an integrated government strategy, and increasing budgeting and management skills. Wu, Gao, Chen & Li (2016) found, that the economic consequences may increase the risks and uncertainty in a company's future operations. As a result, a restatement frequently occurs before financial trouble. Furthermore, restatements can harm a company's image and reputation, increasing its information risk and, as a result, undermining investor confidence in the entities, perhaps leading to financial difficulty. An organization may face a wide range of severe economic implications after restatements, including significant share price volatility, management turnover and the firing of auditors, as well as a rise in the possibility of information leaks, litigation and other negative effects (Gao & Jia, 2021). Promoting integrity has become a crucial component of government innovation in most countries.

Malaysia has reaffirmed its commitment to fighting corruption while also developing good governance to ensure long-term economic growth and prosperity. Malaysia has been chastised for becoming a corrupt nation, but it is also stated to be on track to achieve its objectives, particularly in these difficult economic times. The government's Performance Management and Delivery Unit (Pemandu), according to a recent poll conducted by Ernst & Young, failed to ensure economic growth (Johari, Alam & Said, 2020). Previous studies have indicated that transparency decreases equity and debt costs, enhances stock market liquidity, minimizes
The results of the empirical study reveal that foreign direct investment (FDI) and economic growth have a positive association, which is shown to be significant. As a result of these findings, the government should pay more attention to how foreign direct investment (FDI) affects economic growth. Foreign direct investment (FDI) can assist a country's economy grow by creating more jobs, which in turn boosts GDP. According to the Malaysian Investment Development Authority (MIDA) (2021), a substantial shortfall in Foreign Direct Investment (FDI) is evident in our country at the moment. Before 2021, the current Malaysian government must step up its efforts to secure foreign investment, which is critical. It might begin by fostering a positive attitude toward recruiting further foreign direct investment (FDI). By publishing more economic reform packages and implementing more effective economic policies, the government can benefit from the crisis moment. Hence, the tendency for the true and fair view in financial reporting to be affected is quite clear and requires more attention for these studies. The discussion established above is to build a strong hypothesis that there is a positive link between economic consequences and true and fair views reporting. The second hypothesis statement of the investigation is as follows: -

**H2**: Economic consequences have a positive relationship with the 'true and fair view' reporting.

**Societal Values**: Strong corporate governance is linked to good societal ideals. Firm success and disclosure are favorably correlated with good corporate governance. Stronger shareholder rights result in increased company value, profitability, and sales growth. The public values companies with better corporate governance and transparency. Ghani and Said (2010) discovered that performance and social obligation influence Malaysian Local Authorities' digital financial disclosure approaches. According to the research, disclosure was hampered by a lack of experience, technology, and enforcement. The prior study concentrated on digital disclosure, whereas ours looks at the whole range of disclosure modalities (Teruki et al., 2019). Johari et al., (2019) found that public sector organizations are frequently referred to as "red tape" organizations due to the numerous rules and regulations that restrict employee conduct. Formalization and centralization are also characteristics of organizations in the public sector. Siddiquee (2014) agreed that the public sector in Malaysia is as highly bureaucratic as before despite the implementation of numerous transformational reforms. The framework, operating processes and procedures, and red tape in the Malaysian public sector are highly centralized, overbearing complicated, and repetitive, delaying or impeding any action or decision.

Pacheco, Paredes & Wheatley (2017) mentioned that Gray theorized that accountants' value systems (Hofstede's four dimensions) are linked to and generated from social values. On the other side, accounting values have an impact on accounting systems. Accounting systems are impacted by institutional factors such as legislative frameworks and capital market regulations (which are also influenced by societal values). As outlined in his concept, cultural factors impact the accounting system in two ways: by influencing value systems, and by affecting institutional aspects and their repercussions. Samy Combs and Myachina (2013) stated that, at the level of the accounting subculture, societal values are reflected, which are defined by ecological effects shaped by external forces. As a result, value systems conveyed through accountants' attitudes may be linked to and derived from society's values, with a focus on work-related values. As a result, accounting values will have an impact on accounting systems. Gray's model recognizes, however, that social norms can influence accounting systems and the accounting values that drive them indirectly through their impact on what Gray refers to as "institutional consequences."

To put it more succinctly Haniffa and Cooke (2002), in multiracial nations, the prevailing social standards may not represent the nation's goals as a whole, particularly if each race group has chosen to retain its own ethnic identity and views. When it comes to financial reporting, there may be certain discrepancies across ethnic groups in Malaysia based on race and religion, as well as government economic policy. An attempt is made in this research to see whether a link can be found between societal values and the practice of voluntary disclosure, and the four bipolar cultural dimensions outlined by Hofstede (1991) for the two primary ethnic groups participating in economic operations (the Chinese and the Malay). The discussion in this paragraph gives rise to the third hypothesis that there is a significant relationship between societal values and true and fair view reporting. The third hypothesis statement of the investigation is as follows: -
**H3:** Societal values have a positive relationship with the 'true and fair view' reporting.

**Balancing Cost-benefit Concerns:** There should be a focus on issues like better strategic decision-making, more transparency and accountability in the future, and harmonized rules as part of our search for justifications (Polzer & Reichard, 2020). As an alternative, it is reasonable to assume cost/benefit factors, such as high reform expenses or claims that lawmakers would be unable to interpret complex accounting information. Advocates highlight the advantages of improved comparability and consistency of financial accounting information as a prerequisite for more effective fiscal monitoring and integration across nations, particularly in the EU context. Moreover, consolidated government financials may enhance government transparency and, by extension, its credibility in money markets. Bamber (2017) The inherent costs of adoption, according to supporters, outweigh any potential savings or benefits. For many years in the United Kingdom, voluntary risk reporting has been favored over mandatory reporting since it yields better and more detailed disclosures. Participants stated that organizations or entities would have to invest in systems and technology, as well as other preparatory expenditures, even if the present reporting structure would only see little improvement in terms of cost Non-compliance may be due to a variety of reasons, including oversights by management or a lack of knowledge, but it can also be the consequence of a deliberate choice. One reason for noncompliance is that making necessary disclosures is too expensive, putting the organization's aims and objectives at risk. This is similar to Dye's (1985, 1986, 1990) proprietary cost theory's disclosure choice equilibrium and the consequent constraints on managers to reveal due to real and financial externalities.

Saleh, Isa & Hasan (2021) Accrual accounting implementation is influenced by several concerns, obstacles, and causes. Malaysia may learn from New Zealand, Australia, and the United Kingdom in terms of overcoming implementation challenges such as asset and liability recognition and valuation, human competency, and high implementation costs. In addition to human resource expertise, identified software and technological capabilities, accounting policy and standard suitability, and effective communication as prerequisites for successful accrual accounting implementation which will lead to proper financial statement reporting. The above-mentioned discussions give rise to the fourth hypothesis which says that there is a significant relationship between balancing cost-benefit concerns and true and fair view reporting. The fourth hypothesis statement of the investigation is as follows:

**H4:** Balancing cost-benefit has a positive relationship with the 'true and fair view' reporting.

**Gender Diversity:** Branco, Bianchi, & Branco (2021) We expect that increased gender, age, and country diversity will result in higher levels of reporting, based on resource dependence theory. Because men and women have "diverse talents, expertise, and views," gender diversity is an important board characteristic. Most studies looking at gender disparities point to significant differences in "values, perceptions, and beliefs between men and women in general". Egbunike & Odum (2018) in the context of Asia-Pacific countries, reveal that board leadership structure was not associated with firm performance and financial reporting quality. After correcting for a variety of corporate governance and firm-level factors, it is shown that greater proportions of female directors are associated with more transparent disclosure (DeBoskey, Luo & Wang, 2018). There would be a significant influence of gender moderating the other independent variables and true and fair view reporting. The fourth hypothesis statement of the investigation is as follows:

**H5:** Gender diversity moderates the relationship of political intervention, economic consequences, societal values and balancing cost-benefit concerns on 'true and fair view' reporting.

### 3. Methodology

The scope of the review must be limited to be manageable, and it will not be possible to examine everything (Abu Bakar & Saleh, 2016). Therefore, only studies having a Malaysian emphasis or that feature Malaysia in a comparative context are included here. Research treating Malaysia as merely one nation among many, such as Asia or the developing world, is not included. In terms of literature, the investigation draws exclusively from scholarly publications and dissertations. The lack of academic rigor prevented the inclusion of books, book chapters, and articles in professional periodicals, and conference papers. To determine which of these sources represent scholarly work would be an onerous task for the author. Consistency with previous review studies requires including just academic journals. Because of their importance to the study and the government as a whole, the study also incorporates the most recent official circulars and policies produced by
Ministries such as the Treasury Circular and Public Sector Policies. Due to the low amount of journal publications on Malaysian PSA predicted by previous review studies, this investigation also draws upon Master's and Doctoral theses to supplement its findings. Additionally, only English and Malay articles and circulars are included.

Literature searches have been conducted using search engines including Emerald, Elsevier, and the IPN Journal of Research and Practice in Public Sector Accounting and Management (National Accounting Institute). The Malaysian Theses Online (MYTO) database has been used for theses and dissertations since it contains every thesis ever archived by the libraries of Malaysia's public universities. We have searched for these terms and others like them: 'Malaysia', 'true and fair view', 'public sector', 'government', 'federal', 'local', 'account*', 'performance', 'financial', 'financial statement', 'statutory bod*'. Search strategies that look both backward and ahead across time for relevant literature have also been implemented.

4. The Conceptual Framework

Based on the preceding discussion of potential antecedents of a true and fair view of reporting by public sector entities, the following conceptual framework is proposed. In the conceptual framework, independent antecedents are political intervention, economic consequences, societal values, and balancing cost-benefit concerns. The moderating variable is gender diversity. The center of the issue under study in the proposed conceptual framework is the true and fair view.

Figure 3: Proposed Conceptual Framework

The government of Malaysia has shifted from a modified cash-based accounting system to an accrual accounting system due to better transparency and accountability (Ahmad, Abul Hasan & Ismail, 2021). Therefore, the most suitable theory used for the framework is Institutional Theory and it does impact the preparers, regulators, and standard setters. Weber (1947) mentioned, that Institutional Theory has primarily focused on social science, then after multiple studies, several elements are deemed to be inside the structure of the theory such as political science, organizational behavior, strategic management (decision-making) and accounting professions and regulations. Polzer & Reichard, (2020) mentioned that it had a huge impact on the reporting of the financial statement in meeting the true and fair view disclosure which to produce harmonization of the accounting system, in this case, in Federal Statutory Bodies and public sector as the whole of Malaysia.
According to Bell & Lundblad (2011), institutional theory handles organizational policy changes. The purpose of this theory is to examine the impact of external organizational pressure on disclosure. Institutions execute policies with legal, economic, and social nuances (Tielemans & Leroy, 2003). That is the forceful external influence exerted on organizations by governments, regulatory agencies or bodies, and host community norms. According to the institutional theory of Bruton, Ahlstrom, and Li (2010), organizations maintain their "status and legitimacy" by adhering to the formal sets of agreements, norms, conventions, and traditions that entities and persons are supposed to follow. Institutional pressure, according to Dacin, Goodstein, and Scott (2002), may stem from three sources of institutionalized norms or practices: Functional Pressure; which stems from problems in the company's operations; Political Pressure; which stems from underlying power distribution; and Social Pressure; stems from the existence of diverse and contradictory beliefs and practices.

The goal of historical institutionalism is to track the time history of social, economic, and political behavior and development, with an emphasis on power dynamics and path dependence. However, there are factors influencing the true and fair view reporting that impact the quality of the disclosure. Firstly, institutional reforms and political (in terms of politicians or members of parliaments) interventions and connections are aligned and will influence the reporting quality either positively or negatively (Kheli et al., 2021). When the government decides to change the accounting system to improve accountability, there must be a relationship with politics. So, there is a relationship between power and behavior. It is closely related to political power, which will have a significant impact on the true and fair view reporting of financial statements in Federal Statutory Bodies. Secondly, the impact of the economic decision to shift to an accrual accounting system is derived from the institutional theory; changing the accounting system is one of the biggest economic decisions made by the government, and it is chosen to be used as it is perceived to be more efficient and effective from another accounting system in accounting harmonization, as will perceive strategic decision-making. As a result, increased transparency and accountability, as well as unified norms on the reporting side; therefore, economic consequences will have a significant influence on the true and fair view reporting (Polzer & Reichard, 2020).

Thirdly, for societal values, it is how accountants in FSBs behave in preparing reports of financial statements toward disclosing true and fair views or otherwise. This is because "Sociological Institutionalism is based on the assumption that organizations are influenced by pressure from their institutional environment and adopt the structures and/or procedures that are considered legitimate and are regarded as the appropriate choice" (Tagesson, 2015). A multitude of factors, including professional association standards and the country's accounting culture, influence the behaviors of accountants in the public sector. As a result, institutions assist in defining what constitutes the right behavior in a given setting, such as when and how specific accounting data should be utilized to make well-rounded decisions (Scott, 2014). Moreover, when the decision was made during the institutional reform, there will be costs to be incurred to gain the benefit from the decision. In the debate over accounting harmonization, considerations that highlight issues such as easier access to credit markets and better strategic decision-making, as well as increased transparency and accountability, should be explored. Also anticipated would be cost-benefit issues, such as high reform costs or charges that legislators would not comprehend complex accounting facts (Polzer & Reichard, 2020). As highlighted in the institutional theory, any decisions made there will have consequences for the whole institution for example various components of neo-institutional theory have offered a framework for accounting study, including studies on the accounting profession, accounting regulation and the Securities and Exchange Commission's regulatory role (SEC). The neo-institutional theory holds that "organizations" are socially generated and susceptible to processes that influence the design and functioning of their regulatory systems (Baker et al., 2014). As for this study, the cost is the implementation of any new regulation or laws related to FSB and the benefit is to gain TFV in financial reporting. In fulfilling the objective huge costs are incurred as the implementation of the accrual accounting system is still new and ongoing.

Lastly, organizations, according to institutional theory, strive to adopt dominant social norms, systems, practices, and structures that are believed to be acceptable in society (Jayasinghe, Adhikari, Soobaroyen, Wynne, Malagla & Abdurafiu, 2020). After correcting for a variety of corporate governance and firm-level factors, (DeBoskey et al., 2018) showed that greater proportions of female directors are associated with more transparent disclosure. From the statement made by the scholars, organizational structure plays an important role in the theory, and it is indeed to zoom in on gender diversity as the moderating role to the rest
of the listed factors to produce financial reports in “true and fair view”.

Table 1: Operational Definition

<table>
<thead>
<tr>
<th>Variable</th>
<th>Definition</th>
<th>Source</th>
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<tbody>
<tr>
<td>True and fair view</td>
<td>Perceived quality of the financial disclosure produced by the standards and frameworks.</td>
<td>(Cheung et al., 2010)</td>
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<td></td>
<td></td>
<td>(Tarr &amp; Mack, 2013)</td>
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<td></td>
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<td>(Jayalakshmy et al., 2005)</td>
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<td>(Ullah et al., 2020)</td>
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<td></td>
<td></td>
<td>(Puroila &amp; Mäkelä, 2019)</td>
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<tr>
<td>Political interventions</td>
<td>Perceived political involvements or ties during the preparation and reporting of the financial reports.</td>
<td>(Najaf &amp; Najaf, 2021)</td>
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<td></td>
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<td>(Yudhanti &amp; Tjahjadi, 2021)</td>
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<tr>
<td>Economic consequences</td>
<td>Perceived economic impacts on the quality of accounting reports.</td>
<td>(Grassa et al., 2022)</td>
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<td>(Wu et al, 2016)</td>
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<td></td>
<td></td>
<td>(Wardhani, 2019)</td>
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<tr>
<td>Societal values</td>
<td>The perceived societal value of the collective behavior of the accounting personnel in producing true and fair view financial reports.</td>
<td>(Alsharari, 2022)</td>
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<td></td>
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<td>(Alsharari, 2020)</td>
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<td></td>
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<td>(Feng et al., 2017)</td>
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<tr>
<td>Balancing cost-benefit concerns</td>
<td>Perceived cost incurred to gain specific benefit out of the quality of the financial reporting and disclosure</td>
<td>(Haniffa &amp; Cooke, 2002)</td>
</tr>
<tr>
<td>Gender Diversity</td>
<td>Perceived sexuality roles moderating the impact of the variables in producing high-quality annual reports</td>
<td>(Egbunike &amp; Odum, 2018)</td>
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<td></td>
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<td>(Branco et al., 2021)</td>
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</table>

Research Opportunities: Factors influencing true and fair view reporting of Federal Statutory Bodies in Malaysia studies are very important to meet the need for valuable inputs for public sectors in Malaysia to improve their reporting. In previous reports published by Global Competitiveness Reports, it was mentioned that the overall competitiveness of the public sector in Malaysia has lagged in service delivery, performance, and reporting, and the ranking shows a declining trend, while Singapore maintained the first since 2015. This is an urgent call for researchers to conduct as much research in the public sector as in the private sector; the public sector is no longer second to none. Previous research has also found that less research is conducted in the public sector than in the private sector because the private sector is considered the market controller for the overall economy. The public sector remains the opportunity cost for previous researchers, as the importance of research to the public sector is considered insignificant. However, it is important to a country's reputation, stability, and sustainability. Many previous studies on the public sector have been conducted in developed and Western countries, so the studies in developing countries such as Malaysia and also in underdeveloped countries are still a niche. On the positive side, researchers can transfer the studies conducted in Western countries to Malaysia to make improvements. There is a need for research in this area as public sector issues are hot and current today. This is because there has been a rising trend of corruption and financial scandals by employees and political officials in recent decades. This is a wake-up call for researchers to conduct more research in this area to get to the root of the problems. Finally, numerous studies rely on institutional theory in the social sciences in general, however, specifically for political science. Since the theory fits the research framework, the institutional theory will form the basis for the studies.

Research Implication: The significance of this study to the body of knowledge that currently exists about TFV reporting in the FSB is that it demonstrates the influence of factors that affect the preparation of financial reports. The importance of this study is primarily to facilitate the adoption of MPSAS 1 and reduce the erroneous reporting of the standard in FSBs. Secondly; the study will ensure that the National Anti-Corruption Plan or any other government-initiated plan to combat corruption and fraud successfully meets the plans’ objectives. In addition, the study will improve preparers’ and auditors’ understanding of factors such as political intervention, economic consequences, societal values, and balancing costs and benefits that influence truthful reporting in the public sector. In conjunction with the importance, it will highlight which factors had the greatest influence on the preparation of the reports. About the management area, the
independent board of directors (BOD) and top management can ensure that the aforementioned factors do not influence the reporting process under their control and take precautions to contain these factors at the management level. Next, the study will identify related initiatives, laws, regulations, programs, and policies, such as institutional reform initiatives, i.e., New Public Management Reforms, National Anti-Corruption Plan (NACP), and New Economic Model (NEM) programs initiated to improve transparency or institutional reforms in FSBs.

In addition, the results of the study will help to broaden and improve the scope of institutional theory by adding new variables from the study so that they can be used in different and extensive aspects of the research. Moreover, the study will provide a clear guideline for policymakers to regulate accounting laws or regulations in Malaysia within federal statutory bodies given the bad influences on financial reporting. In addition to this importance, the findings will improve the corporate governance framework of federal statutory bodies by mitigating these factors that continuously influence the reporting process. Finally, the results of this study will ensure that financial report preparers are aware of the factors that prevent them from performing due diligence in producing truthful and appropriate reports and that this does not become the norm.

5. Conclusion

The objective of this paper was to establish the conceptual framework for the study of Antecedents of True and Fair View Reporting Surrounding Migration to Accrual Accounting by Public Sector Entities: A Case of Federal Statutory Bodies (FSB) in Malaysia. The paper is more towards strategizing the whole concept of the study and finding the perfect framework before proceeding to actual fieldwork.

Acknowledgment: The research team acknowledges the financial assistance provided by the Malaysian Ministry of Higher Education through the initiative of the Fundamental Research Grant Scheme FRGS/1/2020/SS0/MMU/03/6 and received support from Multimedia University.

References


