

A Study on the Application of Accounting Bases in Village Government Entities



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	Abstract
Keywords: Government Accounting Standards; the Cash Toward Accrual; Village Government Accounting Standards, the Accrual Basis; the CTA Basis.	Purpose: This study aims to understand how digital service quality affects healthcare professionals' satisfaction, perceived performance improvement, and intention to continue using the Plataran Sehat platform. It highlights the key role of user experience in driving long-term adoption of digital health solutions in the healthcare sector.
Conflict of Interest Statement: The author(s) declares that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.	Research Design and Methodology: Survey method was employed, collecting data from 122 healthcare professionals who actively use the platform through a structured questionnaire based on the E-ServQual dimensions. The data were analyzed using structural equation modeling (SEM) to test the hypothesized relationships and validate the structural model.
Copyright © 2023 Atestasi: Jurnal Ilmiah Akuntansi All rights reserved.	Findings and Discussion: The study found that digital service quality has a strong positive effect on user satisfaction, particularly through dimensions such as reliability, responsiveness, and ease of use. Satisfied users reported higher perceived performance improvement in their work and showed greater intention to continue using the Plataran Sehat platform. The results highlight that enhancing the quality of digital services not only improves user experience but also contributes to the effective integration of digital tools in healthcare delivery. This underlines the importance of designing user-centered, reliable, and responsive digital health platforms to support long-term adoption by healthcare professionals.
	Implications: The findings suggest that platform managers should prioritize improving digital service quality—especially reliability, responsiveness, and ease of use—to enhance user satisfaction and encourage sustained adoption among healthcare professionals. Investing in user-centered design and continuous service improvement can lead to better integration of digital health platforms into daily healthcare practice.

INTRODUCTION

Villages across the Indonesian archipelago have existed long before the country's independence was proclaimed on August 17, 1945. Historical legal frameworks from the Dutch colonial era, such as the IGO 1906 and IGOB 1938 regulations, acknowledged villages as legal entities whose governance adhered to local customary laws. These villages were referred to as *volksgemeenschappen*, meaning community territories governed by indigenous legal traditions (Nurcholis et al., 2019).

During the New Order period, the enactment of Law No. 5 of 1979 marked a shift from the customary village concept to a standardized administrative structure called Village Government, which consisted of a Village Head and a Village Consultative Council (LMD). Although the terminology changed, the jurisdiction continued to cover former *volksgemeenschappen*. This law was later replaced by Law No. 22 of 1999, which retained a similar organizational structure. Subsequently, Law No. 32 of 2004 replaced the 1999 law, but it continued to adopt the same village governance system, largely influenced by the Japanese-era administrative model. Since 2014, the legal framework for village governance has been formally regulated under Law No. 6 of 2014 (Nurcholis et al., 2019).

Policies governing village administration in Indonesia have undergone significant development over the years, peaking during the reform era and continuing in 2015 with the introduction of Village Fund transfers from the Central Government (through the State General Treasury Account) to individual village accounts (Village Treasury Accounts), via regional governments (Regional General Treasury Accounts). The total allocation of Village Funds has consistently increased annually. In 2015, the Ministry of Finance, through the Directorate General of Fiscal Balance, distributed IDR 20.76 trillion, which rose to IDR 46.98 trillion in 2016. This figure further increased to IDR 60 trillion in both 2017 and 2018, benefiting approximately 74,754 villages. For 2019, the allocation was projected to reach IDR 70 trillion (Directorate General of Fiscal Balance, 2019).

Given the significant rise in Village Fund distribution, there is a growing demand for transparent, accountable, and equitable financial management at the village level. This aligns with Article 24 of Law No. 6 of 2014, which mandates that village governance should be conducted based on the principles of openness and accountability. Further regulatory reinforcement is provided by Article 2 of Minister of Home Affairs Regulation No. 20 of 2018, which stipulates that village finances must be managed transparently, accountably, participatively, and with budgetary discipline. Despite this, in 2016, the Ministry of Villages, Disadvantaged Regions, and Transmigration received 932 public complaints regarding the management of Village Funds. Because of these, 200 cases were referred to the Corruption Eradication Commission and 167 to the police, with the remainder concerning administrative issues. Furthermore, a total of 67 cases resulted in legal verdicts (kemendesa.go.id, 2018).

On April 22, 2016, a high-level coordination meeting was convened involving several key stakeholders, including the Government Accounting Standards Committee, the Audit Board of Indonesia, the Ministry of Finance, the Ministry of Home Affairs, the Ministry of Villages, Development of Disadvantaged Regions, and Transmigration, the Financial and Development Supervisory Agency, and the Indonesian Institute of Accountants. As a result of this meeting, the Government Accounting Standards Committee was formally assigned the task of formulating the Village Government Financial Reporting Standards as a technical guideline for the accounting and reporting of Village Fund utilization by village governments (Keuandangesa.info, 2017).

In response to this mandate, the Government Accounting Standards Committee proceeded to the Village Government Financial Reporting Standards draft. However, the draft has not been ratified due to persistent disagreements among regulatory bodies regarding the accounting basis to be applied. the Government Accounting Standards Committee recommends the use of the Cash Toward Accrual (CTA) basis, which combines the benefits of cash-based and accrual-based accounting, and is considered more suitable for village-level financial management. In contrast, the Ministry of Home Affairs insists on the application of the pure cash basis, citing the limited human resource capacities of village governments as a primary concern. This divergence of perspectives was articulated in various public consultations and harmonization forums (Mussari et al., 2021).

Despite the ongoing deliberations, the Ministry of Home Affairs independently enacted Ministerial Regulation No. 20 of 2018, which stipulates that all phases of village financial management—from planning to accountability—must be implemented using the cash basis. This unilateral decision has impeded the formal adoption of the Village Government Financial Reporting Standards and, consequently, has obstructed the realization of transparent, accountable, and standardized financial reporting at the village level, as mandated by Law No. 6 of 2014 concerning

Villages. In general, there are three primary accounting bases employed in public sector financial reporting, one of which is the accrual basis (Muraina & Dandago, 2020).

Theoretical Framework

The selection of an appropriate accounting basis is fundamental to ensuring transparency, accountability, and the reliability of financial reporting in public sector entities. In the context of village government financial reporting, the debate centers on three primary accounting bases recognized under Government Regulation No. 71 of 2010 concerning Government Accounting Standards (Standar Akuntansi Pemerintahan/SAP): the Cash Basis, the Accrual Basis, and the Cash Toward Accrual (CTA) Basis.

Cash Basis of Accounting

The Cash Basis records transactions only when cash is received or disbursed. Revenues are recognized when cash is actually received, and expenses are recorded when cash payments are made. This approach is simple, easy to implement, and commonly applied in small or resource-constrained public entities. However, it fails to provide a comprehensive picture of financial position, as it omits non-cash transactions, liabilities, and the value of assets (IFAC, 2003). In the context of village governments, the Ministry of Home Affairs supports this basis, citing the limited technical and human resource capacities at the village level (Wahyudi et al., 2020).

Accrual Basis of Accounting

The Accrual Basis recognizes revenues and expenses when they are earned or incurred, regardless of when cash is exchanged. It records all assets, liabilities, and equity, thereby providing a complete view of an entity's financial health and operational performance. Accrual-based accounting is widely regarded as the most informative and reliable basis for decision-making, performance evaluation, and resource allocation (Andriani et al., 2010; Nogueira et al., 2013). Nevertheless, the implementation of full accrual accounting requires significant capacity in terms of human resources, systems, and technical expertise—elements that are often lacking in village governments (Din et al., 2022).

Cash Toward Accrual (CTA) Basis of Accounting

The CTA Basis is a hybrid approach that combines elements of both cash and accrual accounting. Under this method, revenues, expenditures, and financing activities are recognized on a cash basis in the Budget Realization Report (Laporan Realisasi Anggaran/LRA), while the Balance Sheet adopts an accrual basis to report assets, liabilities, and equity. This dual approach enhances transparency and accountability while remaining financially and operationally feasible for village governments with limited capacity (the Government Accounting Standards Committee, 2016). The Government Accounting Standards Committee advocates for the use of the CTA basis in the Village Government Financial Reporting Standard draft, arguing that it represents a realistic and progressive step toward more robust financial governance.

Legal and Institutional Foundations

Law No. 6 of 2014 on Villages mandates that village governance be conducted based on the principles of transparency, accountability, effectiveness, and efficiency. These principles imply the need for a financial reporting system that goes beyond mere cash movements and is capable of reflecting the actual economic condition of village administrations. Moreover, Government Regulation No. 71 of 2010 emphasizes the importance of financial reports that are useful for decision-making and demonstrate accountability for public resources. The lack of a consensus on the accounting basis has hindered the implementation of the Village Government Financial Reporting Standards, as evidenced by the Ministry of Home Affairs' unilateral issuance of Regulation No. 20 of 2018, which mandates the continued use of the cash basis for village financial management.

In summary, the theoretical foundation for this study rests on the comparative analysis of accounting bases and their relevance to public sector financial accountability, particularly in the context of decentralized governance. The application of an accounting basis must consider not only regulatory mandates and best practices, but also the practical realities and capacities of the implementing institutions.

RESEARCH METHOD

The study is conducted using a qualitative research approach, specifically a desk study methodology, to explore the application of accounting bases in village government entities. The desk study approach involves the systematic collection, evaluation, and synthesis of secondary data sources, including statutory regulations, government policies, and scholarly articles, both from national and international literature. The goal is to understand the theoretical and regulatory perspectives concerning the use of different accounting bases in the public sector, especially at the village level.

Data were collected from various legal and institutional documents, such as Law No. 6 of 2014 concerning Villages, Minister of Home Affairs Regulation No. 20 of 2018 on Village Financial Management, Government Regulation No. 71 of 2010 on Government Accounting Standards, Draft of the Village Government Financial Reporting Standards, Academic studies and journal articles on the application of accounting bases in government financial *reporting*.

The analysis involved a comparative review of three accounting bases commonly used in the public sector: Cash Basis, Cash Toward Accrual (CTA) Basis, and Accrual Basis. The strengths and limitations of each basis were analyzed in relation to village financial reporting requirements, transparency, accountability, and feasibility of implementation. Additionally, the study reviewed the perspectives of key stakeholders—including the Ministry of Finance, the Ministry of Home Affairs, the Government Accounting Standards Committee, and the Audit Board of Indonesia—regarding the appropriate accounting basis to be adopted for village government financial statements.

This method enables the researcher to assess the suitability of each accounting basis through a normative and analytical lens, allowing conclusions to be drawn regarding the most feasible and informative approach for village-level financial reporting. The qualitative desk study is particularly appropriate for this research, given the focus on regulatory analysis and the lack of primary data from field observations.

RESULTS AND DISCUSSION

The application of accounting bases for the preparation of the Village Government Financial Reporting Standards draft has been developed by the Government Accounting Standards Committee. However, there are still pros and cons among policymakers regarding the choice of the most appropriate accounting basis to be applied in the preparation and reporting of Village Government financial statements. Therefore, the author conducts an analysis of three accounting bases: the Cash Basis, the Cash Toward Accrual (CTA) Basis, and the Accrual Basis, through reviews of regulations, references from journals, and opinions from policymakers.

Law No. 6 of 2014 on Villages

Law No. 6/2014 was established to regulate village authority, village structuring, village governance, village apparatus, village finances, village regulations, and community institutions within villages. However, this law does not address village financial reporting. The preparation of Law No. 6/2014 followed from the elaboration of Article 18 Paragraph (7) and Article 18B Paragraph (2) of the 1945 Constitution (third amendment), which includes the following points: Recognizing and respecting existing villages, along with their diversity before and after the formation of the Unitary State of the Republic of Indonesia; Clarifying the status and legal certainty of villages within the Indonesian governance system to ensure justice for all citizens; Preserving and promoting the traditions, culture, and customs of village communities; Encouraging initiatives, movements, and participation from

village communities in developing village potential and assets for the common good; Establishing a professional, efficient, effective, open, and accountable Village Government; Enhancing public services for village residents to accelerate the achievement of public welfare; Strengthening the social and cultural resilience of village communities to maintain social unity as part of national resilience; Advancing the village economy and reducing national development disparities; and Empowering village communities as subjects of development.

In addition, the governance of villages and management of village assets must be based on transparency, accountability, efficiency, and effectiveness. According to the provisions in the body of Law No. 6/2014, it can be concluded that village governance, which is based on transparency, accountability, effectiveness, and efficiency, must also include financial accountability for managing funds from the regional and central governments. Therefore, there is a need for financial reports as a transparent and accountable record of village fund management to achieve good governance. Furthermore, the management of village assets must be based on principles of transparency, accountability, and certainty of economic value. Thus, presenting village assets is more appropriately done using accrual-based financial reporting, where one of the key components is the Balance Sheet (Neraca) to present assets, liabilities, and equity.

Minister of Home Affairs Regulation No. 20 of 2018 on Village Financial Management

The Ministry of Home Affairs issued and ratified Ministerial Regulation No. 20/2018 on Village Financial Management in 2018. This regulation replaces Ministerial Regulations No. 114/2014 on Village Development Guidelines and No. 113/2014 on Village Financial Management. According to this regulation, the Village Budget (APBDes) has components similar to the National Budget (APBN) and Regional Budget (APBD), which include Village Income, Village Expenditure, and Village Financing. The regulation explicitly defines Village Income as all income the village is entitled to during a fiscal year, with no obligation to repay the village, as detailed in Article 11 Paragraph (1). This aligns with the recognition of income in the Cash Basis accounting model, as stipulated in Article 30, which mentions that village financial management is done on a Cash Basis. Similarly, Village Expenditure is recognized when cash is paid out of the Village Treasury Account, consistent with the Cash Basis accounting.

Additionally, the management of assets such as village land, market places, public baths, irrigation networks, and other village assets as mentioned in Article 12 Paragraph (3) cannot be reported under the Cash Basis accounting model, as the Balance Sheet is not created in such financial reports. Without a balance sheet, assets are not recognized, which conflicts with the principle of transparency and accountability as required in village governance.

Government Regulation No. 71 of 2010 on Government Accounting Standards

According to Paragraph 9, Annex I PSAP 01, the general objective of financial reporting is to provide information about the financial position, budget realization, surplus/deficit, cash flows, operating results, and changes in equity that are useful for decision-making and evaluation regarding resource allocation. Specifically, the purpose of government financial reporting is to present information that aids in decision-making and to demonstrate the entity's accountability for the resources entrusted to it.

Furthermore, Paragraph 19 of Annex I states that information regarding government operations, as well as the positions of assets and liabilities, can be better and more adequately fulfilled if based on the accrual basis, where rights and obligations are recognized at the time the transaction occurs, rather than solely based on cash flows. However, if regulations require a cash-based financial statement, it must be presented accordingly.

From the statement in Government Regulation No. 71/2010, it can be concluded that preparing and presenting accrual-based financial statements provides a comprehensive financial position, which includes assets, liabilities, and equity, and reflects operational activities such as income and expenses.

This aligns with Law No. 6/2014, which mandates that the management of village assets be based on principles of transparency, accountability, and certainty of economic value.

Draft of the Village Government Financial Reporting Standards

Following the mandate from the High-Level Meeting on April 22, 2016, the Government Accounting Standards Committee was tasked with preparing the draft of the Village Government Financial Reporting Standards. This draft serves as a guideline for the accounting and financial reporting of Village Funds managed by the Village Head and village apparatus. The preparation of the Village Government Financial Reporting Standards draft included several stages: Initial research; Drafting the first version of the Standard; Limited hearing for early input on the draft; Refining the draft based on feedback; Publishing the draft for public comments through a website; Conducting a public hearing to gather broader feedback; Finalizing draft of the Village Government Financial Reporting Standards; Requesting approval from the Audit Board for the content of the Village Government Financial Reporting Standards; Issuing the regulation with the government.

Based on point 6 above, a public hearing was held on December 14, 2016, at the Dhanapala Building of the Ministry of Finance, inviting key stakeholders, including the Audit Board, Financial and Development Supervisory Agency, the Ministry of Villages, Disadvantaged Regions, and Transmigration, the Ministry of Home Affairs, Ministry of Finance, PKN STAN, the Indonesian Association of Village Government Apparatus (DPP APDESI), the Public Sector Accountants Compartment (KASP), the Public Sector Accounting Forum, the World Bank, and Airlangga University Surabaya. Regarding point 9, the enactment of regulations by the Central Government has not yet been implemented due to disagreements among policymakers concerning the choice of the accounting basis to be adopted.

According to Paragraph 4 of the Village Government Financial Reporting Standards draft, the accounting basis used in the village government financial reports is the Cash Toward Accrual (CTA) basis, with components of financial statements including the Budget Realization Report (LRA) and the Village Balance Sheet, which are detailed in the Notes to Financial Statements (CaLK). Furthermore, as stated in Paragraph 7, the Village Government may apply the accrual basis, provided it is relevant and in accordance with Government regulations No. 71 of 2010, where the definition of the accrual basis is the recognition and recording of accounting transactions when the event or transaction occurs, irrespective of when cash or cash equivalents are received or paid out from the Village Treasury Account (RKD).

The Village Government Financial Reporting Standards draft was developed using the Cash Toward Accrual basis because it does not incur the high costs associated with the full accrual basis, which requires more human resources and specialized competencies to produce financial statements. However, at the village government level, this is challenging due to the limited capacity of human resources in preparing accrual-based financial statements. Nevertheless, if financial reporting is focused solely on the Cash basis (i.e., recognizing and recording transactions when cash enters or leaves the RKD), it will be difficult to achieve transparent and accountable financial statements, as the assets owned by the local government cannot be reported due to the absence of a Balance Sheet.

Journal Review

Several journals discuss public sector accounting and village accounting. Bakhtiar (2021), in their study on accounting from the perspective of village financial management, state that the use of accounting in managing village finances can provide a real picture of village financial governance and improve the quality of accountability and transparency in village financial management.

Yusof and Jaafar (2018) argues that changing the accounting basis for public sector financial reporting to the accrual basis is necessary, as cash-based accounting does not provide enough information for economic decision-making, such as information on debts and receivables. Thus, the use

of accrual basis is highly recommended. It is concluded that the accrual basis is better than the cash basis for presenting financial information in the context of economic decision-making.

Further, accrual-based financial reporting is more beneficial for decision-making, as shown by (Andriani et al., 2010a), who tested 19 decision-making situations in a questionnaire presented to public sector managers in 24 out of 25 departments in Western Australia. The study results indicated that public sector managers in Western Australia found accrual information more useful in most decision-making situations tested. The test revealed that accrual accounting information was more useful for 16 out of 19 decision-making situations.

Nogueira and Jorge (2017) also state that for decision-making situations like budgeting and fee determination, accrual accounting information has a higher degree of usefulness. This aligns with the results of (Andriani et al., 2010). Nogueira & Jorge (2017) confirmed their hypothesis, stating that the average usefulness of accrual-based accounting information is high, with scores above 3 on a 1-5 scale (1 being not useful and 5 being very useful).

Meanwhile, Wibowo (2017) researched the usefulness of both cash and accrual-based accounting information in internal decision-making within the Unit of Accounting of the Budget User Power (UAKPA). The research findings show that accrual-based accounting information is highly used in internal decision-making. The study results are as follows: 112 (21%) respondents used only accrual accounting information, 18 (3%) used only cash accounting information, and 391 (75%) respondents used both. This suggests that most respondents prefer using both cash and accrual bases for internal decision-making within the UAKPA. Cash basis is used for the preparation of LRA, while accrual basis is used for preparing operational reports (LO), performance evaluation reports (LPE), and balance sheets.

Considerations of Related Parties

Ministry of Home Affairs

The Ministry of Home Affairs advocates for the Village Government Financial Reporting Standards to be prepared using the Cash Basis for recording and reporting village government finances. They argue that the Village Government's human resources are very limited in both quantity and quality, which justifies using the Cash basis—only recognizing and recording transactions when cash is received or spent from the Village Treasury Account. This stance was further affirmed with the issuance of Minister of Home Affairs Regulation No. 20 of 2018 on Village Financial Management, which mandates that village financial management should be conducted on a Cash Basis (Article 30, Minister of Home Affairs Regulation No. 20 of 2018). Furthermore, it is stated in the regulation that village financial management should be supported by an information system managed by the Ministry of Home Affairs, with the existing system, Village Financial System, created by Financial and Development Supervisory Agency. According to this regulation, the recognition and recording of Village Income and Village Expenditures should be based on the Cash basis. Village income is defined as all funds received by the village within a fiscal year, and expenditure is all outlay the village is obligated to make during the same period. However, recognizing income upon the fulfilment of rights and recognizing expenditure upon the fulfilment of obligations aligns more with the Accrual Basis than with the Cash Basis. In this case, the Cash Basis should emphasize when cash is received or paid from the Village Cash Account.

In subsequent ministerial coordination meetings, the Ministry of Home Affairs reiterated their preference for Cash Basis in drafting the Village Accounting Standards. They argued that village assets could still be presented in the CaLK (Notes to Financial Statements) while using the Cash Basis. However, this contradicts the accounting and financial reporting concepts, as the CaLK typically only explains the presentation of the financial statements, such as the Budget Realization Report (LRA), under the Cash Basis.

Ministry of Finance

The Ministry of Finance is one of the largest ministries in the Central Government of Indonesia, with a vast number of echelons I units and vertical institutions spread across the archipelago. The Directorate General of Treasury (DJPBN) is responsible for preparing the State Treasury Report (LK-BUN) and Central Government Financial Statements (LKPP), working alongside the Government Accounting Standards Committee, the Audit Board, and other policymakers to formulate regulations concerning government accounting standards and the preparation of financial reports.

The Directorate General of Fiscal Balance (DJPK), also within the Ministry of Finance, is tasked with allocating and transferring Village Funds to the respective RKD via the RKUD, after processing SPP and SPM, which are forwarded to the KPPN (DJPBN) for issuance of SP2D.

Like the Government Accounting Standards Committee's objective in drafting the Village Government Financial Reporting Standards, the Ministry of Finance, represented by DJPBN, also prefers that Cash Toward Accrual (CTA) be applied in village government financial reporting. This approach is considered reasonable, as it ensures transparent and accountable financial management without incurring the high costs associated with the full Accrual Basis.

Audit Board of Indonesia

The Audit Board of Indonesia corresponded with the Minister of Finance through letter No. 19/S/I-XII/3/2017 on March 27, 2017, regarding their input on the Draft Government Regulations on Village Government Financial Reporting Standards, with the following considerations:

1. The Audit Board agrees that the Village Government Financial Reporting Standards should be established by a separate regulation from Government regulations No. 71 of 2010 on Government Accounting Standards.
2. If the government determines that the Village Government Financial Reporting Standards should be prepared by the Government Accounting Standards Committee, the legal basis for the Government Accounting Standards Committee's authority needs to be clarified, and the Presidential Decree on the Government Accounting Standards Committee must be amended to grant the Government Accounting Standards Committee the authority to draft of the Village Government Financial Reporting Standards.
3. The standard should be complemented with a Conceptual Framework containing the foundational concepts for developing and establishing the standards.
4. Considering the deadline for implementing this standard by fiscal year 2023, transitional provisions should be made in the government regulation on this standard, which would govern the form of village financial reports until the village governments are able to prepare reports according to the Village Government Financial Reporting Standards.

Government Accounting Standards Committee

Following the high-level meeting regarding village financial management, the Government Accounting Standards Committee developed the Village Government Financial Reporting Standards draft, using the Cash Toward Accrual approach based on Annex I of Government regulations No. 71 of 2010. The Village Government Financial Reporting Standards draft underwent several stages, including initial research, drafting the initial standard, limited hearings for initial input, public dissemination via a website for stakeholder feedback, a public hearing at the Ministry of Finance's Dhanapala Building on December 14, 2016, finalizing the draft, obtaining advice from the Audit Board, and the final regulatory approval process, which faced delays due to ongoing disagreements among policymakers.

According to Paragraph 4 of the Village Government Financial Reporting Standards draft, the accounting basis used in the village government financial reports is the Cash Basis for the LRA and the Accrual Basis for the Balance Sheet. The Cash Basis is used by the Village Government for accounting

and financial reporting on income, expenditure, and financing in the LRA, while the Accrual Basis is used for reporting assets, liabilities, and equity in the Balance Sheet. The financial reporting components under the Cash Toward Accrual basis include the LRA, the Village Balance Sheet, and the Notes to the Financial Statements (CaLK) (Paragraph 12 of the Village Government Financial Reporting Standards draft).

International Federation of Accountants (IFAC)

The International Federation of Accountants (IFAC), through its Public Sector Committee, conducted a study titled "Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities" (second edition) in 2003. The study concluded that accrual-based reporting is valuable for evaluating government performance in terms of service costs, efficiency, and goal achievement. Further, accrual-based reporting offers the following benefits: Provides a more comprehensive view of how the government finances its activities and meets its funding needs, as accrual financial reports capture all resource uses and income rights within a single accounting period, Allows stakeholders to evaluate the government's ability to finance its activities and meet obligations and commitments, Provides information on rights and obligations for a specific accounting period, making it useful for evaluating the entity's capacity to fund its activities, Demonstrates the effectiveness of government resource management, as accrual accounting records all government transactions, reflecting actual financial positions and resource management, and Enables evaluation of government performance, assessing efficiency, effectiveness, and outcomes of resource use.

Thus, the adoption of accrual accounting in government entities aligns well with performance-based budgeting practices.

Conclusion

The reporting of resources using accrual-based accounting will be more comprehensive and transparent compared to the Cash Basis. The recognition and recording of assets and liabilities will be fully recorded under accrual accounting, unlike cash accounting, which only recognizes and records transactions when cash is received or spent from the accounting entity's account.

The analysis of several journals concludes that accrual-based accounting provides more benefits in terms of creating accountable and transparent financial reports compared to the Cash Basis. However, some studies suggest that the Cash Basis is more adequate for planning and budgeting compared to accrual accounting.

The limited human resources available in village governments prevent the optimal implementation of accrual accounting. Therefore, adjustments to the accrual basis implementation are necessary. Based on these considerations, the author believes that the most suitable accounting basis to be implemented is the Cash Toward Accrual (CTA) basis.

Recommendation

The author recommends the use of the Cash Toward Accrual (CTA) basis in the preparation of the Village Government Financial Reporting Standards draft. This approach will encourage the achievement of good governance through transparent and accountable village financial management. The implementation of the CTA basis is seen as beneficial in depicting village government financial performance and being more responsive in providing indicators of potential issues related to village financial management, compared to the Pure Cash Basis. The village government's financial performance can be presented better because the CTA basis records not only cash transactions but also the resources owned. Furthermore, applying the CTA basis is more cost-effective than using the full Accrual Basis, both in terms of human resources and accounting systems. Therefore, the CTA basis is the best option for the Village Government to adopt as the Village Government Accounting Standards.

The adoption of the Cash Toward Accrual (CTA) accounting in village governments is expected to provide greater benefits for the Village Government, village residents as financial report users, and the development of the accounting profession, compared to the Cash Basis. For the Village Government, CTA accounting will provide broader information for decision-making. For the village community, CTA accounting allows users of financial reports to assess the accountability of managing all village resources.

The author acknowledges that this study has several limitations, including:

- The research is limited to a desk study analysis, consisting of regulations and journals related to the application of accounting bases for government entities.
- Further research is needed in the future to examine the implementation of Village Government Financial Reporting Standards using primary data, such as direct observation of sample villages through interviews or questionnaires.
- Additional in-depth interviews with policymakers, including those from the Ministry of Home Affairs, the Ministry of Villages, Disadvantaged Regions, and Transmigration, Ministry of Finance, the Audit Board, Financial and Development Supervisory Agency, and the Government Accounting Standards Committee, should be conducted to gather more comprehensive information on the most suitable accounting basis for inclusion in the draft Village Government Financial Reporting Standards.

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