

A CRITIQUE ON CASH BASIS OF ACCOUNTING AND BUDGET IMPLEMENTATION IN NIGERIA

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ABSTRACT: *In public sector accounting, government ministries and parastatals operate a cash basis of accounting which is believed to be simple in operation and understanding by staff that may not simply have a rigorous training in accounting. A great disadvantage is that it does not recognise assets, debtors and liabilities. This principle negligence is capable of introducing negligence into proper record keeping of how much value of infrastructural assets are being developed in the pass fiscal years, their state of activity and possibly resulting to a repetition of projects, poor monitoring of budget implementation and misappropriation of fund. The authors took a frank analysis of the implications as they relate to the consistent problem of poor budget implementation in Nigeria. This study was based on empirical analysis of one hundred and thirty (130) questionnaires distributed to 130 public servants in the civil service of Bayelsa, Delta and Rivers States of Nigeria. The researchers used version 19 of SPSS to analyse the data using paired sample “t” test with the result that cash basis has a positive effect on budget implementation and fair presentation of the financial position of a government. The researchers recommended that the accrual basis of accounting should be adopted by all government ministries and extra-ministerial departments in Nigeria.*

KEYWORDS: Critique, Cash-basis, Accounting, Budget, Implementation

INTRODUCTION

Accounting is a language which is used in communicating financial information to users of financial statements. (Ofurum et al 2008). Accounting is a body of knowledge and its function is concerned with systematic, originating, authenticating, recording, classifying, processing, summarizing, analysing, interpreting, and supplying dependable and significant information covering transactions and events which are in parts at least, of financial character required by management for the operation of an entity and for the reports that have to be submitted so as to meet the fiduciary requirements. (Adams, 2004). From this definition, it can be seen that accounting includes the art of recording economic activities and events which must follow an orderly pattern, it involves factual evidences that can be verifiable by other knowledgeable persons.

Accounting as defined by (A.A.A.) is the art of recording, classifying, harmonizing and analysing financial transactions of a business. This definition is explicit as to the recording of economic activities otherwise known as financial transactions. Financial transactions are those, on which monetary value can be placed and can be measured objectively, they consist of cash

transactions and contracts. A financial transaction must be able to cause a change to assets, liabilities or capital or a combination of them all. Having established the existence of financial transactions, it is of importance to consider the basis of recording financial transactions in the books of account. Financial transactions are recorded on the basis of cash, accrual and hybrid. Cash basis of accounting is the system of recording receipt or income when actual cash is received and record expenditure when actual payment is made irrespective of the accounting period in which the services are rendered or benefit received. (Kiabel 2011)

Accrual basis of accounting states that revenue/ income should be recorded and recognized in the accounts when earned and not when money is received, similarly expenses should be recorded and recognized in the accounts when incurred and not when money is paid. (Ishola 2009). While hybrid is the combination of both cash and accrual basis of accounting.

Cash basis of accounting is observed to be the commonly used basis in the public sector which has some limitations and setbacks that affects financial transactions such as poor budget implementation, mismanagement of public fund etc. This can be traced to the fact that while using the cash basis of accounting, there is no attempt to match an expense with the revenue it generates. This means that income statement and balance sheet are not good pictures of recent business conditions and an expense written against specific revenue may not have been incurred for generating the revenue. This creates the issue of poor budget implementation, making it necessary to consider the relationship between public sector budgeting and cash basis of accounting.

Public sector accounting is the process of recording, analysing, summarizing, reporting, communicating, and interpreting of financial information about government in aggregate and in details reflecting all transactions including the receipts, transfer and disbursement of government fund and property. (Ishola 2009). A budget on the other hand is a framework for revenue and expenditure outlay over a specified period usually one year. It is an instrument stipulating policies and programmes aimed at realizing the development objectives of a government (Gberegbe and Micah 2013)

Budget in the public sector is a document or a collection of documents that refers to the financial conditions of the government. (Omolehinwa 2011). A budget provides indication of revenue flow. Thus; a public sector budget is used as an instrument to allocate public resources towards achieving some public value, public decisions must therefore weigh the cost of public action against the worth of the activity to society, (Gberegbe and Micah 2013).

It is of necessity to note that a complete budget protocol entails effective planning, monitoring and implementation of recurrent and capital proposals. But regrettably, the budgeting culture in Nigeria mostly begins and ends with planning alone. Oversight functions carried out by the legislative arm of government in the past as it concerns budget monitoring have been nothing but mere window dressing. This fact has helped to condemn budgets as mere annual rituals. Poor budget implementation in Nigeria is a huge indictment on both the executive and legislative arms of government at the local, state and federal level which can be traced to the implication of cash basis of accounting as a technique for recording financial transactions in the public sector, (Gberegbe and Micah 2013).

Over the years, poor budget implementation by the executive arm of government at the local, state and federal levels had sabotaged key public infrastructure such as transport, power and

communication among others. This sad development has unfortunately led to a steady increase in the cost of doing business in Nigeria in the last ten years. Apart from scaring away foreign investors, several multi-national companies have either relocated to neighbouring countries or contemplating doing so. Nigeria has painfully missed several opportunities of being a preferred country of destination for international investors. (Adejuwon, 2011)

A very close observation of the state of the nation would lead one to a bitter conclusion that the political class has not been able to appreciate the relationship between effective budget implementation and national development, promotion of transparency and accountability in public fund management with use of budget as a tool of fiscal instrument for self-assessment and project evaluation. Many researchers have done works on this problem but none had seen the cash basis of accounting for financial transactions as a factor for poor budget implementation in Nigeria. The need for this study comes in anticipation of how the use of good basis of accounting can contribute to effective budget implementation in the public sector, Arikawe (2009).

LITERATURE REVIEW

Public Sector Accounting

Public sector refers to that segment of the national economy whose activities both economic and non-economic are under the control and direction of the government. (Gberegbe and Micah 2013). The establishment of public sector is necessitated by the prevalence of political and social ideologies which depart from the premise of consumer choice and decentralized decision making, (Ishola 2009). Public sector is that aspect of the economy that produces goods and services with the aim of maximizing the welfare of the populace. Public sector has been grouped into three categories in Nigeria namely;

- ❖ Federal Government Ministries and Departments
- ❖ State Government Ministries and Departments
- ❖ Local Government and parastatals.

Public Sector accounting has been defined as a process of recording, analysing, summarizing, reporting, and communicating and interpreting of financial information about government in aggregate and in details reflecting all transactions involving the receipts, transfer and disbursement of government funds and property. (Ishola 2009). The accounting at all levels of government is closely related to the budget process. The Federal Government sets forth several accounting principles, practices and requirements to be followed by the Government, Ministries and Extra-ministerial Departments through the issuance of treasury circulars and financial regulations. The State Governments are allowed to issue their own treasury circulars for the use of Local authorities and State Ministries and Government. However it should be noted that all circulars issued must not conflict with Federal treasury circulars and where it does, the Federal treasury circulars supersedes. Okonjo-Iweala (2004).

Purpose and Objectives of Public Sector Accounting

The public sector accounting is necessary for the following purposes, (Berger et al 2012).

1. **Control Purposes:** To ensure efficient financial administration through the system of internal control and management information so as to monitor the progress of planned revenues and expenditures.

2. **Planning Purposes:** To serve as a basis for planning i.e. to provide historical basis for models, forecast, budget and plans and also as a guide to the formulation of policies.
3. **Appraisal Purposes:** To serve as a basis for appraisal of the performance of management and staff of government. It also provides the society with financial information that will help them to reach informed decisions about the government.
4. **Decision Making Process:** To serve as a basis for decision making.
5. **Accounting Process:** To give evidence of financial accountability, this will promote proper stewardship and guide against dishonesty and extravagance and promote effectiveness and reasonable cost.

Unlike the private sector of the economy where there are clear objectives with the motive to make profit or a return on capital, the public sector has a multitude of demands and objectives. Primarily, the public sector is concerned with providing services to the general public which would not otherwise be available or provided adequately within the financial resources of any individual members of the public, Bammeke (2012).

Principles and Concepts of Public Sector Accounting

There is an atom of universality in accounting whether it is in the area of public sector or private sector. That is, regardless of the various branches of accounting, there is a common principle and concept guiding the preparation of financial statements of an entity. In accounting, there are rules, practices and procedures popularly referred to as Generally Accepted Accounting Principles (GAAP). Some of the concepts that guide the preparation of accounts are as follows, *entity, going concern, historical cost, periodicity, realization, matching, consistency, dual aspect, prudence, objectivity and materiality*, (Kiabel, 2011).

Matching Concept

This concept requires that within the periods, revenue are properly recognized in conformity with the realization concept, all the expenses incurred in earning those revenue must be matched with the revenue of the period. This means that the expenses should be deducted from the revenue in order to arrive at the net profit for the period. (Omolehinwa, 2004). The matching principle prescribes that only cost which has contributed towards the generation of the particular revenues should be applied against such revenue (Kiabel, 2011). The applicable procedure to the above definition is first to determine the revenue for the period and then proceed to determine which cost item and what portion of the amount involved relate to the revenue.

This concept states that all relevant income must be matched with relevant expenditure. The establishment of this concept will bring about the accounting basis.

Basis of Accounting

The basis of accounting is the method of recording financial transaction vis-à-vis the compilation of the financial statements. This includes

Cash Basis of Accounting

This is the system of recording receipt or income when actual cash is been received and record expenditure when actual payment is made irrespective of the accounting period in which the services are rendered or benefits received (Daniel, 2009). Cash basis of accounting measures the flow of cash transaction or cash resources, it recognizes transactions and events only when cash is received or paid (Ishola, 2009). Cash accounting in its pure form measures financial result for a period as the difference between cash received and cash disbursed. It provides the information about the sources of cash raised during the period, the use to which the funds were

applied and the cash balance at the reporting date. (Ishola: 2009). Cash basis has been selected in many countries for the presentation of financial transaction since government is not interested in the net gain or net loss, (Chan 2003).

Accrual Basis of Accounting

The accrual basis states that revenue/ income should be recorded and recognized in the accounts when earned and not when money is received, similarly expenses should be recorded and recognised in the books of account when incurred and not when money is paid (Ishola, 2009; Kiabel, 2011). Thus, profit for a given period is the difference between income and expenditure and not between receipts and payments. It means revenue is earned when goods and services have been passed to the third party (Chen and Shi, 2004).

Commitment Basis of Accounting

The commitment basis records expenditure once a contract has been entered or a purchase order approved irrespective of whether liability has been incurred or not. Thus, future expenditures for which liability or payment are to be made are recorded in books of account. This basis is suitable for most government capital projects which spans over a number of years. However the commitment basis is not in isolation, it has to be supported either with cash basis or accrual basis (Omolehinwa 2010). The idea is to facilitate budgetary control by drawing the attention of the accounting officer to how much of his total budget has so far been committed.

Budget and Budgeting

Budget is a plan of financial operation embodying an estimate in proposed revenue and expenditure as well as the proposed means of financing them for a given period, usually a year. It is an instrument of economic and social policy which must ensure that policies are translated into concrete and feasible objectives. In the public sector, a budget is usually the estimates of revenue and expenditures determined annually. It is also described as an intelligent forecast of income and expenditure for a specified period, Bammeke (2012). Budgeting on the other hand is the process of demanding funds by the president from the National assembly to support the programmed activities and once approved the budget becomes the operating plan for ministries and departments concerned. Since resources available are not always sufficient to service the needs of government, budgeting remains the most practical instrument for both decision making as well as allocation of resources.

Objectives /Uses of Budget

Budget both as a financial plan and as a political document serves as a mechanism for the fulfilment of people's aspirations and for the redemption of political promises. The first thing that comes to mind when discussing a budget is to determine the needs for the budget, the advantages derivable from preparing the budget, and the overall objectives government want to achieve from the budget in the fiscal year. These objectives are as follows.

Planning: Planning is the key to success in any establishment, therefore government need to make feasible plans to achieve its objectives. It will enable her to know if the government should look forward to external loans for the year's expenditure if the estimated revenue is below estimated expenditure.

Controls: Budget is to set target for each department on revenue and expenditure in the approved estimate for a particular year. Therefore any deviation from the blue print should be investigated and corrective actions taken.

Communication: The budget provides a channel for communicating plans to the National Assembly or House of Assembly and the individuals responsible for the implementation.

Budget is a means by which the executive arm of government informs the legislature of its plans for the year.

Co-ordination: Budget enable the government to co-ordinate the activities of all Ministries/ Extra-ministerial departments in such a way that each department contributes towards the achievement of the overall plans of the government.

Purpose of Government Budget

The specific purpose of government budgeting includes the following (Athukora and Reid 2003)

1. It provides a basis for articulating and working towards the achievement of socio- economic vision of government in its area of jurisdiction.
2. It provides the instrument for pursuing the objectives of macro- economic management such as economic growth and development, economic stability and economic equity.
3. Where government set specific targets which its intends to meet such as inflation rate, employment rate, interest rate, and gross domestic growth rate; the targets set in such budgets enables the citizens to judge the performance of the government against the standards it sets for itself.
4. It provides a basis for allocating resources to government strategic areas of priorities and other competing needs.
5. As a result of the periodic nature of budgeting, government officials that want to be efficient and are allowed to do so can use government budgeting to promote managerial efficiency in the running of government from time to time.
6. Finally in a democratic system of government, budgeting provides the mechanism for legislative control over the executive in spending public funds.

Types of Budgeting

A budgeting system simply means the method adopted in preparing the budget such that organization can reap maximum result from its resources.

Budgeting system in the public sector are;

1. Line – Item Budgeting System

This is a system where budgets are prepared based on items in which government intends to spend money. Budget under this classification tells more about the items on which money is to be spent but nothing about what government wishes to achieve via the spending of money. Greater emphasis is placed on items of expenditure at the expense of anticipated benefit, (Ball et al, 2000).

2. Traditional Or Incremental Budgeting

This is a system of budgeting by which the proposed year's budget will depend on the previous year's budget which is used as the bases, certain percentages are then added to the previous year's budget. The percentages added are based essentially on three things namely;

- ❖ Inflation .
- ❖ Expected increase in resources /income.
- ❖ Changes in the previous year's results. (Gberegbe and Micah, 2013)

3. Planning, Programming Budgeting System (PPBS)

This system of budgeting is the analysis of output of a given programme and its alternative so as to find the most effective means of attaining the basic programme objectives. PPBS is very suitable for government programmes and activities because it is largely services in nature rather than in goods or commodities. It provides regular procedures for reviewing goals and objectives for electing, and planning programmes over a period of years in terms of output and

resources. It also facilitates the allocation of resources between programmes and the control of their implementation processes.

Therefore the key characteristics of (PPBS) is that objectives and programmes and the costs are formulated over a period of years within the context of a medium-term plan, thus in such a plan the continuity of projects, the extent of commitment and the future financial consequences of current expenditure can be recognised, (Ofurum et al, 2008).

4. Programme And Performance Budgeting

This is the type of budgeting system in which the input of resources is related to the output of service or product. This type of budgeting presents the purpose and objectives for which funds are requested, the cost of the programme proposed for achieving these objectives and the quantitative data for measuring the accomplishment and work performed under each programme, (Ofurum et al, 2008). Thus, this type of budgeting system emphasizes the activities and programmes of government than financial transactions.

5. Zero Based Budgeting System

This implies starting a budget from a zero situation rather than merely adding to or subtracting from historical budget or actual on differential basis. It is a system by which management undertakes a careful examination of the basis for allocating resources in conjunction with the formulation of budget requests and programme planning. (IPSAS 2010, Khumawala 1997).

Zero based budgeting is a cost benefit approach which attempts to ensure value for money to question long standing assumption and therefore to serve as a tool of systematically examining and perhaps abandoning the unproductive. It is very effective when applied to discretionary cost areas such as marketing, production, service and administration.

Budgeting Process in the Public Sector

In the Nigeria Public Sector, the traditional or incremental budgeting method is being used, in the Federal Government of Nigeria budget preparation takes place in ministries and departments and budget approval occurs at three levels viz.

- ❖ Ministerial approach
- ❖ Executive council approach
- ❖ Legislative approach

Budget preparation phase commences one to five months before the beginning of the fiscal year. The following are the processes involved in preparing the government budget, Omolehinwa (2001).

1. Call Circular Stage

Before the issuance of the budget estimate guidelines, the Ministry of Budget and Planning receives budget policy from the President and prepares budget guidelines that would be sent to various Ministries and Departments. The guidelines come from the Ministry of Budget and Planning inform of Call Circulars. When the Circular demanding that the budget estimates be prepared is received by Ministries and Departments, a Departmental Committee of Budget Estimates will be set up, which function is to reconcile the Budget proposals submitted by various departments, divisions, branches and units with that of the Ministry.

2. Advance Proposal/ Ministerial Stage

At this stage, the Ministry of Finance, (Ministry of Budget and Planning) receives returns of revenue and expenditure estimates from the various Ministries and Departments. If estimated returns on revenue substantial increases for the next financial year, it is usual for the Ministry of Finance to allow the Departments to have some reasonable expansion in their works. If that is allowed, then the Departments will make an intelligent forecast of what their additional needs and requirements will be during the coming year. The Ministry of Finance will verify all additional cost to ensure that they are justifiable, there will be funds to meet additional cost,

the increases in estimates (additional cost) are not out of tune with government policy. This process will be followed by the preparation of draft estimates.

3. The Draft Recurrent Estimate Stage

The respective Ministries / Departments now compile their draft estimates based on the adjustment by the Ministry of Finance and send it back to the Ministry of Finance. The Ministry of Finance scrutinizes it once more to ensure compliance with their earlier adjustments, when satisfied with the draft estimates; the Ministry of Finance presents it to the Budget Division in the Office of the President who now examines the estimates and check to see whether it conforms to the government policy. Items of capital expenditure which the Budget Committee selects from the national development plan for inclusion in the draft estimates will be embodied in the draft estimates, after which they are sent for printing and returned afterwards to the Ministry of Finance in preparation for its presentation to the National Assembly.

4. The Appropriation Bill Stage

The draft estimates are now presented to the two houses of the National Assembly at a sitting, the joint sitting is called “budget session” and this is where the draft estimates are introduced to the House as “Appropriation bill”.

5. Legislative Approval Stage

This is the stage where each House (the house of Representative and the Senate) now deliberates on the Budget/ Appropriation Bill by creating sub- committees for each Ministries / Departments. If need be, the officials of the respective Ministries / Departments including their Ministers are called in to answer questions and clarify any matter of doubt. If there are areas of disagreement between the two houses, the Finance Committee is brought in to resolve the conflict and report back to each of the two houses. The resolution of the Finance Committee is final on the differences. At the final stage, the Appropriation Committee deliberates on the overall Appropriation Bill and if both houses are satisfied then the bill is passed into law. The Bill as passed is now sent to the President for his assent and if satisfied the president signs the bill into law as “Appropriation Act” for ensuing financial year.

Budgetary Controls

Budgetary control is the establishment of budget relating to the responsibilities of the executives to meet the objectives of an organization and the continuous comparison of actual with budgeted estimates so that, if remedial action is necessary it may be taken at an early stage. (Lou 2002)

It can also be defined as a continuous process which reviews and adjust budgetary targets during the financial year and produces a control mechanism to hold budget holders to account, (Wynne 2003).

Budgetary control, according to Reid (2003), is the whole system of control, financial or otherwise to ensure that income and expenditure are in line with the budgets and wastages are reduced to the minimum. It is a positive and integral part of a public sector organisation, planning and appraisal activities so as to achieve the set objectives.

Objectives of Budgetary Control

1. To combine the ideas of all levels of management in the preparation of budgets.
2. To centralize control.
3. To channel equal expenditures in the most profitable manner.
4. To provide a yardstick against which actual result can be compared.
5. To plan and control incomes and expenditures so that maximum benefits are achieved.
6. To act as a guide for strategic decision making when unforeseeable conditions affects the budget.

Importance of Budgetary Controls (Luder and Jones 2003)

1. It increases efficiency as individuals/ accounting officers know that he will be accountable for the fund allocated to his unit and his performance will be evaluated vis-à-vis his output
2. It reveals inefficiency of some officers and as such corrective measures will be taken
3. It reduces greater loses, since it is a continuous measuring of actual and budgeted positions and as such the loopholes will be blocked.
4. The causes of the variances between the budgeted and actual are known and necessary steps taken to forestall the occurrence.
5. It reduces over expenditure on the part of the spending officer.

Essential Features of Budgetary Control (Chan 2002)

1. **Relevance and Timeliness:** If the budgetary control system is to work properly, the information sent to the officer concerned must be relevant and timely.
2. **Controllable and Non-Controllable Items:** In order to carry out the budgetary control aspect of an organisation, the controllable and non-controllable items should be clearly distinguished between the variables that are directly controllable and non-controllable.
3. **Budget Figure:** For any meaningful budgetary control. It must include the budget figure not only for the whole year but also for appropriate portions of the year.
4. **Adequate Information:** Before a good budgetary control can be carried out, there should be adequate information which must be understandable and contain the right amount of details.
5. **Proper Books:** The financial statements prepared at the end of a period give an idea of the activities and flow of fund. Therefore for the purpose of budgetary control proper books of accounts must be maintained.
6. **Regular Checks:** Monitoring is a continuous surveillance at the implementation of a project or programme. It seeks to ensure that various activities are carried out according to the budget and that the programme progresses according to plan.
7. **Internal Control:** Internal control is defined as “the whole system of controls, financial and otherwise established by management in order to carry on the business of the enterprise in an orderly and efficient manner to ensure the completeness and accuracy of records” CIMA. Therefore for an effective budgetary control, internal control system must be put in place.
8. **Disclosure Of Committed Balance:** in the ministries and extra ministerial departments, cash /commitment basis has been the accounting basis in use where, only the cash received and cash payment are recorded. It is therefore important to disclose the committed balance in the vote book so as to ensure effective budgetary control.

Implications of Cash Basis of Accounting on Financial Reporting

The popularity of cash basis arose from the need of parliament and any other interested parties to monitor government taxation receipt and the subsequent spending of the receipts. According to IFAC, (2000). The information provided under the cash basis of accounting scores highly on the characteristics of understandability.

The following are the limitations according to IFAC (2002) on cash basis of accounting.

Without full and complete information about the liabilities, contingencies and commitments government and other users of government financial report cannot make realistic assessments about government's financial position. As a result of this, government cannot effectively assess both the impact of past decisions on future financial position.

By not capitalizing fixed assets at the time of acquisition, no subsequent account is taken as to whether the fixed assets are still in use, has reached the end of the useful life or has been sold.

In addition, since fixed assets are written off in the year of purchase, their cost is not spread over the useful life through annual depreciation charges.

By not charging depreciation and cost of capital the true cost of running a particular government programme is under-stated. This in turn does not allow for cost comparison with alternative public service providers.

Another important area of limitation of cash basis of accounting is the issue of hidden debt of government as huge amounts owed by government are not reported and hence not taken into account when assessing government's financial position or determining its future financial requirement.

Towards Effective Budget Implementation in Nigeria

A major concern in Nigeria is the area of government budgeting on capital budget implementation. For example, out of the 1.7 trillion naira approved for capital projects in 2010, only 935.61 billion naira was utilised despite the fact that the budget year was extended to 31st March 2011. In order to tackle the problems of budget implementation, the Budget Office of the Federation (BOF) has been organising seminars for key stakeholders as it did in 2009 and 2010 where some solutions were suggested.

For a better and effective budget implementation below are some guidelines that are required (Omolehinwa 2011).

1. The budget should be prepared on timely basis and approved by the National Assembly preferably before the beginning of the financial year. This will also ensure that there will be a meaningful cash plan by the Accountant- General as required by section 26 of fiscal responsibility Act.
2. The President must learn how to avoid pressure (from various stakeholders especially the legislators) to include in the Budget Proposal already submitted to the National Assembly new projects that were not properly designed.
3. In order to assess the right amount of fund they need at the right time, they must prepare on timely basis the project procurement document and meet the requirements for obtaining certificate of objection to the award of contract.
4. Planning documentation and works specifications should be readily available for the purpose of assessing capital project performance.
5. The government should review its basis of recording financial transactions so as to evaluate the government's ability to finance its activities and meet its liabilities when the need arises.

The Impact of Cash Basis on Budget Implementation

Since cash basis of accounting has a negative effect and implication on financial reporting, it should be noted that it also has an impact on budget implementation, (Oshisami, 1992, Balogun 2002). This is so because of the following reasons

1. The financial reports prepared can be less reliable and inconsistent over time. This is because it makes it difficult for government to effectively assess both the impact of past decisions on future financial positions and the impact of current decision on future financial position of government especially in the area of capital project implementation.
2. It does not observe the law of probity in public service because it does not follow through all the stages of transaction which therefore can allow for misappropriation or misuse of public funds.
3. Since it does not represent and reveal the accurate picture of the financial position of affairs of the government, it can create a gap between what was promised and what was actually done.
4. There is a tendency of overloading and excessive payment to contractors in terms of contract of capital project. Since it does not recognise assets at the end of the year.

5. There is the tendency of debt re-occurrence which would have been either written off or fully paid because it eliminates the theory of debtors and creditors so it may be impossible to follow up abandoned projects.
6. Since it is based on procedures in terms of payment rather than work done, it tends to eliminate the concept of value for money in the public sector with regards to budget implementation.
7. Having understood that the whole essence of public sector accounting is not for profit making but for the satisfaction of the members of the public (citizens).The cash basis of accounting might overlook the fact that satisfaction can also mean profit to an individual for tax payment made to the government.

MATERIALS AND METHODS

This study was a survey research conducted in Rivers, Bayelsa and Delta States in Nigeria. The researchers used a well structured questionnaire to collect primary data from 130 civil servants in the accounting and administrative cadre. The office of the director of budget from the three states was also surveyed. The reliability of the instrument was tested with test and pre-test method. The office of the director of budget in Bayelsa state was used for the pre-test. The validity of the instrument was tested with spearman rank correlation coefficient using the pre-test result generated. The output was 0.763 showing that the instrument was valid for the study. The final data collected from the field work was analysed with descriptive statistics on the relationship between cash basis of accounting and budget implementation, financial discipline and level of public expenditure with Statistical package for social sciences (SPSS).

Four hypotheses were generated and tested with paired sample “t” test using SPSS. The hypotheses were based on the relationship between cash basis and budget implementation, cash basis and financial discipline, cash basis and government expenditure, and expenditure pattern with investment inflow.

RESULTS INTERPRETATIONS AND DISCUSSIONS

Table 1 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
						Statistic	Std. Error	Statistic	Std. Error
Cash-basis	130	2.00	4.00	3.8846	.38649	-3.563	.212	12.717	.422
Budget	130	1.00	4.00	3.7923	.57998	-3.341	.212	11.911	.422
Finance-position	130	2.00	4.00	3.6692	-.68640	-1.801	.212	1.599	.422
expenditure	130	3.00	4.00	3.6462	.48001	-.618	.212	-1.643	.422
Valid (listwise)	N 130								

The table one above is the descriptive statistics of the variables; cash basis of accounting, budget implementation, financial position of government, expenditure pattern in the public sector. The mean difference is between 3.88 to 3.64. with a skewness of -1.618, and kurtosis of -1.643, indicating that variables are not perfectly normally distributed.

Table 2. Paired Samples Test on the hypothese

		Paired Differences				T	df	Sig. (2-tailed)	
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower				Upper
Pair 1	cashbasis – budget	.09231	.60291	.05288	-.01231	-.19693	1.996	129	.083
Pair 2	cashbasis– expenditure	.23846	.47908	.04202	.15533	.32160	5.675	129	.000
Pair 3	expenditure– investment	-.02308	.66432	.05826	-.13836	.09220	-.396	129	.693
Pair 4	cashbasis – financial position	.21538	.83513	.07325	.07047	.36030	2.941	129	.004

Results from the above t test table indicated a t value of 1.996 which is greater than the ‘t’ critical value of 1.960 for the relationship between cash basis of accounting and budget implementation in the Nigerian public sector. At 95% confidence interval of .01231 to .19693 show that the relationship is negatively significant. Cash basis of accounting negatively affects effective budget implementation in the public sector.

For hypothesis 2, the result also indicated that cash basis of accounting is positively significantly related to the pattern of expenditure in the public sector. With interval levels of .15533 to .32160 and a t value of 5.675 which is greater than 1.960 critical value. For hypothesis 3, the result also proved that there is no significant relationship between the expenditure pattern of the government using cash basis of accounting and foreign investment options in Nigeria. With a t value of 0.396 the null hypothesis is accepted that government expenditure pattern does not affect investment options in Nigeria at 95% confidence interval of 0.5 to - 0.13.

For hypothesis 4, the pair sample t test indicated that a significant relationship exist between cash basis of accounting and fair reporting of financial position of a government in Nigeria. With a confidence level of 0.79 to 0.70 at 95% both positive, the result is significant. A t value of 2.9 which is greater than 1.960 critical value, the alternative hypothesis is accepted and null rejected.

DISCUSSION OF FINDINGS

From the research study and the information derived from the hypothesis tested, it was discovered that cash basis of accounting as the independent variable has a positive significant relationship on budget implementation, investment option and expenditure pattern in the public sector. The research also reveals that the right basis of accounting when used can bring about effective budget implementation which in turn results in economic growth, development and stabilization in the public sector. The research further reveals that the right basis of accounting can bring about follow-up on capital projects, the application of the concept value for money audit and observation of the law of probity in the public sector.

CONCLUSION AND RECOMMENDATIONS

The aim of this research is to determine the implication of cash basis of accounting of budget implementation in the public sector. This study explains the results of the hypotheses that were tested using SPSS on the relationship between cash basis of accounting (the independent variable) and the rest dependent variables budget implementation, investment option in Nigeria and public expenditure pattern.

- (1) It was observed in the test of hypothesis one (1) that the relationship between cash basis of accounting and budget implementation is negatively significant therefore rejecting the null hypothesis.
- (2) The result for hypothesis two (2) proves that the cash basis of accounting is positively significantly related to the pattern of expenditure so therefore the null hypothesis is rejected.
- (3) The result for hypothesis three (3) proves that there is no significant relationship between expenditure pattern and investment option which makes the null hypothesis accepted.
- (4) The result for hypothesis four (4) indicated a significant relationship between cash basis of accounting and investment option thereby rejecting the null hypothesis and accepting the alternative.

Having gotten the result above, it is true that cash basis of accounting is simple and easier to operate and that it is used in the public sector because it is not profit oriented. It should be noted that the very essence of public sector accounting is to bring about satisfaction as a form of profit to members of the public; the satisfaction can best be derived when budget is properly implemented to bring about the desired result. It is therefore of importance that the right basis of accounting that will bring about budget implementation as a form of satisfaction to members of the public be in use in the public sector. The study explains the cash basis of accounting as it affects poor budget implementation and investment option. The problem of the study is identified to be the poor level of budget implementation in Nigeria seeing cash basis as a key factor. The study provided the following recommendations to improve budget implementation in Nigeria.

- (1) For better effectiveness on budget implementation in the public sector, it is recommended to follow the accrual basis of accounting because it shows the financial position and changes in the financial position fairly.
- (2) Accrual basis can also be used to evaluate government performance, efficiency and accomplishment and also an opportunity to demonstrate accountability to members of the public.
- (3) Budget implementation should be considered as a public venture which requires public participation by reporting to the relevant authority on the extent of completion of projects.

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