

# [Comparing public and private sector accounting](https://assignbuster.com/comparing-public-and-private-sector-accounting/)

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INTRODUCTION TO PUBLIC SECTOR ACCOUNTING Public Sector Accounting is related to government and different from private sector accounting. Accounting and financial reporting for public sector are based on distinctive concepts, standards, and procedure designed to accommodate theirenvironment. This also based on the needs of their accounting information users. Derbyshire (1987) defined a public sector as a device for regulating human activities so that men and women can live together in reasonable harmony. The public sector is providing basic government services whether federal, state or local/municipal.

It encompasses universal and critical services such as a national defense, healthcare, public roads and primaryeducation. The public sector is part of economic and administrative life that deals with the delivery of goods and services by and for the government. A stakeholder is a party who has an interest in the organization’s activities, project or program. This is including whose affects, or can be affected by, the organization’s actions and decisions. More institutional stakeholders are lying under the public sector compared to private sector.

For examples the parliament, the Auditor General and the Cabinet. They are mainly from individuals who are directly or indirectly involved in the company’s action such as the shareholders and suppliers. The public sector operates within a framework of public authorization and control. One common feature of all public sectors bodies is Parliament will derived the specific power ultimately. However, the formal and informal networks such as the ministers, local councils, and pressure groups impacted on the way of how the public organizations operate. The public sector also has a plurality of objectives.

Political, economic, social, regulatory, technical and performance of services often occur on the basis of perceived need rather than in response to strict market-related demand. For example, in Malaysia, plurality of objectives of the government is clearly observed. Theobservationis through the setting up of different ministries with a variety of portfolios. In addition, public sector organization has no direct financial interest or benefits to the contributors of resources. Any direct or proportionate share of those organization’s goods and services will not been received by the contributors of resources.

For instance, an individual who is a tax payer in Malaysia will not receive direct benefits from the Inland Revenue Board. Instead, they enjoy indirect benefits from the provision of education at all levels, provision ofhealthservices, continuous clean water supply and any other benefits. The public sector is varying accounting principles and practices. In general, fund accounting where separate accounts are maintained for each fund so that limitations and restriction placed on use of the resources allocated can be properly monitored andaccountabilityis ensured.

The private sector is generally using the entity accounting which a term used to identify the organization. The accounting service is to be provided and whose accounting or other information is to be analyzed, accumulated and reported. Lastly, the public sector is more to political rather than financial control which concerned about delivering social responsibilities to the public at large. Hence, the priority on resources allocation is generally governed by the priority set by the government. The national agenda sets the priority, not by any investment appraisal and profitability criteria.