

Chapter 15

Cost Accounting in Brazil's Public Sector: Importance, Use, and Level of Deployment

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ABSTRACT

The purpose of this chapter is to identify the importance, use, and level of implementation of cost accounting in Brazil's public sector and its relationship with the features of user's professional experience. The research is positivistic and quantitative, carried out through a survey to the employees of the accounting and internal control departments from the municipalities, states, and of the executive branch of the union. A total of 344 answers were obtained, and the analysis was performed only in 320 respondents from the executive branch of the Brazilian's public sector. The results show the users' belief in the importance of cost information for the public sector, but in spite of this belief, there is a low use of information that can be motivated by the lack of cost system implementation or by the primacy of the use of financial and budgetary information in decision making. The results show that the importance level of cost information is not significantly different independent of a low, high, or moderate experience in accounting or management experience.

INTRODUCTION

PSA (Public Sector Accounting) has undergone significant changes since 2000, many of which originated from the reform process of NPM (New Public Management). These changes aimed to increase the efficiency and effectiveness of the public sector, making it more transparent, its information more accessible, and optimising the use of public resources. Furthermore, the recent economic crisis in public finances has led countries to rethink the relationship between public revenue and expenditure, and to adjust their budgets according to public spending consistency relative to the collected revenue.

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The reforms implemented in public sector accounting aimed to overcome the limitations of the bureaucratic model and to achieve a more efficient use of public resources (Rossi, Aversano, & Christiaens, 2014). For this reason, cost accounting gained relevance, as it can provide improvement within the management sector that lacks performance measurement systems, or has severe difficulties in this regard. As Brusca and Montesinos (2016) describe, the lack of cost accounting in many countries limits the information gathering for this purpose (performance analysis).

The reform process of public accounting was the reason for several recent research studies, such as the those carried out by Rossi, Cohen, Caperchione and Brusca (2016), Jorge, Jesus and Laureano (2016), and Legenkova (2016). The implementation of management accounting was incorporated into this set of changes, constituting one of the NPM focuses, as presented by Goddard (2005) and Van-Peursem and Eggleton (2015). Many of these studies were born out of the advantages of implementing management accounting or cost-centred information, which may serve to qualify budget allocation and financial resources, outsourcing decisions, service costing, accountability comparisons, and performance evaluations, among others (Arnaboldi & Lapsley, 2009).

The scope of research in management accounting concerning the public sector is still wide, and there is still a need for empirical studies. In fact, previous research mainly focused on the process of standards adoption, harmonisation, and application of accounting by competence. On the other hand, studies concerning cost accounting are highly connected to the application of a costing method in specific cases, as stated by Arnaboldi and Lapsley (2003) and Valderrama and Sanchez (2006).

According to Orelli, Padovani and Katsikas (2016), there are several factors responsible for the modernisation of management accounting, but additional evidence is still needed. There is a theoretical gap, similar to that stated by Tucker and Schaltegger (2016), in research that focuses on the importance and use of information, as well as inputs and outputs of cost accounting in the government sector, as pointed out by Geiger and Ittner (1996) and Gomes, Fernandes and Carvalho (2015).

In the case of Brazil, the Federal Accounting Council (FAC) published Brazilian accounting standards to be applied to the public sector—BASAPS, including the standard 16.11, which established and made it mandatory to implement cost accounting into the Brazilian public sector. It happens that the process of implementing cost accounting in Brazil has few empirical studies. Studies like those conducted by Rosa, Silva and Soares (2015), Lovato, Oliveira, Andruski, and Catapan (2016), and Padrones, Santos, and Colares (2017), concluded a short adoption of cost accounting into the public sector - CAPS.

1. What is the importance of cost information in the opinion of different users?
2. How is the cost information being used?
3. How is the level of implementation and operation of CAPS?
4. Does the level of professional experience change the perception of the importance and use of cost information or the level of implementation?

Research is essential to understanding the importance of cost accounting in the public sector and reveals your ability to generate information that managers and society need. It also aims to contribute to the discussion about the expansion of its operation level, when verifying the characteristics of the adopted system, when adopted. Our discussion aims to collaborate on the evidence that cost accounting is an opportunity, since, in the new scenario of the Brazilian public sector, which is characterized by financial and political crisis, and where there is strong social pressure on public agents to improve the

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