



Korea's case:  
Accrual Accounting realized in FMIS

**2012. 02. 16**

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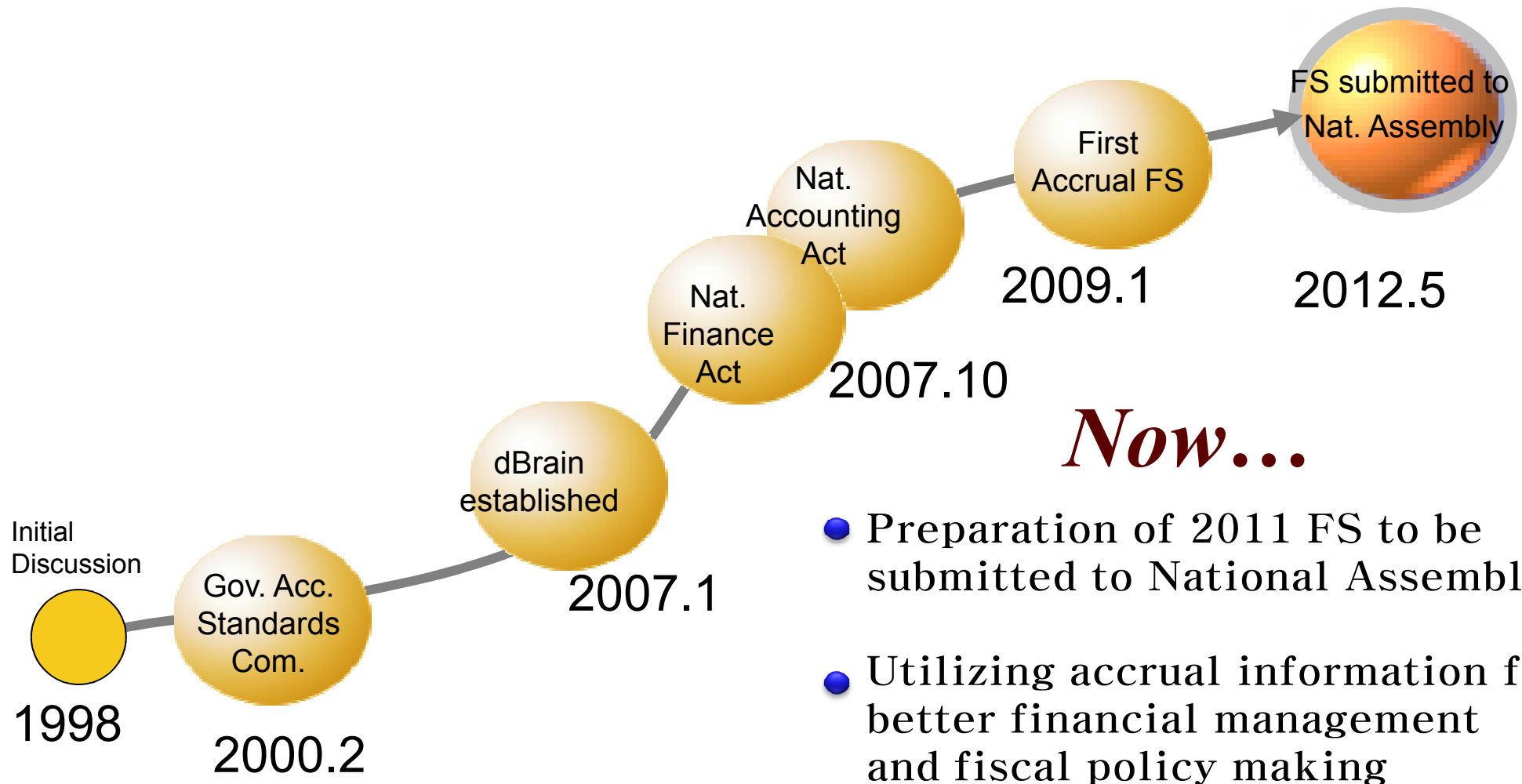


# Contents

1. Brief History of Accrual Accounting
2. dBrain and Accrual Accounting
3. Major Output: Financial Statements
4. Structure of National Accounting System
5. Current Issues and Challenges
6. Conclusions

# 1. Brief History of Accrual Accounting

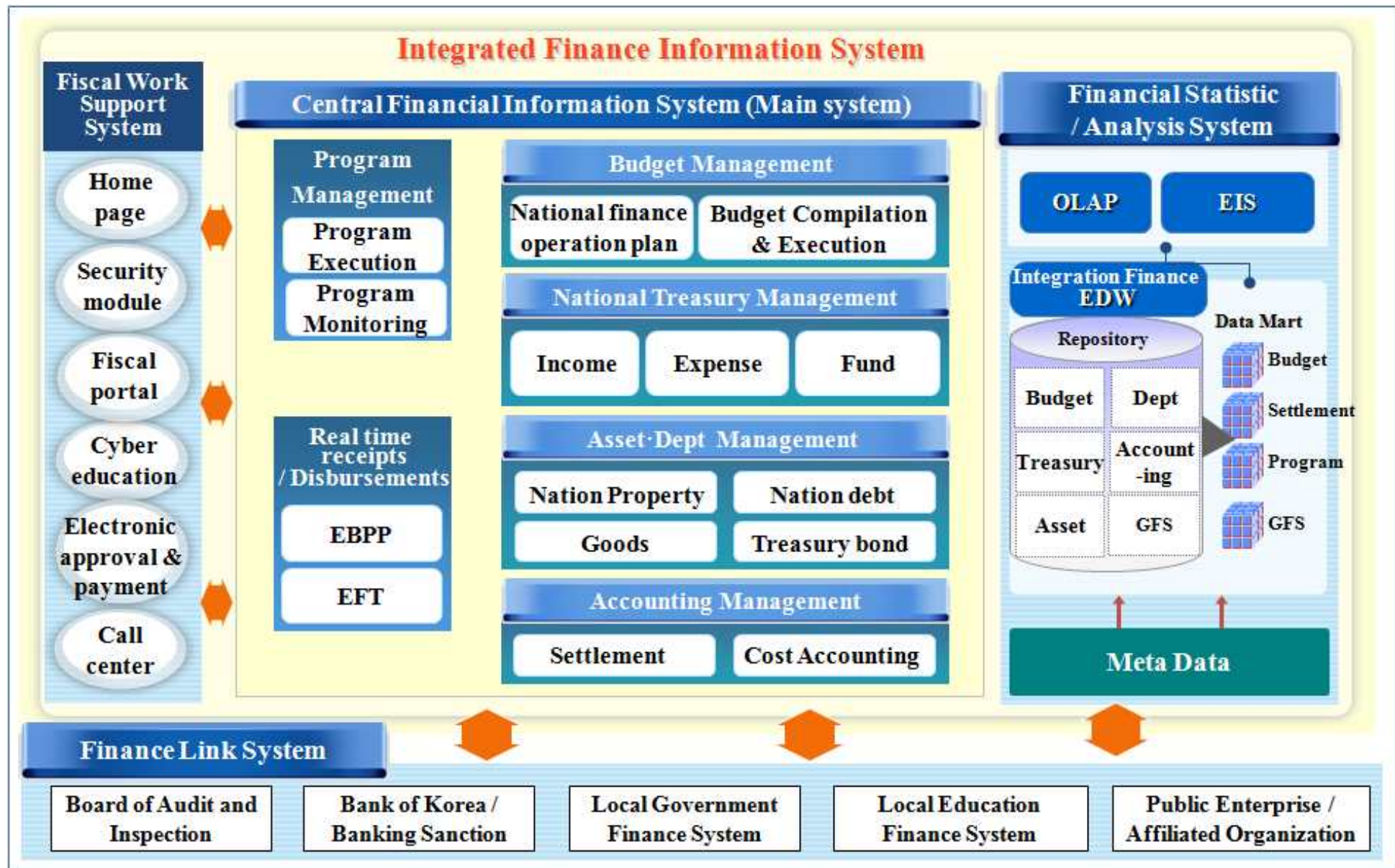
– From initial discussion in 1998 to formal FS preparation of 2011–



## – Brief History –

- 1998: Decided to Adopt Accrual Accounting in Government
- 1999: Pilot Test in Two Local Government Bodies
  - Central Government Prepared, too
- 2000: Government Accounting Standards Committee Established
- 2004: Tentative Accounting Standards for Constructing KFMIS
- 2007: All Local Government Began to Use Accrual
- 2007: National Finance Act Enacted
- 2007: National Accounting Act Established
  - National Accounting Standards Advisory Committee
- 2008: KFMIS(dBrain) Launched, Ready for Use Accrual In Central Government
- 2009: Korean National Accounting Standards(KNAS) Promulgated
- 2009: First Time Closing Based on Accrual Acct'g and KNAS
- 2009: Set Up Roadmap for Upgrading Nat. Accounting System
- 2010–2011: A Test Run of Accrual FS for Central Government
- 2012: First Time Formal FS(2011) submitted to National Assembly

## 2. dBrain and Accrual Accounting



## –dBrain and Accrual Accounting–

- Budget system and accounting system are the core part of dBrain
- Budget system is built on a program structure, which is intended to facilitate program management and program's performance evaluation
- Accrual accounting is executed while retaining cash based budget system
- With its dual booking nature dBrain records budget executions on a real time basis and accrual information is automatically recorded through COA level mapping between budget accounts and financial accounts

<Example of linking budgetary accounts with the COA>

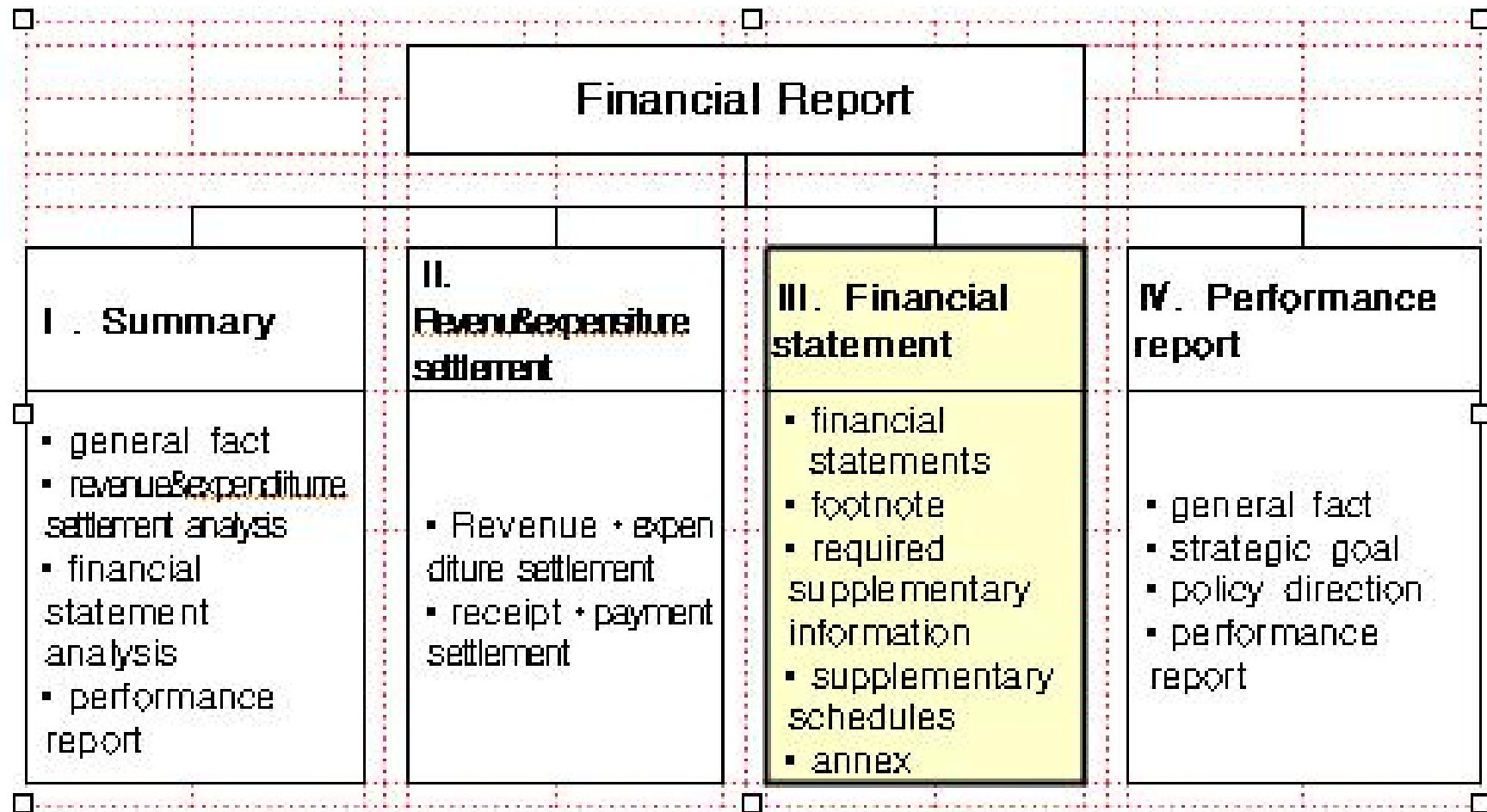
Budgetary Accounts						<u>COA</u>	
Level 1		Level 2		Level 3	Level 4	Code	Sub-heading
450	Loans	04	Other private loans	1. National bonds	1. Short-term	11030 101	National bonds
450	Loans	04	Other private loans	2. Public bonds	1. Short-term	11030 102	Public bonds

–dBrain and Accrual Accounting–

## Purposes of Accrual Accounting

- Comprehensive and systematic support for fiscal management
- Establishing foundation for long-term fiscal management through accurate analysis and projections of national financial position
- Providing support for successful implementation of financial reform projects such as a performance-based fiscal system
- Establishment of a substantial decision support system

### 3. Major Output: Financial Statements



–Major Output: Financial Statements–

Summary

- It provides digest information on results of the budget and fund execution, and closing account for grasping financial operations and financial conditions (similar to MD&A)

Revenue and Expenditure Settlement

(Fund closing account of revenue and expenditure)

- This integrates results of the budget and fund execution on a cash basis

Performance Report

–Major Output: Financial Statements–

□ Financial Statements

➤ Statement of financial position :

The current status on the overall financial condition is presented by providing financial information such as assets, liabilities and net assets in the government, offices of the central government or in fund.

➤ Statement of financial operation:

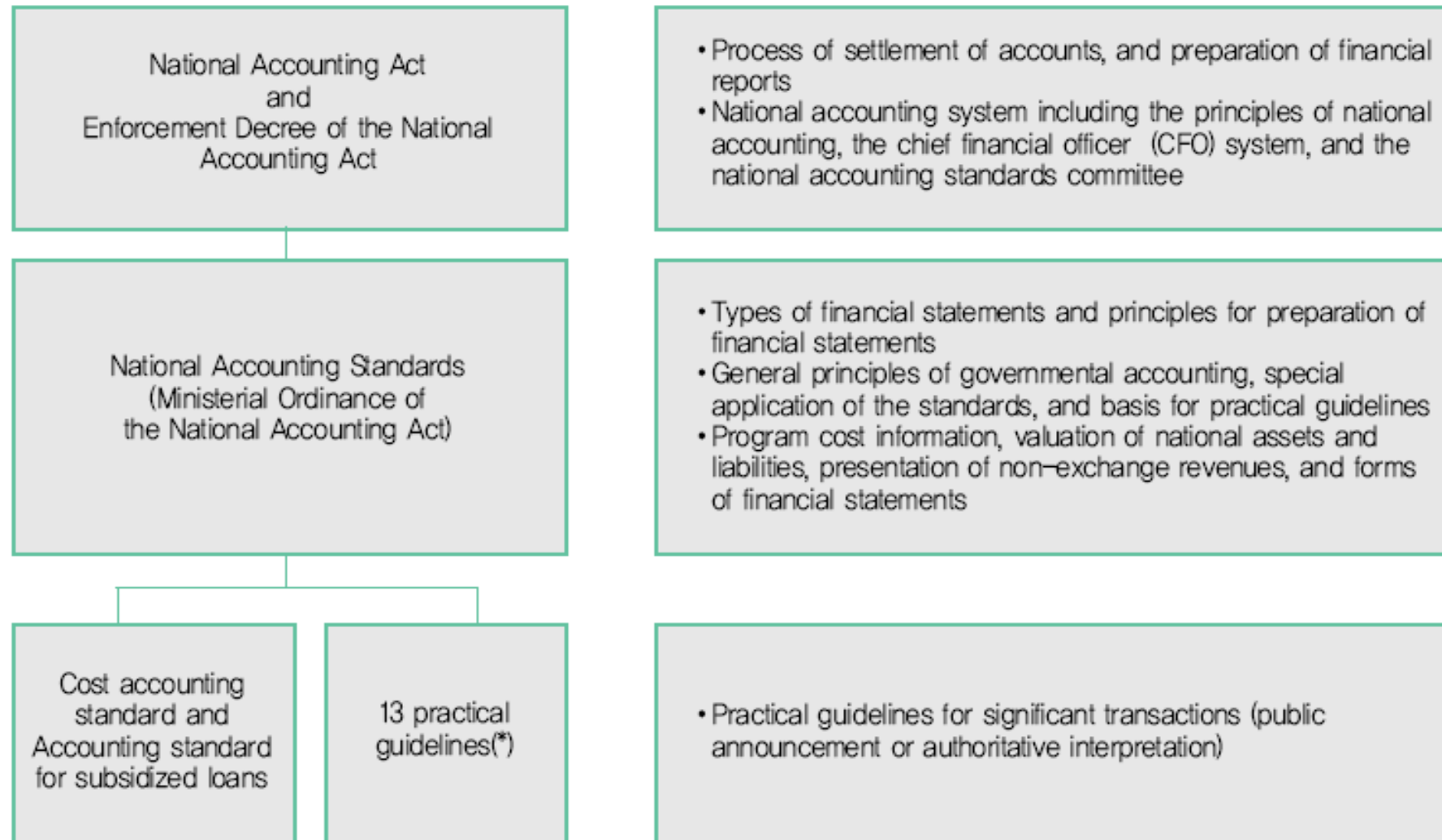
It displays the cost of policy project (program) executed during the fiscal year and the overall financial performances in the government and offices of the central government or fund.

➤ Statement of changes in net assets:

It shows the causes of and changes in net assets during the fiscal year in the government, offices of the central government or fund

# 4. Structure of National Accounting System

## 1) Hierarchy of Korean Accounting System



## -Structure of National Accounting System-

### 2) Accounting Standards Setting

- National Accounting Standards setting is the responsibility of the Ministry of Strategy and Finance(MOSF)
- MOSF established in 2009 “National Accounting System Advisory Committee” which consists of government represents and civilian members, based on ‘National Accounting Act’ Article No. 8 and chaired by the Vice Minister of MOSF
- MOSF established in 2010 the “National Accounting Standards Center” with expertise in accordance with the National Accounting Act for professional study and research on National Accounting Standards

## < National Accounting System Advisory Committee >

- Predecessors
    - 2000 – 2006 Government Accounting Standards Committee
    - 2006 – 2008 National Accounting Standards Advisory Committee
    - 2008 – 2009 National Accounting System Improvement Practice Committee
  - Major Tasks
    - Decisions related to setting up of the national accounting systems and their operations
    - Establishment, amendment and abolishment of rules and standards related to national accounting and closing
    - Building up linkages between the national accounting systems and local governments and/or public entities accounting systems
    - Other matters related to the national accounting systems
- \* Members (maximum 15) are appointed on a 2 year term basis

## < National Accounting Standards Center >

- MOSF entrusted the operation of NASC to KICPA, and the most of NASC employees are CPAs
- The role of National Accounting Standards Center includes:
  - Practical interpretation of and reply to inquiries on KNAS
  - Research on foreign countries' government accounting system
  - Development of financial indicators in accordance with accrual accounting for measuring fiscal health and performance
  - Connection of the accounting system between the central government and local government agencies
  - Support of accounting practice training program for public officials in charge of accounting and settlement
  - Linkage and management of the dBrain system

## 5. Current Issues and Challenges

### 1) Meeting User Needs

- The major user of the accrual accounting financial records is expected to be the national assembly which monitors the executive government's fiscal operations. Need to support the national assembly for best use of accrual information
- In the executive government, accrual information will be used to set up budgeting and other fiscal policies, to efficiently manage assets, liabilities and cost of its programs
- The general public also will use the financial statements in their grasp of nation's fiscal status and the result of fiscal operations. Since the accrual based financial statements were new to the users, need to support them by providing help materials such as a guidance book, news letters and booklets

## –Current Issues and Challenges–

### 2) Scope of Government, Coordination with GFS Statistics

- The Government-wide Financial Statements cover only central government entities including, the general account, 18 special accounts and 63 government funds
- 244 local government bodies prepare FS on an accrual basis. But, they are not consolidated
- Other public sector entities consist of 297 entities including 24 public enterprises. They do not use dBrain and KNAS currently
- From 2012 the Korean Government finance statistics will be prepared under 2001 GFS which is accrual based
- Need coordination between FS information of the central and local governments and other public sector entities for GFS purposes

## -Current Issues and Challenges-

### 3) Auditing FS of Government

- Reliability of FS information is very important for the success of adopting accrual accounting in the Korean government sector
- The Bureau of Audit and Inspection(BAI) has the sole responsibility of auditing and inspecting accounting procedures and closing documents of Korea's central and local governments
- BAI conducted a review of FY 2009 and FY 2010 financial statements as an initial test
- BAI plan to audit FY 2011 financial statements in March 2012 with the help of CPAs including Big 4 public audit firms
- Time for audit work by BAI is far from sufficient. How to efficiently audit FS is a matter of a great concern

–Current Issues and Challenges–

#### 4) Better Utilizing Expected Benefits from Accrual

- Accrual information properly indicates government's financial position, so it is useful to manage fiscal soundness
- There have been disputes about the size of national debt and liabilities without proper measurement tool
- Provisions related to the public officials pension and the military pension are recognized as liabilities under accrual accounting. Information of pension liabilities and other provisions will help decision making for effective fiscal management considering the economic burden that the government will assume in the future

## –Current Issues and Challenges–

- Better asset management is expected. In the past asset management was neglected and only budget was focused
  - A systematic asset management system is established with the adoption of accrual accounting. Assets managed by separate laws such as state owned properties and national securities can be collectively recognized and managed in the financial reports
  - Better maintenance is expected for infrastructure assets. In order to apply the depreciation–substitute method for infrastructure assets a systematic maintenance system should be installed

–Current Issues and Challenges–

## 5) Staffing and Training

- Since 2009 MOSF with help of KICPA has provided extensive trainings for public officials in charge of accounting and dBrain users to enhance their expertise
- In addition, the Central Officials Training Institutes newly opened 23-hour video lectures on accrual accounting so public officials could take those courses whenever they were in need
- Additional effort is needed in resource and time for more training
- In response to an increased staffing need, the government has decided to recruit officials specialized in accounting area from 2012, and the related law has been modified to allow the employment procedure

## 6. Conclusions

- From the initial discussion it's taken us 15 years
- We are expecting very soon the first formal FS of Korean Government
- However, more challenge is waiting ahead:
  - How to audit FS?
  - How to and where to use new information?
  - How to secure manpower and educate users?
  - Should we adopt accrual budgeting too?
  - Things we don't know yet

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Any Question?



# Accrual Accounting – U.S. Case

Robert F. Dacey  
Chief Accountant  
US Government Accountability  
Office



# Content

- Background
- Cash and Accrual Accounting in US Government
- Summary of the Financial Report of the US Government
- Federal Accounting Standards Advisory Board (FASAB)
- Analysis of US Government Financial Statements
- Agency Financial Statements



# Financial Report of the United States Government

- Prepared by Department of the Treasury and Office of Management and Budget (OMB)
  - Since 1997
- Consolidation of agency financial statements
  - 35 significant entities
    - Audited financial statements and report packages
  - Over 115 other entities
    - Most issue audited financial statements
    - Most submit trial balances
    - Others input through journal entries
- Financial reports available at <http://www.gao.gov/financial.html>



# Audit of Fiscal Year 2011 Consolidated Financial Statements

- Performed by US Government Accountability Office (GAO) since 1997
- GAO could not express an opinion on the accrual-based financial statements, primarily due to:
  1. serious financial management problems at the Department of Defense,
  2. inability to adequately account for and reconcile intragovernmental activity and balances between federal agencies, and
  3. ineffective process for preparing the consolidated financial statements



# Audit of Fiscal Year 2011 Consolidated Financial Statements

- GAO could not express an opinion on the Statement of Social Insurance or on the Statement of Changes in Social Insurance
  - Due to significant uncertainties, primarily related to the achievement of projected reductions in Medicare cost growth,



# 9 Material Internal Control Weaknesses

## ■ **Audit Impairments**

- Property, Plant, and Equipment and Inventories
- Certain liabilities, such as environmental liabilities
- Significant portions of net cost of operations
- Intragovernmental balances
- Preparation of the financial statements
- Material differences between budget amounts and audited agency financial statements

## ■ **Other weaknesses**

- Improper payments
- Information security
- Tax collections



# Summary of Fiscal Year 2011 Audits of 35 Significant Entities

- 31 unqualified opinions (4 based on 2010)
- 1 unqualified, except for disclaimer on Statement of Social Insurance and Statement of Changes in Social Insurance Amounts (Department of Health and Human Services)
- 2 qualified and/or not fully audited (Departments of State and Homeland Security)
- 1 disclaimed – no opinion (Department of Defense)



# Primarily Cash-Based Federal Budget

- Closely approximates the federal government's short-term borrowing needs and is a widely used and accepted measure of the government's effect on current financial markets.
- Provides information about the federal government's total commitment at the time budget decisions are made for these programs.
  - Because the time between the occurrence of a transaction that commits the federal government to make a payment and the cash flow to make the payment is relatively short for many program areas
- Because cash can be tracked throughout the year, it can be useful for controlling spending in the current year.



# Accrual-Based Financial Statements

- Useful for understanding the government's annual operating cost, including costs incurred today, but not payable for years to come.
- Accrual measures add a longer-term focus to the federal government's financial picture by providing more information on longer-term consequences of today's policy decisions and operations.
- More information on comparison of U.S. Government cash and accrual information at <http://www.gao.gov/special.pubs/longterm/deficit/index.html>



# Financial Report of the United States Government

- Citizen's Guide
- Management's Discussion and Analysis
- Financial Section
  - financial statements
  - required supplementary information
  - auditor's report
  - stewardship information

Note: For a guide on understanding the Primary Components of the Annual Financial Report of the United States Government, see <http://www.gao.gov/assets/80/77222.pdf>



# US Federal Government Consolidated Financial Statements

- Historical Accrual-based
  - Statement of Net Cost
  - Statement of Operation and Changes in Net Position
  - Balance Sheets
- Reconciliations to Budget Deficit and Changes in Cash
  - Reconciliations of Net Operating Cost and Unified Budget Deficit
  - Statements of Changes in Cash Balance from Unified Budget and Other Activities
- Sustainability
  - Statements of Social Insurance
  - Statement of Changes in Social Insurance Amounts
  - Statement of Long-Term Fiscal Projections (beginning in 2013)



# Federal Accounting Standards Advisory Board (FASAB)

- Establish generally accepted accounting principles (GAAP) for the federal government and its component entities
- Independent standard-setting body
- Sponsored by GAO, the Office of Management and Budget (OMB), and the Department of the Treasury
- Composed of 3 federal representatives (one from each of the sponsoring organizations) and 6 non-federal members



# Federal Accounting Standards Advisory Board (FASAB)

- Recognized by American Institute of Certified Public Accountants (AICPA)
- Follows due process, including public meetings and exposure of proposed standards for public comment
- GAO and OMB can object to a standard that is approved by the Board, but have not done so in FASAB's history




# FASAB's Four Reporting Objectives

## ■ **Primary Near-Term Focus**

- Operating Performance**
- Stewardship**


## ■ **Secondary Near-term Focus**

- Budgetary Integrity**
- Systems and Control**



## 4 Major Groups of Financial Statement Users

- Citizens
- Congress
- Executives
- Program Managers



## Reconciliation of Accrual Net Operating Cost to Primarily Cash-Based Budget Deficit (in \$billions)

	<b>Fiscal Year</b> <u>2011</u>	<b>Fiscal Year</b> <u>2010</u>
Net Operating Cost	<b>(1,312.6)</b>	<b>(2,080.3)</b>
Change in Federal Employee and Veterans Benefits Payable	<b>71.9</b>	<b>503.1</b>
Change in Liabilities for GSE's	<b>(43.7)</b>	<b>268.0</b>
Other	<b>(14.2)</b>	<b>15.1</b>
Budget Deficit	<b><u>(1,298.6)</u></b>	<b><u>(1,294.1)</u></b>



# Balance Sheet (in \$ billions)

## Assets

Investments	\$985
Property, Plant, and Equipment	853
Other	<u>869</u>
Total Assets	<u><b>2,707</b></u>

## Liabilities

Debt Held by the Public	10,174
Federal Employee and Veterans Benefits	5,792
Other	<u>1,527</u>
Total Liabilities	<u><b>17,493</b></u>

## Net Position

**\$(14,786)**



## Operating Results (in \$billions)

Net Cost	\$ (3,661)
Taxes and Other Revenues	2,364
Other	<u>(16)</u>
Net Operating Cost	<u>\$ (1,313)</u>



# Federal Debt Securities at September 30, 2011 (in billions)

Held by the Public (including accrued interest)	\$ 10,174
Intragovernmental Debt	<u>4,711</u>
Gross Debt	\$ <u>14,885</u>

Note - Debt subject to the debt limit is primarily comprised of total federal debt, less unamortized discounts on Treasury bills and Zero Coupon Treasury bonds.



# Agency Financial Statements

- Two Options
  - Performance and Accountability Report (PAR)
  - Separate Agency Financial Report and Annual Performance Report
- Summary of Performance and Financial Information



# Components of Agency PAR or AFR

- Management's Discussion and Analysis
- Performance Section (PAR only) - strategic goals and associated performance measures
- Financial Section – financial statements and auditor's report, and any requires supplementary information
- Other Accompanying Information – including management challenges, summary of financial statement audit and management assurances, improper payments (if applicable)



# Agency Financial Statements

- Balance Sheet
- Statement of Net Cost
- Statement of Changes in Net Position
- Statement of Budgetary Resources – obligation basis
- When Applicable
  - Statement of Custodial Activity
  - Statement of Social Insurance
  - Statement of Changes in Social Insurance Amounts

# IPSAS and Accrual Accounting: Transparency and Accountability

Prof. Dr. Andreas Bergmann  
Chair IPSAS Board

ADB-KDI Joint International Conference  
Seoul, Korea  
16 February 2012

## Relevant for all of us!

- Just a few headlines
  - *Greece: “Strong evidence for manipulation of the deficit and debt data presented”*
  - *Germany: “55 billion accounting mistake reduces debt levels”*
  - *UK: “Banks not consolidated due to temporary control”*
  - *Almost everywhere: “Pension Liabilities not included ...”*
- Who’s next to follow?
- But it is clear: Uncertainty damages the economic development

## Public sector is different: Key characteristics

- Volume and Significance of *Non-Exchange* transactions such as Taxes and Transfers, or the provision of goods and services in a non-market environment
- Importance of *Budget*
- Nature of PPE: To *provide goods/services* – not cash generation, often *very specific nature*
- Responsibility for *Heritage*
- *Longevity* of public sector entities
- *Regulatory* role of government
- Ownership or control of rights to *natural resources*
- *Statistical reporting*

## Key characteristics require accrual accounting

- Public sector assets and liabilities need to be accounted for – completely!
- Infrastructure needs to provide service potential
- Public sector entities have no «easy and quick» solutions such as bankruptcy, they need to finance their activities
- GFS Analytic Framework is on accrual basis
- Citizens and other resource providers want accountability
- Decision makers need a reliable basis for their decisions

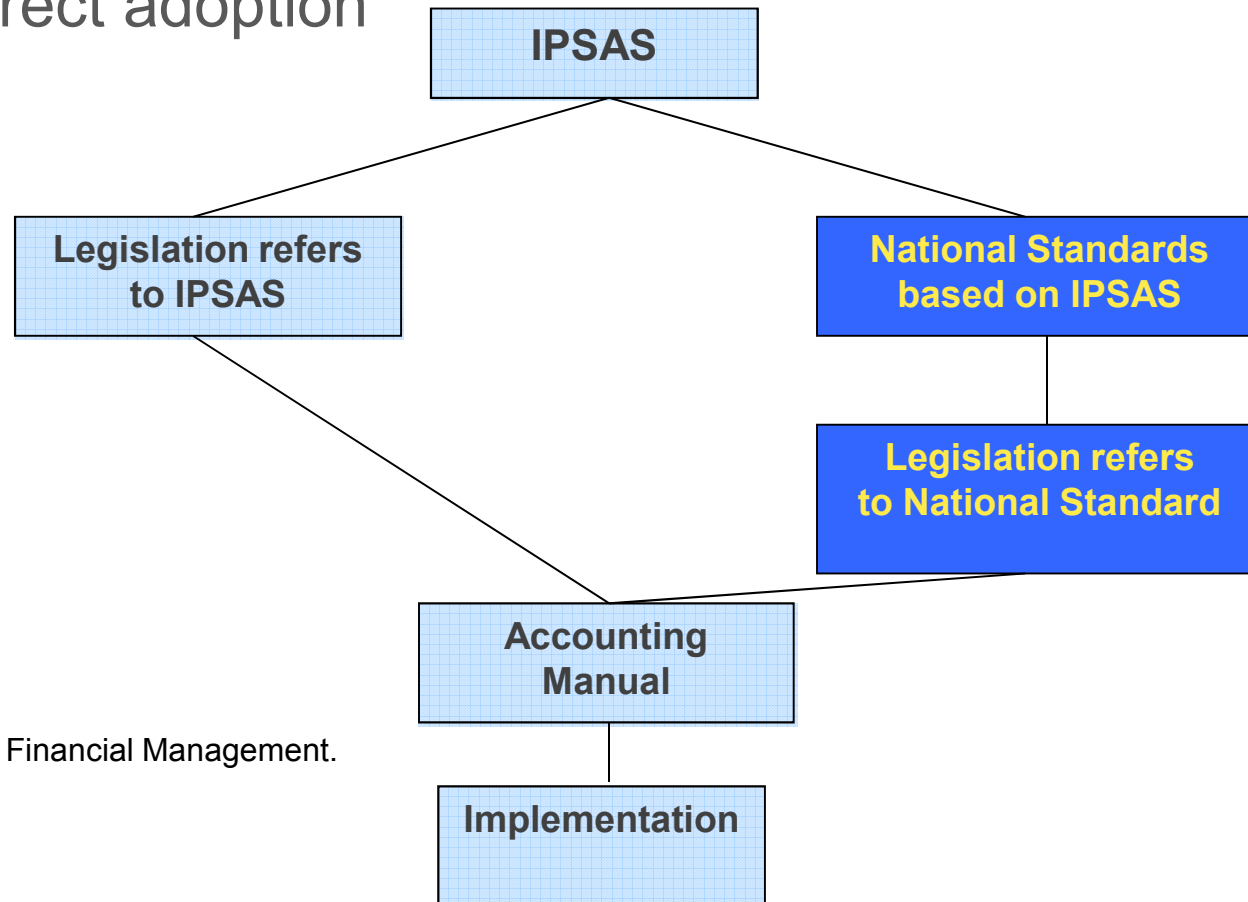


## And who is IPSAS Board?

- Independent Accounting Standards Setter under IFAC
- Setting standards for Public Sector Entities except Government Business Enterprises (GBE)
- 18 members
- 10 international organizations with formal observers status, including IMF, World Bank, EU
- 8 staff, mainly based in Toronto/Canada
- Funding by IFAC (approx 50 percent) and various Voluntary Contributions from Governments and Observers

# Global overview

- Direct vs. indirect adoption



Source:  
Bergmann, A: Public Sector Financial Management.  
FT Prentice Hall, 2009.

# Global Overview

- Private Sector and Public Sector work closely together, but still have a different landscape

## Private Sector

**IFRS**

?

**«US-GAAP**

- National Standards A
- National Standards B
- ....
- or direct adoption

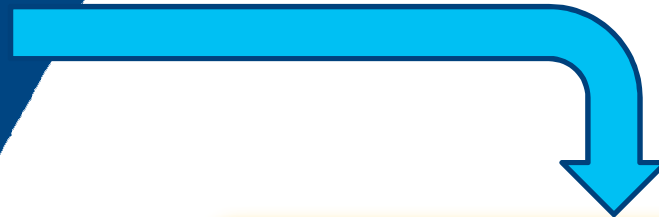
- National Standards C
- ....

## Public Sector

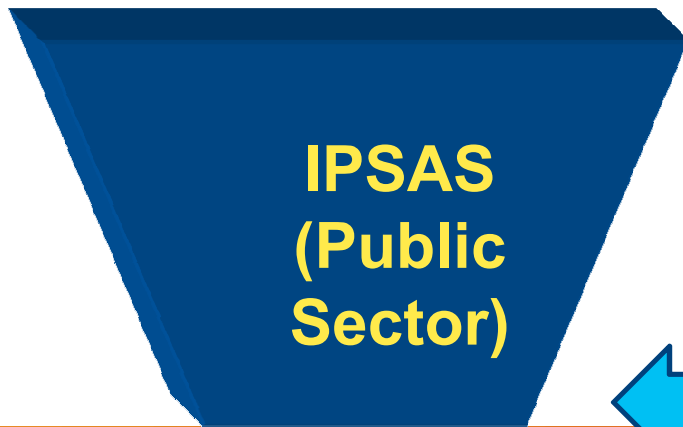
**IPSAS**

- Direct adoption - Independent National Standards X
- or
- National Standards A
- ....

# Converged with IFRSs



- Terminology
- Guidance for Public S.
- Issues of the Public S.
- Examples from the PS



## IPSASB has created a full suite of standards

- 32 Standards approved (accrual basis) covering all main areas of government activity, 1 cash basis standard
- Substantial convergence at December 31, 2009 with IFRSs at December 31, 2008
  - All relevant IFRS converged
  - 2009 IFRS improvements incorporated at 1 January 2011
- Standards include sector specific standards
  - Disclosure of Information about the GGS (Financial Statistics)
  - Revenues from Non-Exchange Transactions (Transfers and Taxes)
  - Presentation of Budget Information
  - **New:** Service Concession Arrangements: Grantor

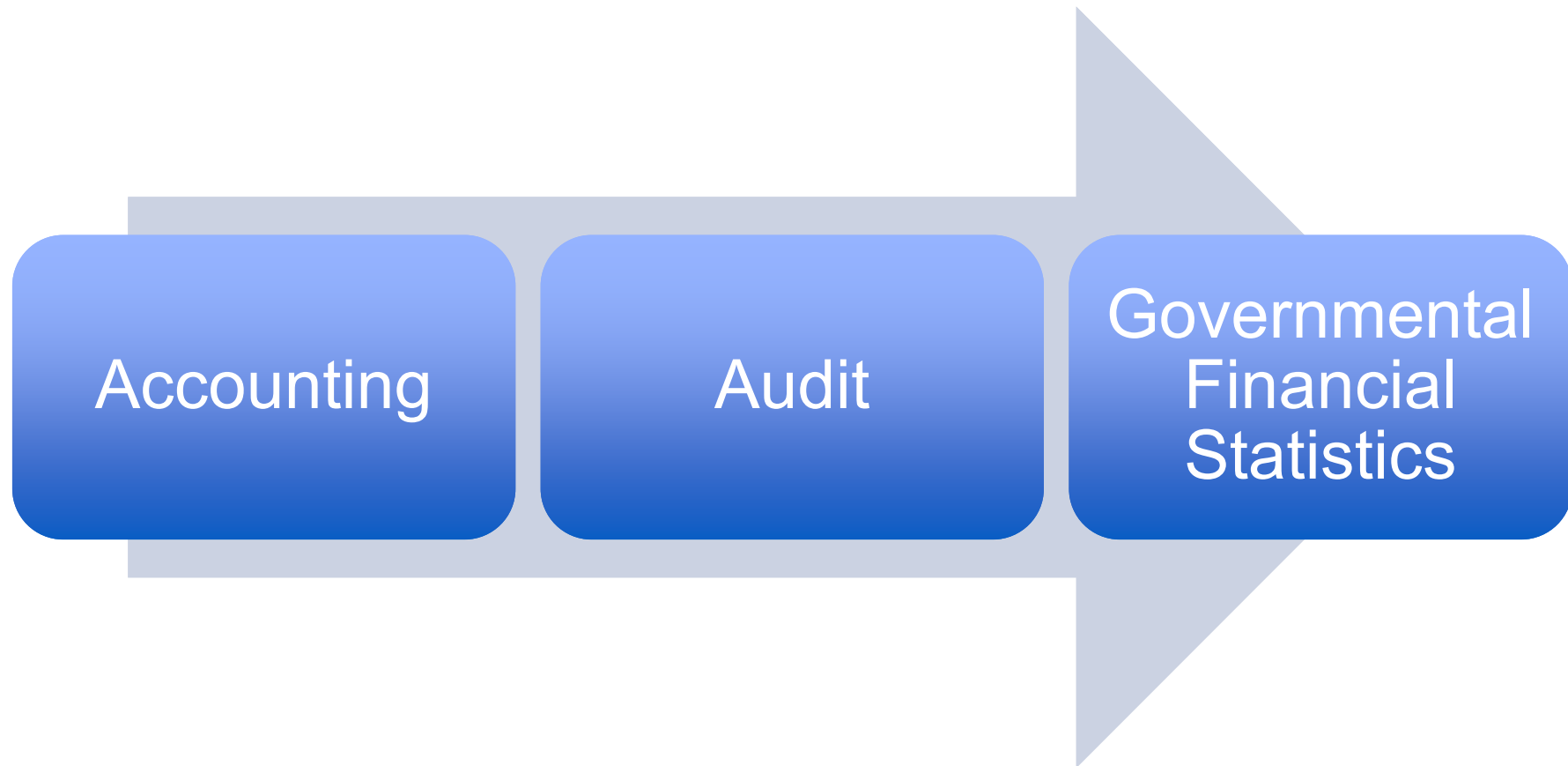
# IPSASB has created a full suite of standards

- Momentum in adoption
  - About 40 countries are adopting accrual basis IPSAS; including France, South Africa, Switzerland, Russia, Israel, Slovakia, Brazil
    - Some adopt IPSAS directly (e.g. Switzerland, Slovakia, Austria, Estonia, Lithuania, Chile)
    - Some adopt IPSAS through national standards (e.g. South Africa, Brazil, Indonesia, Malaysia, Spain, **new** New Zealand)
  - Also sub-national governments are adopting IPSAS when the decentralized structure allows them to move independently – e.g. Prefecture of Tokyo, State of Hesse, States of Zurich/Geneva – with Berne/Basel/Luzern on their way
  - Entire UN system, OECD, NATO, Interpol and EC

# IPSASB has created a full suite of standards

- Momentum in adoption
  - A group of about 10 countries are using IPSAS as a reference
    - Some with a long tradition in standard setting: Australia, Canada, United States (both FASAB and GASB), UK
    - Some of them are virtually compliant with IPSAS (namely Australia)
  - IASB and FASB are considering IPSASB work
  - Close co-operation with NSS and national standard setters

# Urgent need for an integrated system



Conceptual Framework

Public Sector Relevant Standards

(Public Sector specific, Convergence with IFRS and GFS, Maintenance)

Adoption and Implementation

## And what is the value added of using IPSAS?

### Adoption and implementation of Accrual Basis IPSAS adds value

- Direct value added of fair presentation under IPSAS:
  - Transparency and Accountability: Governments are accountable to citizens, but increasingly also to other stakeholders, like the economy
  - Decision making: Is improved especially in areas with capital expenditure, e.g. government interventions (loans, asset purchase, nationalization) and non-exchange transactions.
- **Both are key areas for economic prosperity**

## And what is the value added of using IPSAS?

### Adoption and implementation of Accrual Basis IPSAS adds value

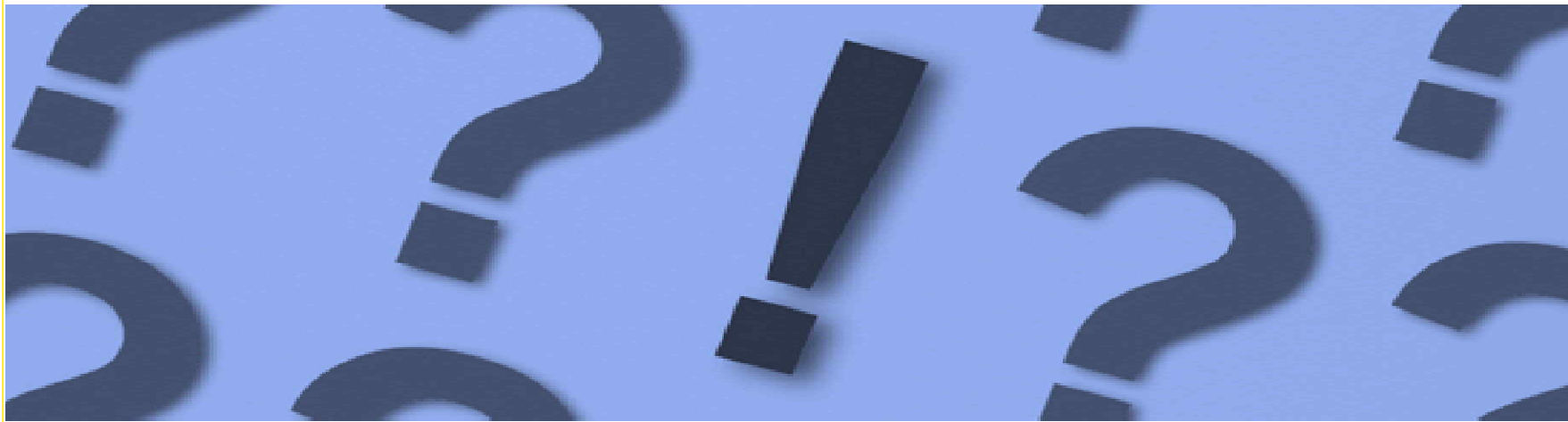
- There is significant positive correlation between Accounting and PFM performance in general (VANY, 2010)
- Key impacts of good Accounting are according to Vany:
  - Sound Medium Term Expenditure Frameworks
  - Solid Cash & Debt Management, as well as Commitment Control
  - Reliable basis for Audit
- **Accounting is key for sound financial management**

## And what is the value added of using IPSAS?

### **Adoption and implementation of IPSAS adds value**

- Value added through consequential effects – obviously not exclusively attributable to IPSAS:
  - Reputation: Rating agencies take accounting/reporting into consideration as one of the key elements. Capital markets are increasingly on alert about financial reporting issues of governments following the GFC.
  - Motivation of employees involved.
- **Reputation effects are likely to gain importance in the aftermath of the GFC**

## Questions and Discussion



- Visit our webpage <http://www.ipsasb.org>
- Or contact us by e-mail  
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Technical Director [stepheniefox@ipsasb.org](mailto:stepheniefox@ipsasb.org)

# Accruals in OECD Countries

**Jón Ragnar Blöndal**

Head, Budgeting and Public Expenditures  
Organization for Economic Cooperation and Development

ADB-KDI Joint International Conference  
Seoul, 16 February 2011

# Agenda

- **Origins and Rise of Accruals**
- **Spectrum of Accruals**
- **Accrual Accounting and Budgeting**
- **Implementation Issues**
- **Conclusions**



# Origins and the Rise of Accruals

- **From obscurity to prominence**
- **New Zealand (1989)**
- **New Public Management (NPM)**
- **International Public Sector Accounting Standards Board (IPSASB)**
- **OECD**

# Cash vs. Accruals

## **Key “bottom-line” differences**

- Employee pensions and retirement health benefits
- Interest on debt
- Capital expenditure and depreciation

# Agenda

- Origins and Rise of Accruals
- Spectrum of Accruals**
- Accrual Accounting and Budgeting
- Implementation Issues
- Conclusions



# Spectrum of Accruals (1)

- **Departmental/Agency Financial Statements**
- **Consolidated, Whole of Government Financial Statements**
- **Budget**

## **Spectrum of Accruals (2)**

- **Cash Basis, But Supplementary Information Presented on Accrual Basis**
- **Cash Basis, Except Certain Transactions on Accrual Basis**
- **Accrual Basis, Except No Capitalisation or Depreciation of Assets**
- **Full Accrual Basis**

# A Growing Consensus

- **Financial Statements on Accruals Basis**
- **Budget on Cash Basis**
  - Australia is moving back to cash appropriations
- **Need for great care in interpreting some countries' claim to be using accrual budgeting**

# Agenda

- Origins and Rise of Accruals
- Spectrum of Accruals
- Accrual Accounting and Budgeting**
- Implementation Issues
- Conclusions

# Accounting vs. Budgeting

- **Accrual Accounting**

- Applied to financial statements, but not necessarily the budget
- Based on private sector accounting

- **Accrual Budgeting**

- Replaces cash as the measure to allocate scarce resources
- Little or no similarity to the private sector

***Accrual budgeting requires accrual accounting;  
Accrual accounting does not require accrual  
budgeting***

# Accrual Accounting

## Reasons for Adopting

- **Improved cost information to decision-makers**
  - Total costs; not just immediate cash outlays
- **Improved discipline and accountability in budget execution**
  - No possibility to “defer” reported costs
- **Illuminate long-term fiscal sustainability through a comprehensive balance sheet (assets and liabilities)**
  - But taxes and social security pensions

# Accrual Budgeting

## Reasons for Not Adopting

- **Difficult for politicians (and the public) to understand**

- Nearly all the countries that apply it share the Westminster tradition of governance where parliament has little if any influence on the budget

- **Easy to manipulate**

- Non-cash items — such as depreciation—can be manipulated as much as or more than the timing transactions
  - New “matching principle” required
  - Manipulation inherent in accrual budgeting could undermine fiscal discipline rules

- **Accrual budgeting for specific transactions can address some of the weaknesses of cash budgeting**

- Civil service pensions
  - Interest on debt

# Agenda

- Origins and Rise of Accruals
- Spectrum of Accruals
- Accrual Accounting and Budgeting
- Implementation Issues**
- Conclusions

# Implementation Issues

- **Recognition criteria**
- **Valuation issues**
- **Setting accounting standards**
- **Asset registers**
- **Control of capital asset acquisitions**
- **Upgrading accounting skills**



# Recognition Criteria

- **Heritage Assets**
- **Military Systems**
- **Infrastructure Assets**
- **Social Insurance Programs**

# Valuation Issues

- **Historical cost**
- **Current market value**



# Accounting Standards-Setting

- **A degree of independence is essential**
- **Two models:**
  - Single standard setter for both private and public sectors
  - A separate advisory group to the Ministry of Finance
- **International Public Sector Accounting Standards Board (IPSASB)**
  - Used as a basis for national standard-setters

# Asset registers

- **Countries did not have up-to-date asset registers**
  - Property, plant and equipment
- **A key obstacle in adopting accruals**
  - Very time-consuming
- **...and a key benefit of having adopted accruals**



# Control of Capital Asset Acquisitions

- **Conceptual issue** – Does accumulated depreciation give agencies the “right” to future capital spending in that amount?
- **Control issue** – roles of agency, Ministry of Finance, and parliament
- Depreciation as **pool of funds** when an agency’s mission changes

# Upgrading Accounting Skills

- **Accruals requires professional judgements to be made**
  - Higher level of accountancy skills required
- **In-house training and external recruitment**
- **Over-investment in accounting skills?**

# Agenda

- Origins and Rise of Accruals
- Spectrum of Accruals
- Accrual Accounting and Budgeting
- Implementation Issues
- Conclusions**

# Conclusions

- **Accruals has been a tremendous managerial tool**
- **Accruals has severe limitations in terms of macro-fiscal analysis**

# For further information



Volume 5, No. 3

- *OECD Journal on Budgeting*
- [www.oecd.org/gov/budget](http://www.oecd.org/gov/budget)
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