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Moving from Cash to Accrual Recording—Key Challenges

Prepared by Pridon Aslanikashvili



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Moving from Cash to Accrual Recording - Key Challenges

Pridon Aslanikashvili
GFS Advisory Committee

Content

- Accrual vs Cash Recording;
- Specificity of GFS compilation;
- Accrual Statistics vs Accrual Accounting;
- Government Reporting;
- GFS, IPSAS and PFM;
- Institutional arrangement of GFS compilation;
- Questions.

Accrual vs Cash Recording

- Most countries use cash recording until now;
- Accrual recording Improves:
 - Coverage
 - Time of recording
 - Overall quality of statistics
- Other macroeconomic statistics are based on Accrual recording:
 - SNA 2008;
 - BOP, IIP;
 - Monetary and Financial Statistics;
- IMF encourages Accrual Recording of GFS;

Accrual vs Cash Recording

- Improved data
 - improves decision making;
 - accrual recording affects all components of government report: revenue, spending, balancing items and financing;
 - shows hidden problems and policy mistakes;
- Improvement of Data is costly;
 - requires additional human, financial and material resources;
- Decision on reforms should be made by politicians;

Specifics of GFS compilation

- GFS Compilers usually do not use ordinary statistical methods;
- Government entities are big units – almost never used sampling and clustering;
- GFS is not a sole report on Government operations, prepared by the various government entities;

Specifics of GFS compilation

- Government report is raw data for GFS compilers;
- Big differences between Government and GFS reports raise many questions;
- Sometimes footnotes of GFS reports do not solve the problem;
- The differences is not welcomed by Politicians;
- Such problem do not exists for other macroeconomic statistics, because there is no alternative SNA or BOP reports.

Accrual Statistics vs Accrual Accounting

- Do Accrual GFS statistics need Accrual Accounting Standard?
- Is possibility of compilation accrual GFS report based on cash raw data?
- GFSM is not Public Sector Accounting Standard, it is only recording framework;
- IPSAS is an accounting standard, but there is differences between GFSM Framework and IPSAS Standard;

Accrual Statistics vs Accrual Accounting

- Country cannot introduce GFS accounting standard;
- If any National Government decides move to accrual accounting standard, probably it will introduce IPSAS;
- Introduction of IPSAS is not a sufficient condition for the compilation GFS data;
- Country still has significant differences between IPSAS and GFS reports;

Government Reporting

- Every government prepares various financial reports, for example:
 - Accounting report;
 - Budget execution report;
 - GFS report;
- They has different objectives, classifications and probably the base of recording;
- Accrual recording will influence all of the reports prepared by the government;

GFS, IPSAS and PFM

- Are compilation of GFS, budgeting, and Public Finance Management (PFM) closely interrelated?
- Moving towards accrual recording (or accrual accounting) should the Government Change PFM system?
- Is it possible to introduce of accrual recording without reforming budgeting process?

Institutional arrangement of GFS compilation

- GFS compilation is the responsibility of
 - The Ministry of Finance, or
 - Statistical agency
- Ministry of Finance
 - Main Responsibility is Budgeting;
 - GFS compilation is secondary task;
 - Higher risk of political influence;
 - Better access to treasury raw data;
 - Easier initiation of reforms.

Institutional arrangement of GFS compilation

- Statistical agency
 - More independence and less political influence;
 - Better understanding of basic principles of data compilation;
 - Easier to modify government official reports;
 - limited access to treasury raw data;
 - Less information about budgeting process;
 - Duplication of functions;

Questions

- How politicians should be encouraged for Accrual recording?
- Does differences between GFS data and Budget executions report is a real problem for accrual reporting?
- Is accrual accounting necessary precondition for accrual recording of GFS data?
- Does accrual accounting provide high quality raw data for GFS?

Questions

- is there necessity to modify accounting rules for high quality GFS data?
- Does moving to accrual recording affects Budgeting process?
- Should GFS accrual recording be included in the PFM reform plan?
- Could change of institutional arrangement of GFS compilation encourage the Accrual recording?