

## **Additional Comments on ED 28 from the TFHPSA**

The following additional comments on ED 28 arose as a result of its March 2006 meeting in Paris.

### **1 Classifications in the illustrative performance statement:**

The illustrative performance statement in ED 28 currently presents accrued expenses based only on the functional classification used in GFSM2001, such as General public services, Defense, Public order and safety, Economic affairs, etc. It is requested that the statement shows expenses by the economic classification used in GFSM2001, such as compensation of employees [GFS], use of goods and services, consumption of fixed capital [GFS], interest [GFS], etc with the existing functional classification of general government expenses retained as a note disclosure through a requirement or a 'strong encouragement' in the standard.

The current performance statement has no illustration of expenses by economic categories nor any requirement, suggestion or encouragement that they be shown as note disclosures to the accounts. The full benefits of accepting the concept of the general government sector in the ED (based as it does on statistical or economic accounting criteria) are therefore not being utilised. A compiler of national accounts, sourcing data for the general government sector's contribution to GDP from this operating statement, would find it very unhelpful. The economic categories of GFSM2001 are a useful first step as input for national accounts purposes whereas the CoFOG functional categories in this context are more in the nature of nice-to-have rather than necessary-to-have. The proposed economic classification of expenses would not be detrimental to countries that do the reverse i.e. compile or extract GFS from the national accounts.

If the above proposal is accepted then the classification basis in the accrual performance statement will be aligned much better with the basis already shown in the illustrated cash flow statement.

### **2 Reference to GFSM2001**

Explicit reference to GFSM2001 would be desirable in the standard so that the terms and definitions are always clear and do not lead to confusion.

### **3 Accrual basis:**

Notwithstanding comments already made, the TFHPSA strongly supports the accrual basis of reporting for the general government sector and for the ED as a whole.

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**Revised**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE GGS -  
FOR YEAR ENDED 31 DECEMBER 20X2**

(in thousands of currency units)

	GGS		PFC and PNFC		Eliminations		Total W-of-G	
	20X2	20X1	20X2	20X1	20X2	20X1	20X2	20X1
<b>Revenue</b>								
Taxes	X	X			(X)	(X)	X	X
Fees, fines, penalties	X	X	X	X	(X)	(X)	X	X
Revenue from other sectors	X	X	X	X	(X)	(X)		
Transfers from other governments	X	X	X	X			X	X
Other operating revenue	X	X	X	X	(X)	(X)	X	X
<b>Total operating revenue</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>(X)</b>	<b>(X)</b>	<b>X</b>	<b>X</b>
<b>Expenses<sup>1</sup></b>								
Compensation of employees	X	X	X	X			X	X
Use of goods and services	X	X	X	X	(X)	(X)	X	X
Consumption of fixed capital	X	X	X	X			X	X
Interest	X	X	X	X	(X)	(X)	X	X
Subsidies	X	X			(X)	(X)	X	X
Grants	X	X					X	X
Social benefits	X	X	X	X			X	X
Other expense	X	X	X	X	(X)	(X)	X	X
<b>Total operating expenses</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>(X)</b>	<b>(X)</b>	<b>X</b>	<b>X</b>
<b>Net surplus/(deficit) for the period</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>(X)</b>	<b>(X)</b>	<b>X</b>	<b>X</b>

<sup>1</sup> For the GGS, a note disclosure may also present these expenses classified by the following functional categories:

General public services  
 Defense  
 Public order and safety  
 Economic affairs  
 Environmental protection  
 Housing and community amenities  
 Health  
 Recreational, cultural and religion  
 Education  
 Social protection

#2993059 v1 - Revised Statement Of Financial Performance ED 28 June 27, 2006  
 (4:19 PM) June 27, 2006 (4:19 PM)