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Moving from Cash to Accrual Recording—Key Challenges

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Moving from Cash to Accrual Recording - Key Challenges

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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?