

Similarities and differences between GFSM/ESA/SNA and IPSAS:

Introduction to the salient features of the knowledge product



PULSAR Financial Reporting Community of Practice
Working Group meeting, Winterthur, Switzerland
3-4 June 2019

International
Public Sector Accounting
Standards (IPSAS) ●

● ESA 2010

What serves what?

SNA 2008 ●

What is what?

● Manual on Government
Deficit and Debt (MGDD)

**How to advance from accounting
data to statistical outputs?**

●
GFSM 2014

Compiling accurate statistical data – a hero's journey?

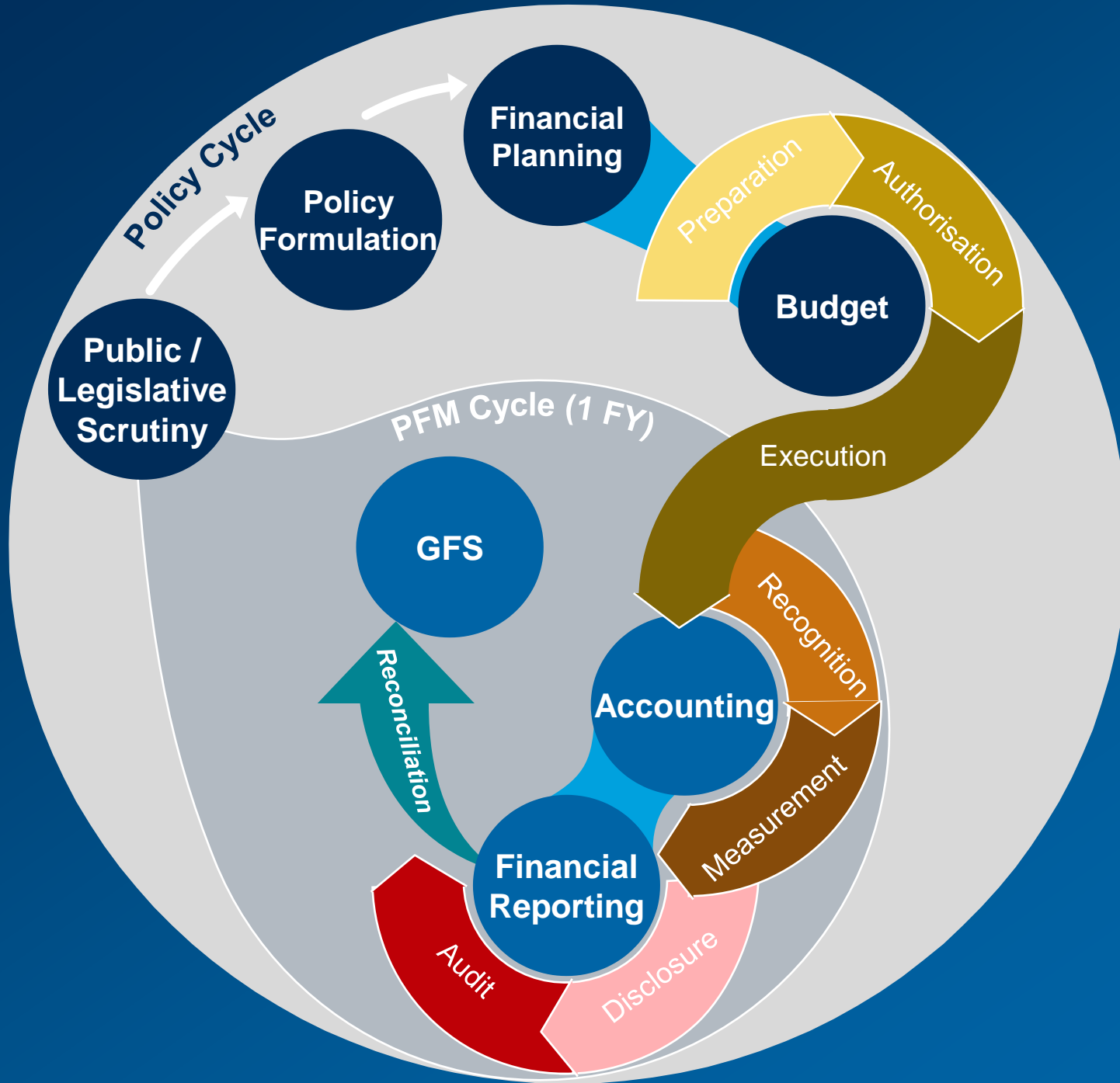
What differs?

How to deal with differences?

Challenges?

How to cope with challenges?

**How to implement an effective and
efficient reconciliation process?**



What is what?

Overview of current reference frameworks

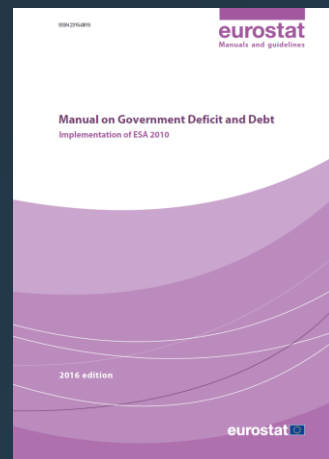
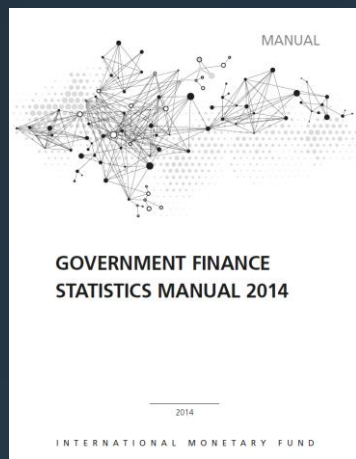
Statistical frameworks for National Accounts	Statistical frameworks for Government Finance Statistics (GFS)	Public Sector Accounting (PSA)
International guidelines / requirements		
System of National Accounts (SNA 2008)	Government Financial Statistics Framework (GFSM 2014)	International Public Sector Accounting Standards (IPSAS)
Specific requirements for EU Member States or countries within the European Statistical System		
European System of Accounts (ESA 2010)	Manual on Government Deficit and Debt (MGDD) Excessive Deficit Procedure (EDP) ^a	Development of European Public Sector Accounting Standards (EPSAS) in progress. As to date, there exist no EU specific public sector accounting standards.

What serves what?

Opposing objectives, scope and applicability

Statistical frameworks for Government Finance Statistics (GFS)

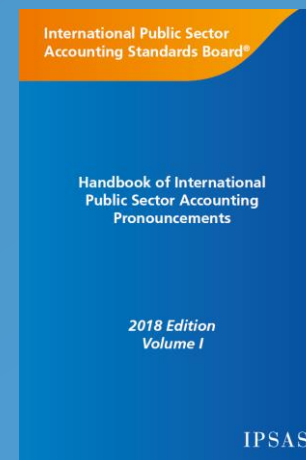
- Provide a basis to evaluate the economic impact of the GGS



- provides a harmonized analytical framework for reporting and analyzing government finances, following an accrual perspective
- provides guidance on the appropriate treatment of GFS issues and is an indispensable complement to ESA 2010

Public Sector Accounting (PSA)

- General purpose financial statements are used to evaluate the financial performance and financial position of an entity, hold its management accountable by users of the general purpose financial statements, and inform decision making.



- IPSAS are developed specifically to address the financial reporting needs of public sector entities
- IPSAS provide internationally accepted guidelines on the recognition, measurement, and disclosure of economic transactions and events in general purpose financial statements

What differs?

**What should one be aware
when envisaging an effective and efficient
reconciliation process from IPSAS data towards
compiling GFS?**

**Entity
concept**

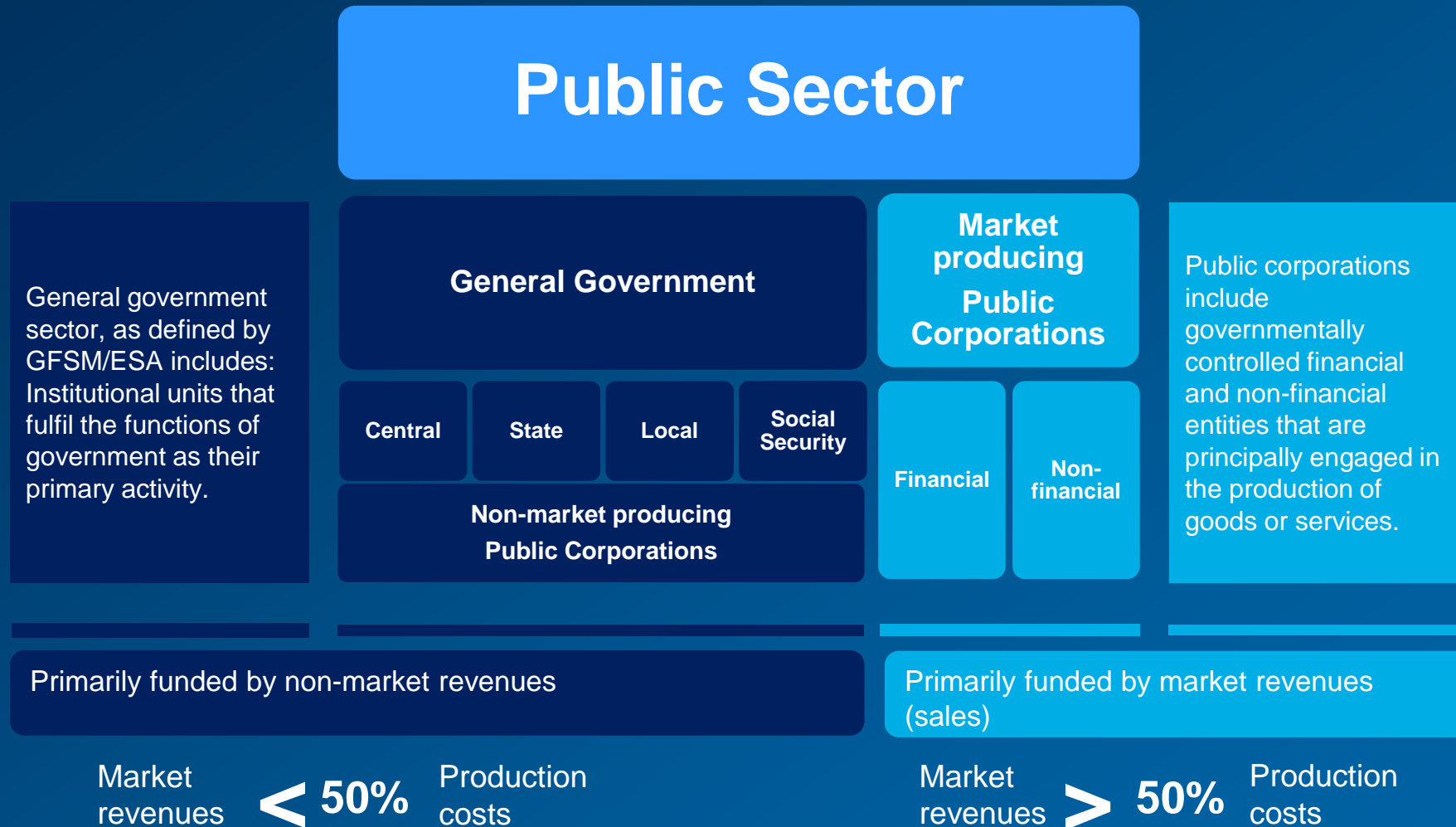
Consolidation

Recognition

**Measurement
/ Valuation**

What differs?

Conceptual differences – entity concept



What differs?

Conceptual differences – consolidation

Public Sector

GFS perspective

General Government

**Market-producing
Public Corporations**

Financial

Non-financial

Central

National General
Government Units

National Public
Corporations (/SOE's)

State

Subnational General
Government Units

Subnational Public
Corporations (/SOE's)

Local

Municipal General
Government Units

Municipal Public
Corporations (/SOE's)

Social
Security

Social Security Units

**Accounting
(IPSAS)
perspectives**

What differs?

Conceptual differences – recognition principles

- GFS reporting guidelines and IPSAS both aim to recognize economic events in the period in which they occur thus following an accrual perspective.
- GFS and IPAS differ in their recognition of certain assets and liabilities due to different recognition principles

GFSM 2014 / ESA 2010	IPSAS
<ul style="list-style-type: none">• GFS recognizes economic events on the accrual basis of recording when economic value is created, transformed, exchanged, transferred, or extinguished.• In macroeconomic statistics, an event is not recognized until an asset/liability by the counterparty exists.	<ul style="list-style-type: none">• Past events with probable inflows/outflows recognized: IPSAS recognize assets and liabilities, including provisions, when:<ul style="list-style-type: none">• A past economic event has taken place;• The amount can be reliably estimated;• Future inflows/outflows are probable.

→ Selected practical examples: Assets arising from oil and gas exploration;
Research and development costs;
Provisions;

What differs?

Conceptual differences – measurement principles

- The measurement principles in GFS and IPSAS provide scope for the majority of assets and liabilities to be valued on the same basis, that is at current market values, except where IPSAS require the use of historic cost or some other measurement basis

GFSM 2014 / MGDD (ESA 2010)	IPSAS
<ul style="list-style-type: none">• Current market prices are used for all flows and stocks of assets/liabilities• allowance is made for the use of alternative valuation methods where an active market does not exist.	<ul style="list-style-type: none">• Fair value, historic cost, or other bases are used for the measurement of assets and liabilities• Similar assets and liabilities must be valued consistently and the bases disclosed.• Where an entity reports an item using historic cost, IPSAS often encourage disclosure of fair value if there is a material difference between the reported cost and the item's fair value

→ Property plant and equipment; and financial instruments

What might be challenging?

Practical challenges in GFS reporting


 Challenge 1: Exogenous changes affecting the general government sector delineation

 Challenge 2: Development of an integrated and harmonized chart of accounts

 Challenge 3: Initial development and annual review of bridging tables and keys




 Challenge 4: Simultaneous recognition of corresponding flows and stocks

 Challenge 5: Rule based statistical adjustments of accounting information

 Challenge 6: Establishing a coordinating working group to implement accounting and government finance statistics reforms

How to cope with those challenges?


Mitigation strategies


-  Challenge 1: Exogenous changes affecting the general government sector delineation
 - Implement a multi-year sustaining market/nonmarket classification through maintenance of a comprehensive and exhaustive list of GGS entities
 - Periodically re-assess GGS classification
-  Challenge 2: Development of an integrated and harmonized chart of accounts
 - Consider the most detailed level of ESA 2010 or GFSM 2014 analytic framework for the classification of stocks and flows in their PSA.
 - Application and maintenance of an integrated and harmonized CoA (UCoA) facilitates data integrity and usefulness of PSA as source data for statistical reporting
-  Challenge 3: Initial development and annual review of bridging tables and keys
 - Conduct a close analysis of the available source data of all GGS entities as well as of its categorization through the underlying CoA and the applied accounting policies in order to identify the gaps between the data stemming from PSA and GFS

How to cope with those challenges`?

Mitigation strategies

- 
- Challenge 4: Simultaneous recognition of corresponding flows and stocks
- Ensure solid and well-structured source data through the application of a comprehensive CoA
 - Perform a validation test by briefly checking whether stocks and flows are corresponding

- 
- Challenge 5: Rule based statistical adjustments of accounting information
- Provide a bridging manual or concrete supporting tools such as a bridging table (e.g. in form of an Excel Template)

- 
- Challenge 6: Establishing a coordinating working group to implement accounting and government finance statistics reforms
- Establish a designated project team represented by all impacted units and clear project management structures

Thank you.

Zurich University
of Applied Sciences



School of
Management and Law



Public Sector Accounting and Reporting Program

