



PULSAR

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Thomas Müller-Marqués Berger
Global perspectives: Roadmap for fixed asset management reform
and IPSAS implementation experiences




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Agenda



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- **Fixed asset management reform – For what purpose?**
- **How does a roadmap for fixed asset management reforms typically look like?**
- **What are challenges faced in practice and experiences when implementing IPSAS in terms of fixed assets?**

Fixed asset management reform – For what purpose?



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Macro perspective

- In the recent global financial crisis, governments' balance sheets have become an important instrument of macroeconomic policy
- Given that total liabilities of governments are much larger than debt alone, fixed assets become a relevant component in the overall evaluation of a government's financial health
- IMF also found that strong balance sheets enhance a government's economic resilience
- Currently low interest rates, put greater focus on sound investing in and management of fixed assets

Micro perspective

- Fixed assets such as infrastructure, military assets or property play a major role in an entity's balance sheet
- Fixed assets in a government's balance sheet reflect i.a. their service potential
- Accounting for fixed assets is essential for knowing what a government owns
- Only when governments know what fixed assets they own, their size and nature, they can manage them effectively in the interest of efficient and effective service provision:
 - by avoiding misallocation
 - by avoiding malfunction

How does a roadmap for fixed asset management reforms typically look like? (1)



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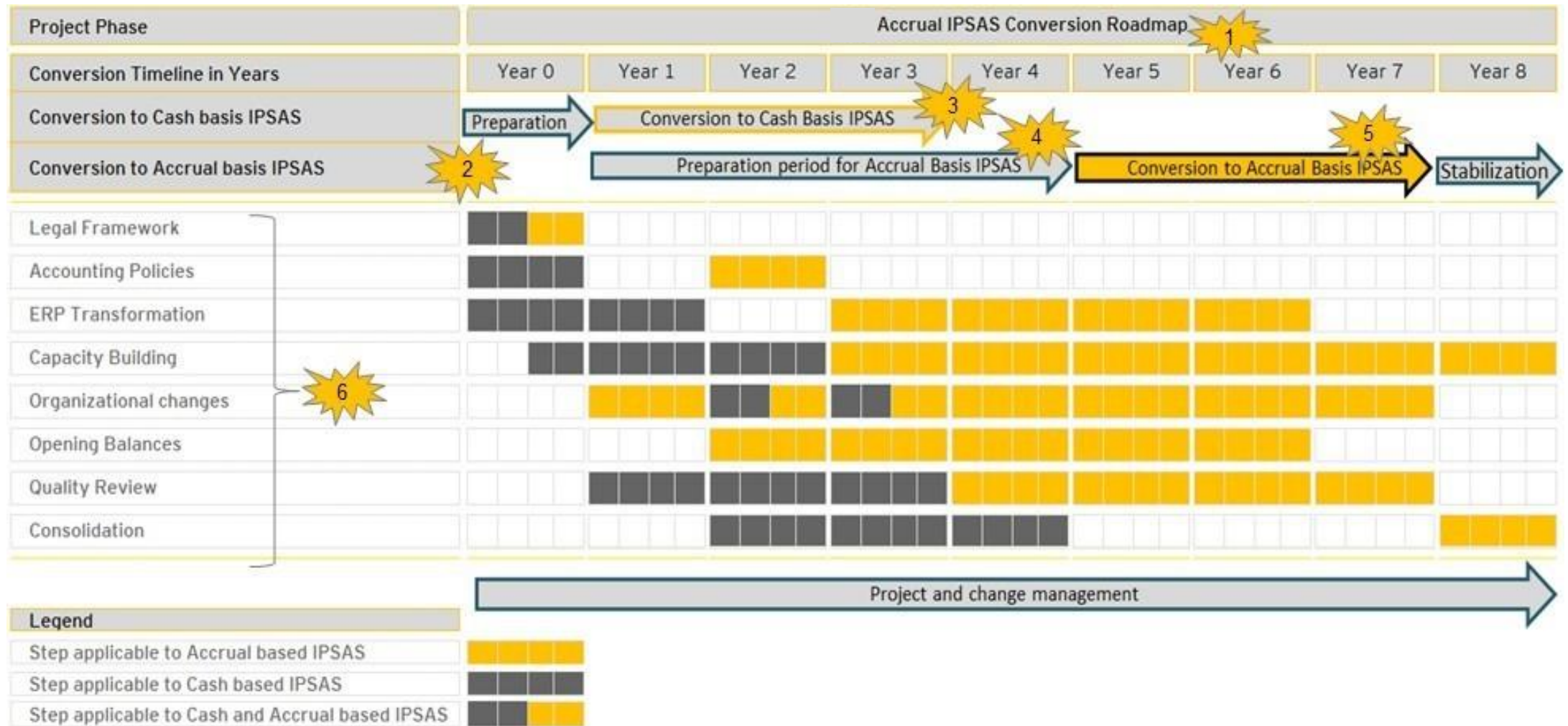
	Balance Sheet		Operating Statement			Institutions
	Assets	Liabilities	Revenues	Expenses	Other Flows	
Phase 0: Cash Accounting	Cash balances	Bank overdrafts Debt	Cash receipts	Cash payments	None	Budgetary Central Government
Phase 1: Elementary Accrual Accounting	Trade receivables Prepayments	Trade payables	Accrued trade revenue	Accrued expenses <i>excluding depreciation</i>	None	Central Government
Phase 2: Advanced Accrual Accounting	Equity Investments	Other financial liabilities Long-term liabilities (e.g., pensions)	Accrued non-tax receivables	None	Valuation changes in financial assets and liabilities Provisions	General Government
Phase 3: Full Accrual Accounting	Fixed and intangible assets Inventories Tax receivables	Monetary financial instruments	Accrued receivables	Depreciation	Valuation changes in non-financial assets	Public Sector

Source: IMF, *Implementing Accrual Accounting in the Public Sector*, April 2016, p. 13.

How does a roadmap for fixed asset management reforms typically look like? (2)



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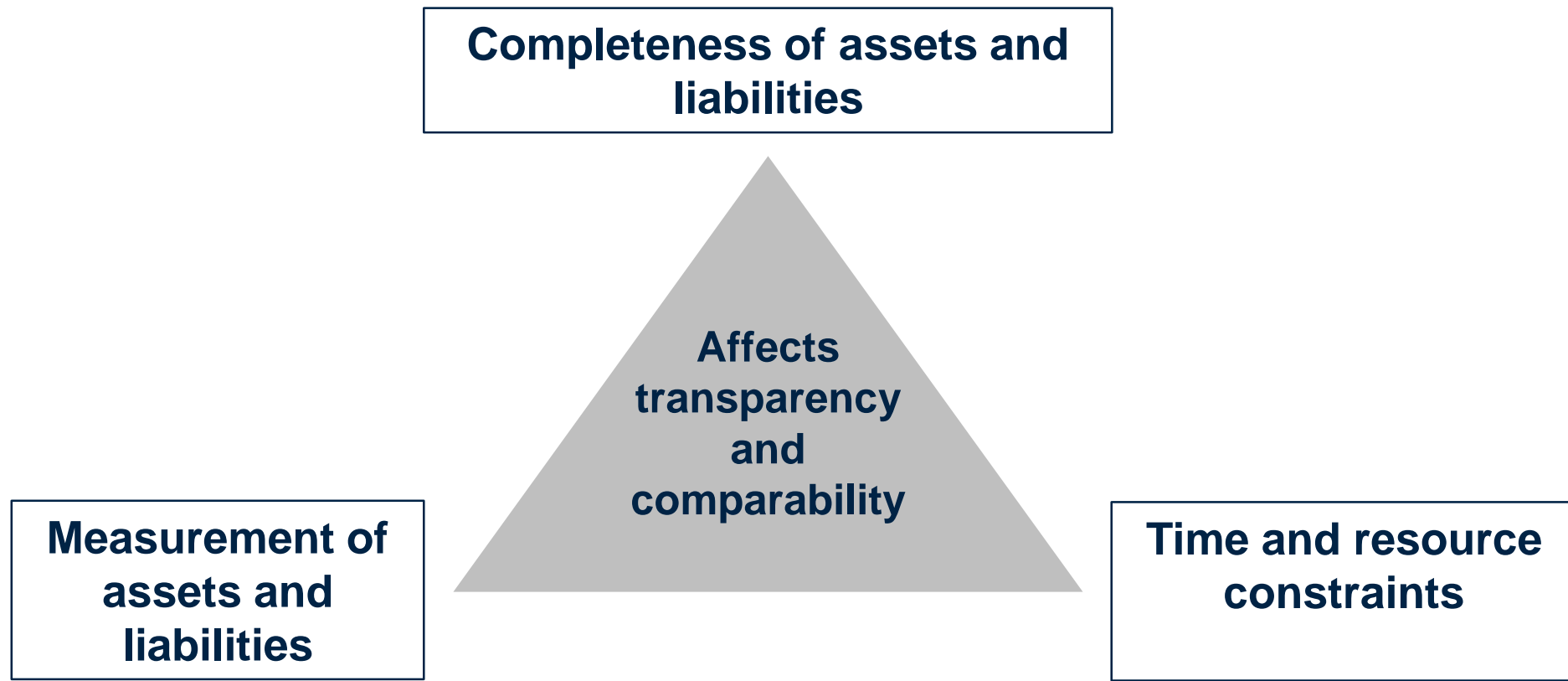


What are challenges faced in practice and experiences when implementing IPSAS in terms of fixed assets? (1)



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The first-time adoption dilemma



What are challenges faced in practice and experiences when implementing IPSAS in terms of fixed assets? (2)



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Challenges faced (1)

- Number and complexity of fixed assets (e.g. military or infrastructure assets)
- Identification of suitable measurement values for items of fixed assets, e.g.
 - lack of historical cost data or lack of data for comparable assets
 - historical cost versus current value
 - statistical methods to estimate historical cost
 - appraisals by experts
 - Searching for measurement-relevant information in archives
- Treatment of military, infrastructure or heritage assets at first-time adoption (e.g. componentization, measurement difficulties, recognition or no recognition)

What are challenges faced in practice and experiences when implementing IPSAS in terms of fixed assets? (3)



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Challenges faced (2)

- Necessity of involving non-accounting specialist experts, such as engineers, which typically follow a different approach
- Component approach
- Classification of fixed assets
- Identification of all fixed assets
- Data integrity (relevant data is spread over different stand-alone data sources and these sources are not linked)
- Treatment of fixed assets that are still in use but fully depreciated in the books
- Lack/shortage of skilled resources

What are challenges faced in practice and experiences when implementing IPSAS in terms of fixed assets? (4)



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Experiences

- IPSAS 33's transition period of three years does not mean that there are only three years!
- Component approach considered to be complex
- Different approaches re. capitalization thresholds, e.g.
 - One capitalization thresholds for all fixed assets versus asset class-specific thresholds
 - Common cross-jurisdictional capitalization thresholds versus jurisdiction-individual thresholds
- Centralized versus decentralized approach for fixed assets management
- Principle of economic control can help with ownership issues
- Clear and concise guidance for first-time adoption can smoothen registration and measurement of fixed assets at first-time adoption
- Accounting for liabilities related to contribution-/ grant-funded fixed assets can be difficult
- 80/20-method: Focus on those entities in terms of registration where fixed assets are concentrated.