



Ministerio de
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FINANCIAL INFORMATION AND THE USE OF PERFORMANCE INDICATORS IN THE PUBLIC SECTOR

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Legal and Technical Background

- Law of Financial Administration of the State 1535/99 (LAFE)
- Regulatory Decree 8127/2000

Art. 94- **Consolidated Annual Report of the Ministry of Finance.**- The annual report of the Economic, Patrimonial, Financial and Budgetary Accounting Statements of the State Bodies and Entities, consolidated by the Ministry of Finance and sent to the Executive Power and the National Congress, must contain the following:

- a) Consolidated Balance Sheet and Income Statements of the Public Sector;
- b) Origin and Application of Funds;
- c) Statement of Budgetary Execution;
- d) Statement of Consolidated Savings, Investment and Financing;
- e) Balance Sheet and Income Statement of the Public Treasury; and
- f) Statement of Credit and Public Debt (updated).



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Financial Analysis

Financial Ratios are critical to perform financial analysis of entities.

They can measure with the behavior of the Central Administration Entities as a whole, including income, expenses, financing, assets and liabilities. F

Financial Ratios present a broad perspective of the financial situation, as it is feasible to specify the adequacy of liquidity, profitability, financial leverage, coverage and everything related to its activity.



Short-Term Solvency or Liquidity Ratios

Measure availability of cash, or the capacity of the Treasury to absorb its short-term obligations.

	2018	2019	Dif.
$\frac{\text{CURRENT ASSET} \times 100}{\text{CURRENT LIABILITY}}$	$\frac{17,230,234 \times 100}{13,549,880} = 127$	$\frac{19,361,021 \times 100}{18,001,992} = 107.55$	-19.45
Interpretation	Current assets cover 127% of the current liabilities	Current assets cover 107% of the current liabilities	



Treasury Situation or Acid-test ratio

This ratio shows a more precise liquidity measure since it excludes from current assets accounts that are not intended to pay and are not liquid enough. It measures the Treasury's ability to pay in the short term.

	2018	2019	Dif.
<u>AVAILABLE ASSETS x 100</u> CURRENT LIABILITIES	<u>9,425,816 x 100 = 69.56</u> 13,549,880	<u>7.905,670 X 100 = 43.92</u> 18,001,992	-25.64
Interpretation	Means that 69.5% of short-term liabilities are covered by available assets	Means that 43.9% of short-term liabilities are covered by available assets	



Inventories and Fixed Assets on Total Assets

	2018	2019	Dif.
<u>INVENTORIES + FIXED ASSETS x 100</u> TOTAL ASSETS	<u>24.311.972 X 100 = 34.61</u> 70.252.963	<u>26.444.033 X 100 = 33.09</u> 79.923.958	-1,52
Interpretation	34.61% of total assets are inventories plus fixed assets.	33.09% of total assets are inventories plus fixed assets.	

Current assets on Total Assets

	2018	2019	Dif.
<u>CURRENT ASSET X 100</u> TOTAL ASSETS	<u>17.230.324 X 100 = 24,53</u> 70.252.963	<u>19.361.021 X 100 = 24,22</u> 79.923.958	-0,31
Interpretation	24.5% of total assets are current	24.2% of total assets are current	



Technical Solvency Ratio

Current assets available to cover short-term debt.

	2018	2019	Dif.
<u>CURRENT LIABILITY x 100</u> CURRENT ASSETS	<u>13.549.880 x 100 = 78.64</u> 17.230.234	<u>18.001.992 X 100 = 92.98</u> 19.361.021	14.34
	Current liabilities are 78.6% of current assets	Current liabilities are 92.9% of current assets	



CONCLUSION

Ratios complement and provide important information on the financial situation of the public sector entities.

These indicators provide useful information on the economic situation of the State in terms of fiscal deficit, level of indebtedness, level of investment, among others.

Then, what is the real we are facing?

Government officials need to understand how to use the information provided by the Financial Statements rather than only pay attention to the budgetary information.



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Thank you!!