



MINISTRY OF FINANCE
of the Republic of Lithuania

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**Accounting of Assets:
Lithuanian Experience on Accrual Implementation**

Results of the analysis of the situation in 2004

- Lack of complete and correct accounting information for decision making both on institutional and state level
- Lack of complete and correct information presenting all major elements of the financial statements: assets, liabilities, revenues, expenses
- Different accounting principles in public sector entities, not comparable information

Not included in the accounting registers before the reform

- Major part of land
- Some intangibles;
- Biological assets
- Heritage assets
- Value adjustments
- Impairment loss
 - Provisions
 - Net assets
- Finance lease

Transitional Rules: 2009

Enabling legislation first

1. Bridge the old chart of accounts with the new one

2. Register the amounts of assets, liabilities and funds in the New chart of accounts (NCA)

3. Estimate recognition/ derecognition related and value adjustments in accordance to NPSAS and register to the NCA

4. Opening balances (supported by detail accounting ledgers and inventory count documents)

Inventory count of all assets and liabilities as of transition date.

Example of Bridging

Accounts of sample chart of accounts (old CoA)				Accounts of mandatory chart of accounts (new CoA)			
Nr.	Name	Balance		Nr.	Name	Balance	
		Debits	Credits			Debits	Credits
012	Buildings			12021xx	Residential buildings		
				12022xx	Non-residential buildings		
				12041xx	Heritage assets		
				12042xx	Other immovable cultural valuables		
				207xxxx	Other assets held for sale		
				Total:			
017	Cultural valuables			12071xx	Museum-pieces		
				12072xx	Antiques and art works		
				12073xx	Other movable cultural valuables		
				12092xx	Library funds		
				12093xx	Other valuables		
				207xxxx	Other assets held for sale		
Total:							

Definition of PPE

NPSAS	IPSAS
<ul style="list-style-type: none">• It is probable that future economic benefits or service potential associated with the item will flow to the entity;• The cost of the item can be measured reliably;• Acquisition cost more than 500 Euro (except real estate, heritage assets, valuables, guns)	<ul style="list-style-type: none">• It is probable that future economic benefits or service potential associated with the item will flow to the entity;• The cost or fair value of the item can be measured reliably.

Example of PPE registration

Balances before transfer:

D 01 Fixed assets (cost value) 1000
K 02 Fixed assets (depreciation) 70
K 250 Fund of fixed assets 930

After applying new chart of accounts:

D 12XXXX1 Property, plant and equipment (cost value) 1000
K 12XXXX4 Property, plant and equipment (depreciation) 70
K 12XXXX2 Property, plant and equipment (impairment) 200
K 42XXXX1 Appropriations or funds (received) 730

Or

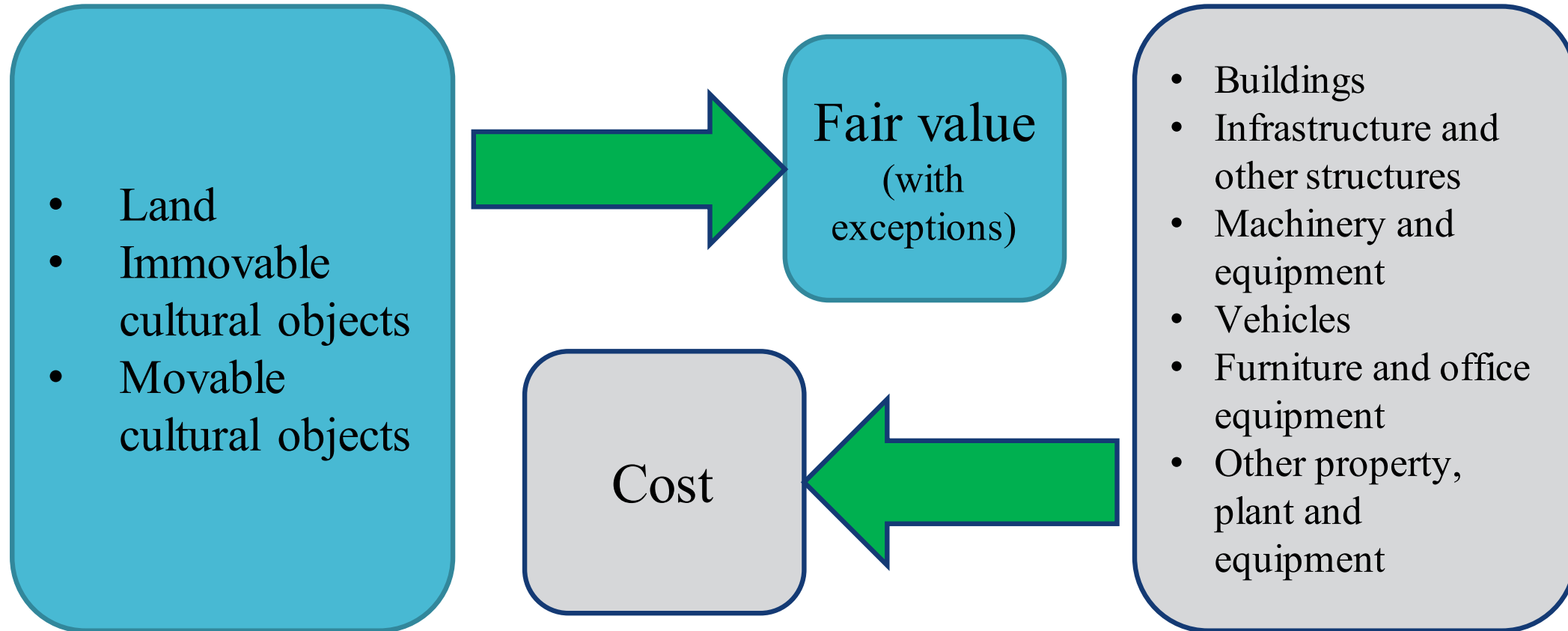
K 31XXXXX Accumulated surpluses/deficits (if the property was acquired from the revenue of the institution) 730

Public sector entities are required to indicate the source of financing from which the assets were acquired. If it is not possible to determine the source it is assumed that **the source of financing is the one from which the institution's activities are usually funded.**

Measurement of assets

NPSAS	Cost	Fair value	Present value of the future CF
NPSAS 8 “Inventories”	✓ all		
NPSAS 12 “Property, plant and equipment”	✓ All except assets measured at fair value	<ul style="list-style-type: none"> ✓ Land („free“ land based on mass valuation) ✓ Heritage assets <ul style="list-style-type: none"> • Real estate (average market value) • Other (change in FV directly to net assets)	
NPSAS 13 “Intangibles”	✓ all		
NPSAS 16 “Biological assets and mineral resources”	✓ All biological assets when their fair value could not be measured reliably	<ul style="list-style-type: none"> ✓ All except fair value could not be measured reliably; ✓ Forests (change in FV directly to net assets) 	Mineral resources (change in CV directly to net assets)
NPSAS 17 “Financial assets and financial liabilities”	All except available for sale	Available for sale	

Classification and measurement of PPE



Measurement of PPE

Assets	Initial recognition	Measurement after recognition	Renewals and improvements
Land: State: <ul style="list-style-type: none"> • “free” land • plots Municipal	Cost (fair value)	Fair value is based on the data of mass evaluation, except when the public sector entity has other reliable data for the determination of the fair value of land, e.g. the market value of a separate land plot established by independent valuation practitioners.	Expenses
<i>Movable and immovable cultural objects</i>	<i>Cost</i>	Fair value is based on the insurance value. If the fair value of cultural objects cannot be determined reliably, the cultural objects are accounted for and disclosed in the financial statements as follows: <ul style="list-style-type: none"> • at the value determined based on the data of the mass evaluation; • at cost, if it can be measured reliably; • at the symbolic value of 1 euro if the cost is zero or if it cannot be measured reliably. 	<i>Expenses</i>

Special cases (1)

Loan-for-use

Ordinary repair and maintenance costs of assets received according to a loan-for-use agreement are recognised as expense

The material improvement costs of assets received according to a loan-for-use agreement are recorded as a separate asset unit and recognised as expense over the remaining loan-for-use term, provided that the loan-for-use giver does not cover these costs

If substantial improvement costs are accounted for by increasing the cost of the respective PPE, loan-for-use beneficiary should transfer substantial improvement costs to loan-for-use giver;

Also loan-for-use giver should inform state property register about substantial improvement.

Special cases (2)

Stage performances

- All components of a performance (such as copyright agreements, stage property items) are recorded as one unit of tangible fixed assets (1 performance - 1 inventory card (register), where it is indicated all belonging components).
- All components of a performance have the same useful life.

Books and publications

- can be registered as a library fund.
- if the public sector entity does not have a library fund, the books (material items) are accounted as separate items in accordance with the provisions of NPSAS 12 or NPSAS 8 "Inventories".

The inland waterway

- meets the criteria for tangible fixed assets, so it should be registered in the group of infrastructure and other structures.

Ongoing developments

Centralisation of accounting and reporting function;

One IT system for public sector entities;

Integration with asset management systems;

Mandatory use of E-invoice IS, in order to implement system-to-system transfer of data (*draft provision*)

The data of the accounting registers of state and municipal property, the spatial data of which are in the Topography and Engineering Infrastructure Information System, shall be linked to the spatial data of this information system in accordance with the procedure established by the Government or an institution authorized by it. (*draft provision*)



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Thank You for Your Attention