



PULSAR

Benefits of Accrual Accounting in the Public Sector

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Public Sector Accounting and Reporting Program

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Benefits of Accrual Accounting in the Public Sector



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- Benefits of Accrual Accounting - For what and for whom?
- Accrual Accounting and Transparency
- Enabling Conditions for Accrual Accounting Implementation
- The Costs of Accrual Accounting Implementation

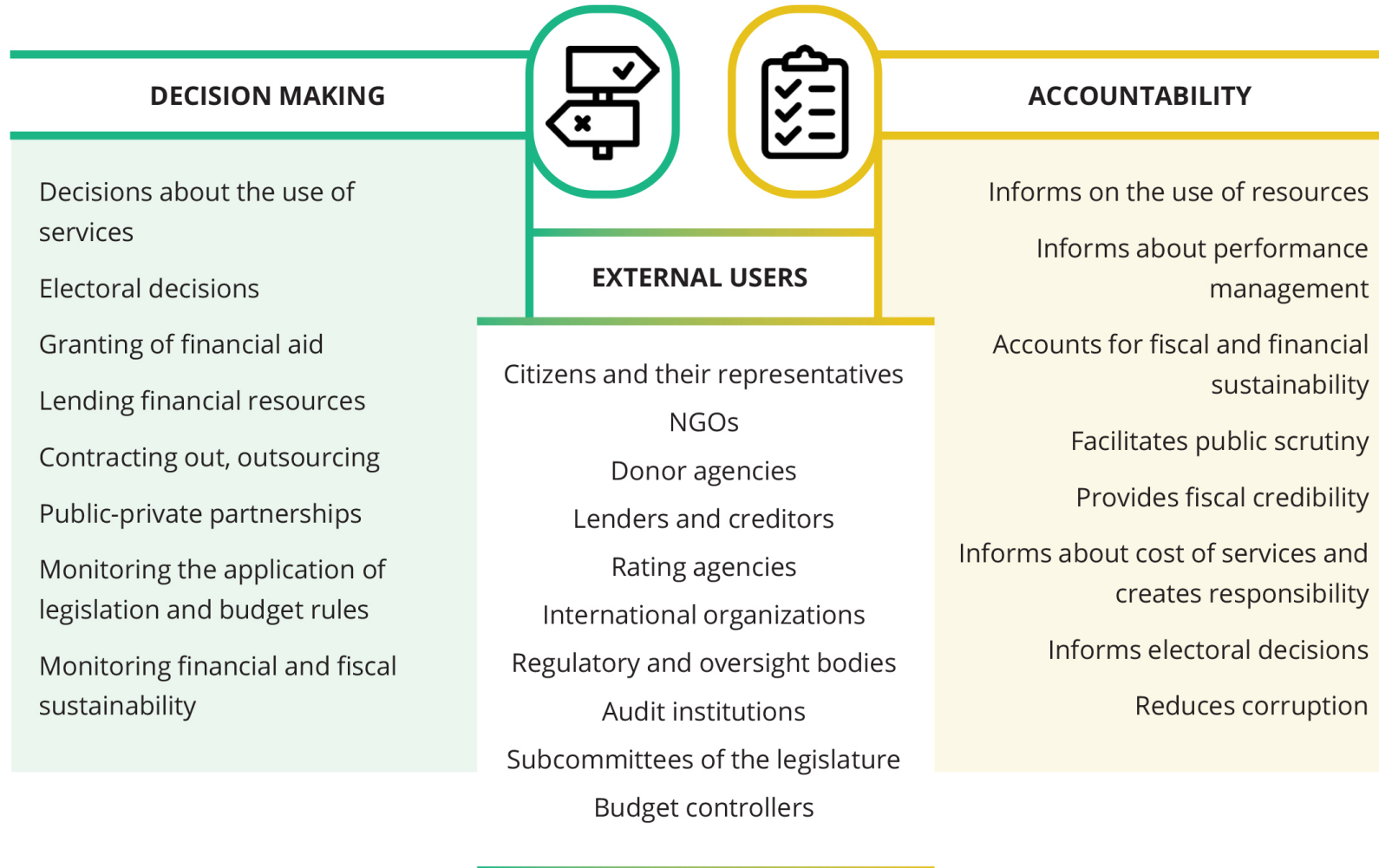


BENEFITS OF ACCRUAL ACCOUNTING - FOR WHAT AND FOR WHOM?

Benefits of Accrual Accounting for External Users



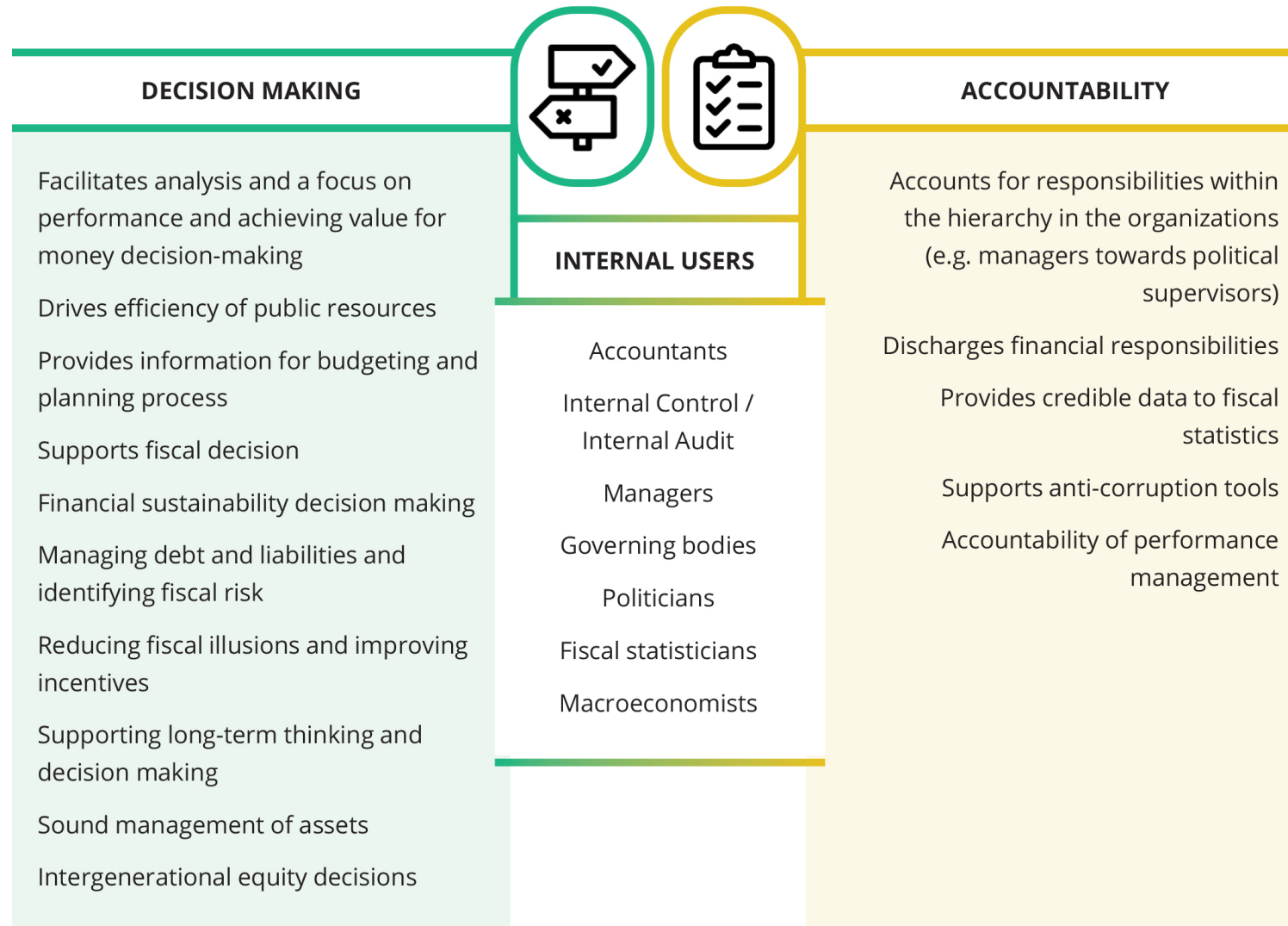
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Benefits of Accrual Accounting for Internal Users



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Benefits of Accrual Accounting – Practical Insights



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**Accurate, reliable, timely
and complete information**

Accountability

**Better allocation and use
of public resources**

Improves reporting

**Better information on
costs**

**More effective and
targeted control and audit**

**Foreseeing long-term
effects**

**Risks are recognized or
disclosed**

**Promotes
intergenerational equity**

**More reliable national
accounting data**

**Different benefits for
different users**

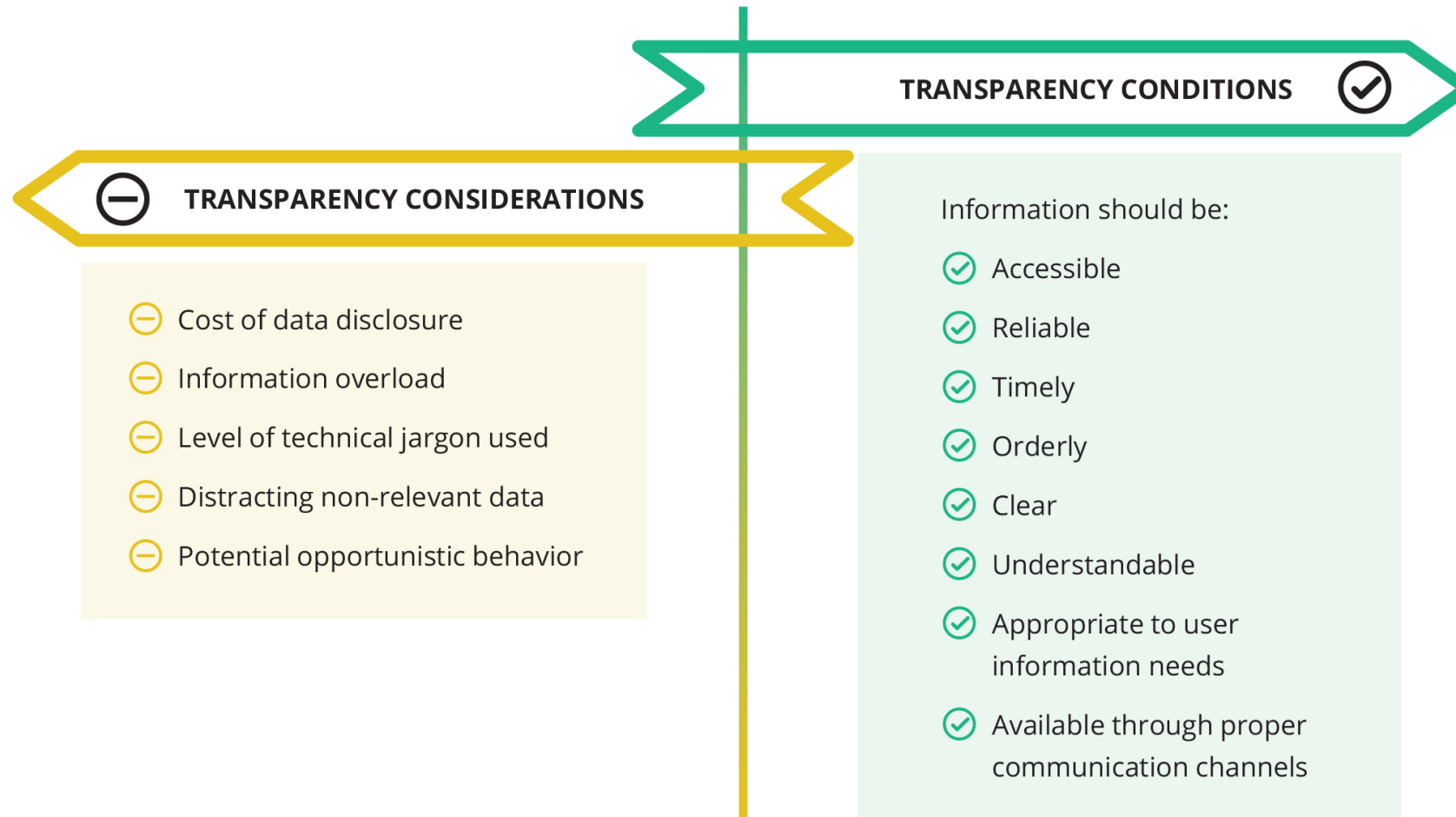


ACCRUAL ACCOUNTING AND TRANSPARENCY

Accrual Accounting and Transparency



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Accrual Accounting and Transparency– Practical Insights



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- Financial reports need to be simplified, **more "popular"**, and to be effectively communicated to citizens
- The more informed the citizen, the better for **equity and justice** in the country
- The press (**mass media**) can play an intermediary role to translate and interpret the accounting numbers to citizens
- Attention should be paid to **avoid overloads**
- Standard reporting and financial statements should be visualized and made **easily accessible** on web sites.
- Full disclosure is especially challenging when **liabilities exceed assets**
- The increased transparency of full accrual financial reports helps disclosing information using **effective accountability**
- The level of **financial literacy of politicians** affects the way they understand the implications of own decisions and actions





ENABLING CONDITIONS FOR ACCRUAL ACCOUNTING IMPLEMENTATION

Enablers of Accrual Accounting



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GOAL SETTING AND PROCESSES

- ✗ Political support and ownership
- ✗ Implementation plan
- ✗ Accrual accounting integrated in decision-making and performance management



HUMAN CAPITAL

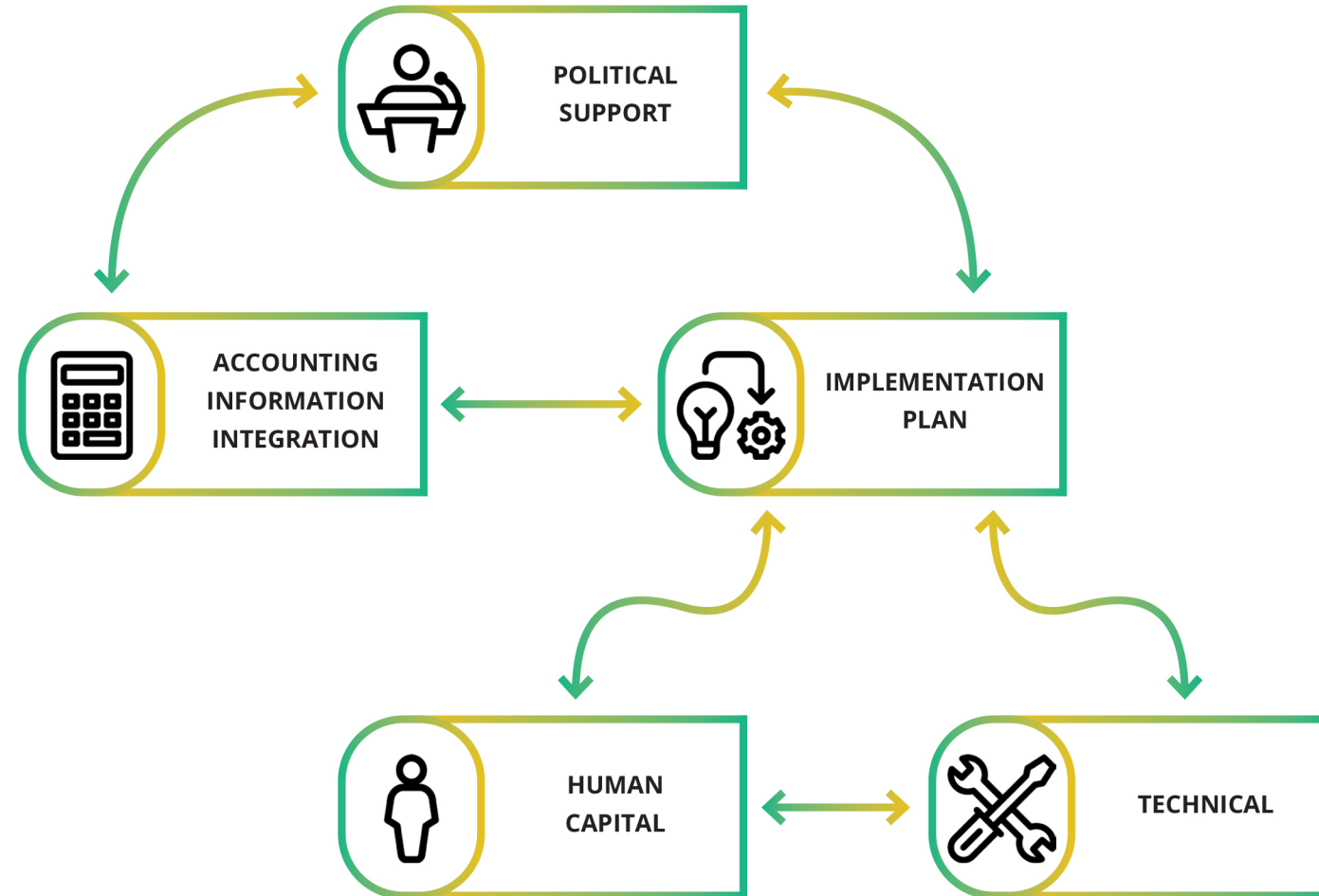
- ✗ Training and educating public sector accountants
- ✗ Human capacity (Adequate number of qualified staff)
- ✗ Expert support



TECHNICAL

- ✗ IT financial management systems
- ✗ Chart of accounts
- ✗ Accounting standards and policies

Interaction among Enablers of Accrual Accounting Implementation



Interaction among Enablers of Accrual Accounting Implementation

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Political support, especially from the ministry of finance, is a prerequisite for a political reform to be successful. Political support secures human resources and other necessary resources for the reform.



Embedding accrual in PFM. This includes the introduction of rules and incentives to work with accruals, analyzing problems and decision-making using accrual data, alignment of performance measures with accruals, embedding accruals in the fiscal rules, key performance indicators, and demand for accrual information from supervisory bodies and auditors.



A dedicated reform team with skills and vision is absolutely necessary. The reform needs very good project management, and a clear plan.



The new logic can attract professionals with fresh views who understand modern financial management, costing, and performance management. Private sector experts in financial accounting may also support public sector entities in the transition to accrual accounting.

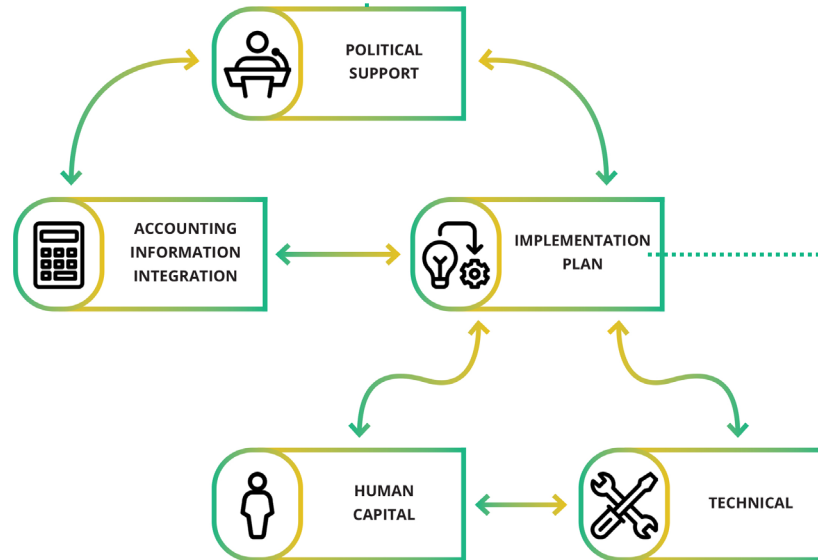


The IT system needs to embed the changes related to the accrual accounting processes

Interaction among Enablers of Accrual Accounting Implementation

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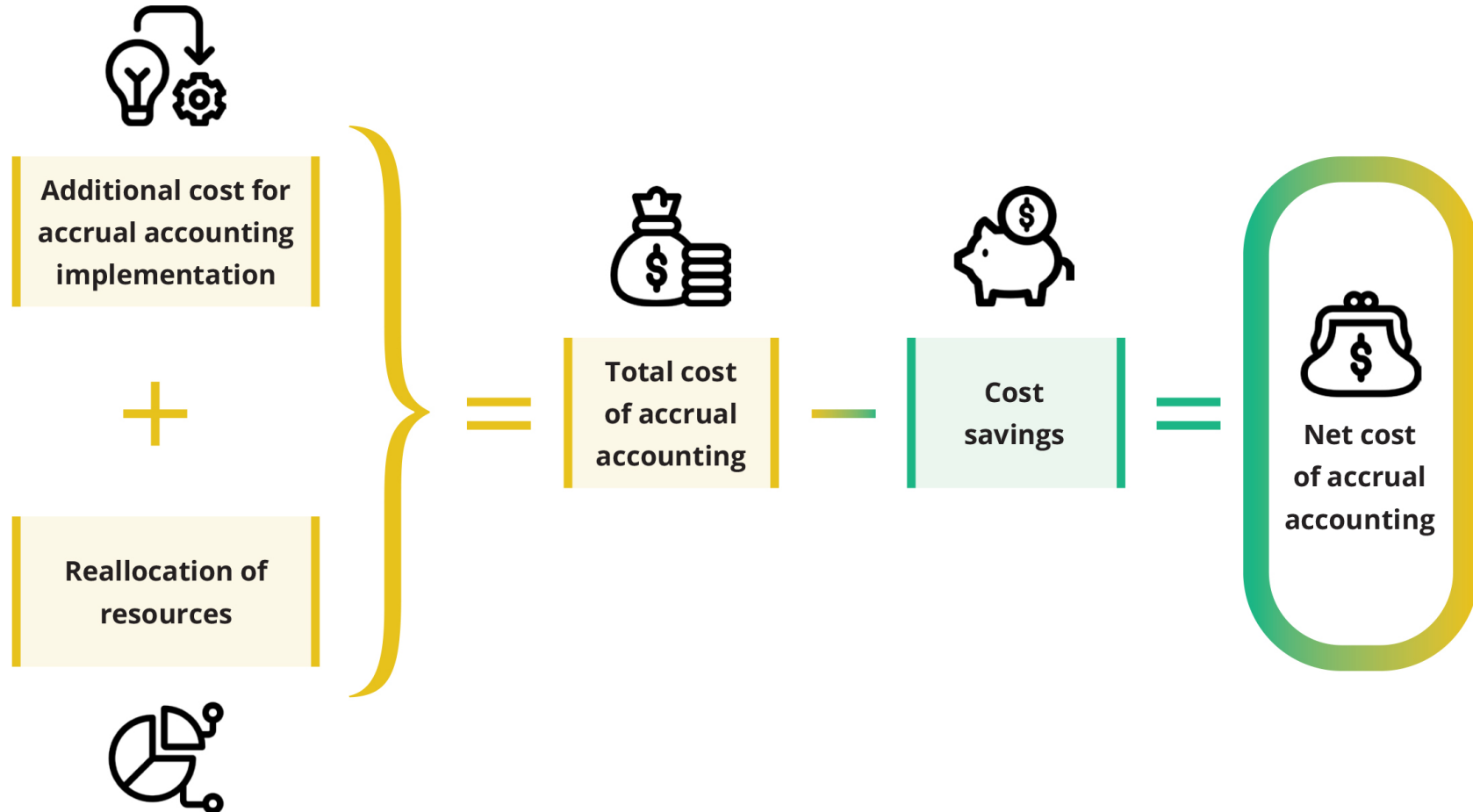
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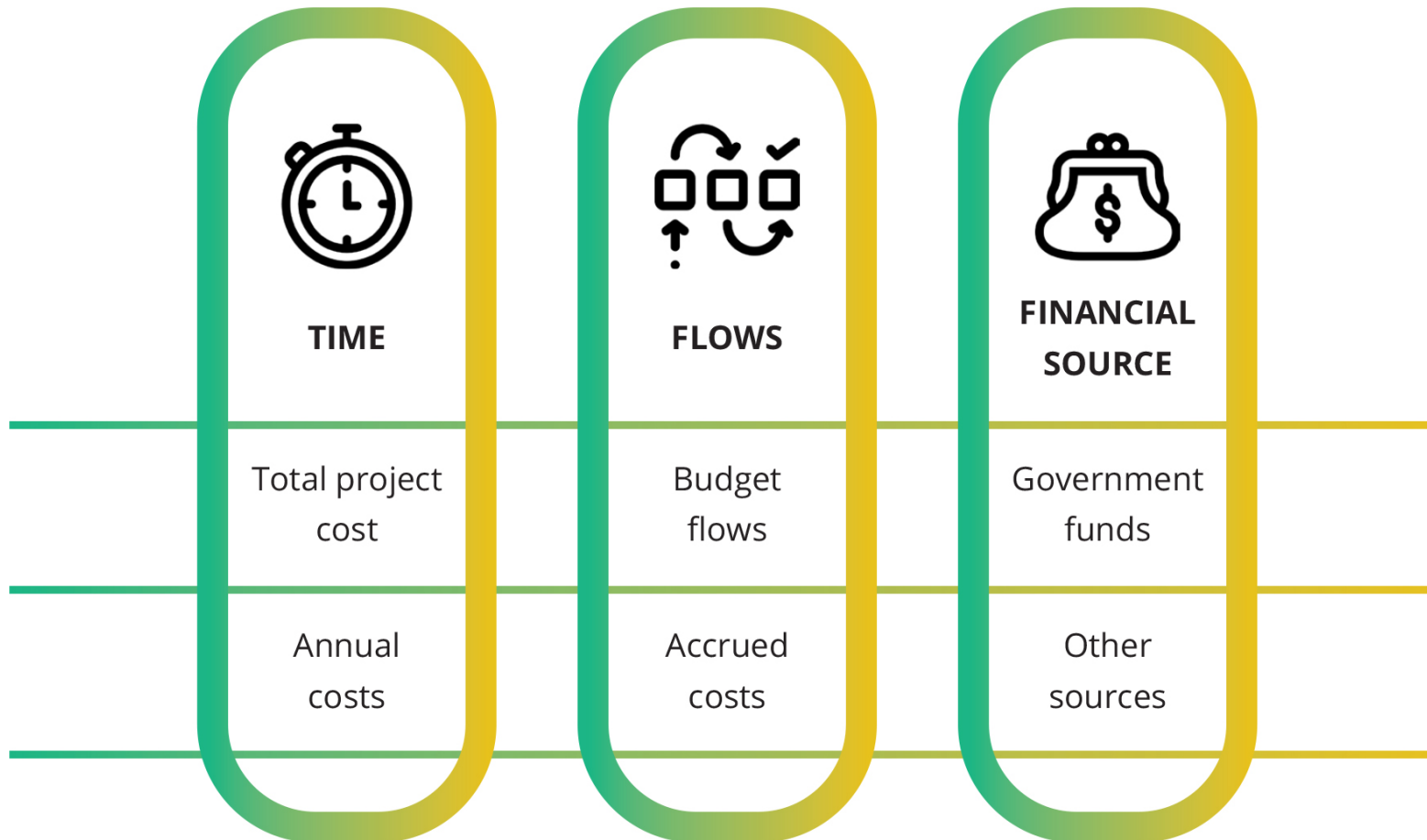
THE COSTS OF ACCRUAL ACCOUNTING IMPLEMENTATION

Cost of Accrual Accounting Implementation

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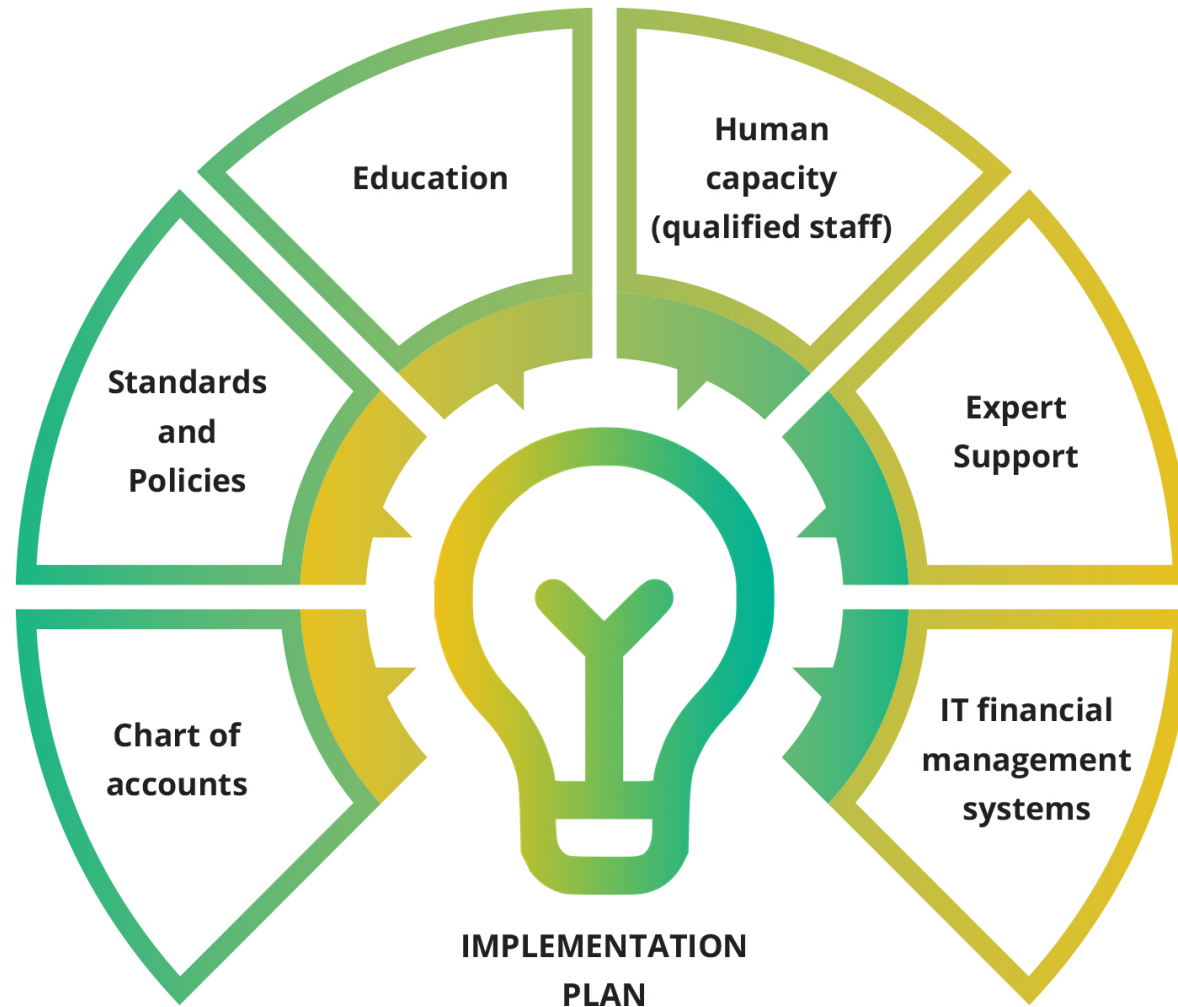
Dimensions for Cost Considerations



Human Capital and Technical Tools in Implementation Plan



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Thank you for your attention