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Application of Some International Public Sector Accounting Standards Into State Budget Revenues in Vietnam Nowadays

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ABSTRACT

Public sector accounting is the issue which needs to be perfected in our country nowadays to perform the recognition of economic operations arising in the State sector in general and the state budget collection sector in particular. In addition, it is required to reform towards integration in the current conditions and also explore the international public sector accounting standards system and then propose complete solution applied in Vietnam. The transition from the accrual basis accounting principle to the cash basis accounting principle also poses a number of related issues arising that need to be addressed in order to reach a more complete recognition

Keywords: IPSAS, International public sector accounting standards, application of public sector accounting standards.

1. LITERATURE AND REVIEW

International Public Sector Accounting Standards is abbreviated by the term IPSASs, edited and published by IPSASB (International Public Sector Accounting Standards Board) with principal performance of PSC (Public Sector Committee)

Scope of application of IPSASs: base on accrual basis and cash basis as well as provide recognition, measurement, presentation and requirements published for dealing with transactions and events under common objectives of financial statement. IPSASB serving the public interest under development, issue, management, accounting standards and related regulations aims of public sector entities other than of GBEs (Government Business Enterprises)

Purposes of IPSASs: IPSASB issues IPSASs for the purpose of implementing under the principles of cash accounting and accrual basis accounting principles which are designed to generally apply for common

purposes of financial statements of public sector entities other than Government Business Enterprises GBEs. Public sector entities comprised of Central agencies, local agencies (State, authorities at provincial, city, town, district levels) and related to Government (agents, councils, committees and enterprises), international organizations also apply IPSASs and IPSASs is not applied in GBEs because of application of International Financial Reporting Standards.

The transition from the cash basis to accrual basis accounting principle: Although IPSAS applies the Cash basic accounting principle, it also encourages entities to disclose information under Accrual Basic even though the financial statements are not presented under Accrual Basic. During the transition from Cash basic to Accrual Basic, it could perform special accrual disclosure in this process. Assignment (audit or non-audit) and additional information (e.g., Notes to financial statements or information supplementation to financial statements) depends on characteristics of the information (such as reliability and completeness) and any rules or principles of the financial statements.

IPSAB also tries to set up Accrual Basic IPSASs application through the use of reserves. When there are the transition of reserves, it gives entities more time to fulfill Accrual Basic requirements or provides a summary of basic requirements like IPSAS application. The entity can choose the Accrual Basic application time and needs time to transfer the reserve. In case of termination of reserves transfer, financial statement of the entity will fully apply AB IPSAS. Comparison between Cash Basic and Accrual Basic is as shown in Table 1.

Table 1
Comparison between CB accounting principle and AB accounting principle

<i>Criteria</i>	<i>Cash basis</i>	<i>Accrual basis</i>
Basic content	<ul style="list-style-type: none"> – Revenues are recognized upon receipt of money – Costs are recognized when payment is made – Financial statements reflect revenues/costs when payment arises – It is not recognized receivables and payables 	<ul style="list-style-type: none"> – Revenues are recognized when incurred – Costs are recognized when incurred – Financial statements reflect revenues and costs at the same time – It is recognized receivables and liabilities
Advantages	<ul style="list-style-type: none"> – Easy to understand and perform 	<ul style="list-style-type: none"> – Popular, accurate and more honest – Suitable for recognition of revenues and costs
Limitations	<ul style="list-style-type: none"> – Recognition is not complete – Hard to find fault – Only focus on revenues and costs 	<ul style="list-style-type: none"> – It is recognized at the time of transaction – Almost all principles and regulations of accounting are built on the basis of accruals

IPSAS is comprised of 38 standards continuously numbered and named as follows (as of January 2017 under IPSASB Handbook 2016), but there are some IPSASs that concerns with the state budget revenue as shown Table 2.

Components of financial statements: Statement of Financial position; Statement of financial performance; Cash Flow Statement; Statement of changes in net assets/equity. When the entity makes publicly available its approved budget, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the financial statements; Explanation of comparison of accounting policies and other explanations and comparative information must be in the same period.

Table 2
Some IPSASs concern with the state budget revenue

<i>Ordinal</i>	<i>Some IPSASs</i>
1	Conceptual Framework
2	IPSAS 1: Presentation of Financial Statements
3	IPSAS 2: Cash Flow
4	IPSAS 6: Consolidated and Separate Financial Statements
5	IPSAS 9: Revenue from Exchange Transactions
6	IPSAS 22–Disclosure of Financial Information about the General Government Sector
7	IPSAS 23 – Revenue from Non – Exchange Transactions (Taxes and Transfer)
8	IPSAS 32 – Services Concession Arrangements: Grantor
9	IPSAS 33 – First - time Adoption of Accrual Basic IPSASs

Presentation of Financial statements, such as IPSAS 1: Presentation of Financial Statements

The general purpose is to provide information about the financial position, financial performance and cash flows of an entity that is useful to a wide range of users in making and evaluating decisions about the allocation of resources. Specifically, the general purpose of financial statements in the public sector should be to provide information useful for decision making, and to demonstrate the accountability of the entity for the resources entrusted to it by providing information about the sources, allocation and uses of financial resources; providing information about how the entity financed its activities and met its cash requirements; providing information that is useful in evaluating the entity's ability to finance its activities and to meet its liabilities and commitments; providing information about the financial condition of the entity and changes in it; and providing aggregate information useful in evaluating the entity's performance in terms of service costs, efficiency and accomplishments.

In addition, financial statements can have a predictive or prospective role, providing information useful in predicting the level of resources required for continued operations, the resources that may be generated by continued operations, and the associated risks and uncertainties. Financial reporting may also provide users with information indicating whether resources were obtained and used in accordance with the legally adopted budget, and indicating whether resources were obtained and used in accordance with contractual requirements, including financial limits established by appropriate legislative authorities and information about assets, liabilities, net assets, revenue, costs, other changes in assets and owner's equity, and cash flows.

The preparation and presentation of financial statements must be subject to regulations. In addition, the regulation specifies difference between responsibility for preparation of financial statements and responsibility for presentation of financial statements, for example, the person responsible for preparation of financial statements for each entity (department or equivalent), the department manager and the entity's representative. Responsibility for presentation of the State's consolidated financial statements is implemented by all public entities (or higher-level financial agency, like controller) and the Viet Nam Ministry of Finance or equivalent.

Principles of presentation of Financial statements: Understandability; Relevance (exactly reflecting essence); Reliability (truth, essence, objectiveness, carefulness and accomplishment); Comparability and Unchangeableness (punctuality, cost-benefit balance and information quality balance).

How to Measure the Assets and Liabilities

The Measurement Bases for Assets are: Historical Cost; Market Value (Market value in open, active and orderly market); Replacement Cost; Net selling Price and Value in use;

The Measurement Bases for Liabilities are: Historical Cost; Cost of fulfillment; Market Value (Market value in open, active and orderly market); Cost of Release and Assumption price.

2. RESULTS AND DISCUSSION

Firstly, the tendency to switch to the Accrual basis: principles of Cash Basic accounting or Accrual Basic accounting have certain strengths and weaknesses, but above all, accrual basis is still the general trend of international accounting, enterprises and public sector. Applying the Accrual basis accounting principle in State budget revenue will reflect the nature of the transaction including the taxes receivable/payable – Accrual Basic, collected/paid – Cash Basic and remaining amounts receivable/payable. With accrual basis, a more complete picture in the public sector will be made available to help the users of information to better understand the particular units and consolidated units

Secondly, the relevance to the international business accounting standards: IPSAS and IAS/IFRS may have a relatively cohesive and even relationship in terms of the number of standards, the content of standards, the structure of standards. Specifically, the following types shall be included general standards defining specific accounting principles and requirements; specific standards on goods, fix assets, financial statements, adjustments of events, differences in exchange rates, revenues, costs...Although there is a difference in the target, the enterprise sector - for the enterprise standard sector and the public sector - for the public sector, but due to the management requirements of the State, the business objectives of the enterprise that the public entities have many similar characteristics as the enterprises. Thus, in the process of developing development strategies as well as financial and accounting policies, it is necessary to take into account the integration of public-enterprise issues in the public sector.

Thirdly, the consolidation with common figures: the organizational structure includes central level agencies, local agencies and vertical agencies. Each level of management, each specialized agency performs a different objective but a comprehensive picture consolidated by sector, branch and the entire State is needed. In order to achieve this, it is necessary to use specific provisions on accounting methods and policies as well as specific methods of consolidation

Fourth, the financial reporting system in the public sector: according to the regulations of IPSAS, the financial reporting system in the public sector includes. Financial statement presents the status of assets and asset sources of the public entity (Separate financial statements and Consolidated financial statements) reflecting the financial status of the entity in its formation and operation. Including the item on State budget implementation. Statement of financial performance reflects the entity's performance during the period including accounts receivables (due to state budget allocations, from decentralization and other operations), the costs as regulated, as well as State budget implementation.

Statement of changes in net assets/equity presents the change in net assets of the entity (Total Assets – Liabilities)/Owners' equity with causes and reasons for change to ensure the best management.

Cash flow statement presents cash flows from operations, investment and finance to the actual cash inflows during the period as well as the level of creating money of the entity.

The notes explain the items in more detail in order to help the information users with a clear and complete view.

Fifth, the report on revenues: these are revenues that do not generate the conversion of goods or services such as taxes; Transfers (cash or non-cash), allowances, forgotten debts, resources, legacies, gifts, donations, goods and services, a part received from the market transfer, etc. These revenues will be controlled and recorded by the tax authorities to monitor the collection of the State and help functional agencies get estimates of revenues of the State as well as the details of the revenues

Sixth, the issuance and approval of estimates: budget estimates are issued by the State and carry out expenditure activities in the fiscal year, but budget approval activities will be finalized by the end of the year and will be compared to generate disparities, find causes and solutions. These arising issues are recorded in detail by the accountant according to the accrual basis accounting principle

Seventhly, the conditions for applying IPSAS in Vietnam: the legal systems including State budget law, Accounting law and the implementation of State general accounting

Eighthly, there are some model measurements for Assets and Liabilities

Measurement bases for Assets that there are some model measurements, such as:

- Historical Cost: Entry and Generally Observable
- Market Value in open, active and Orderly market: Entry and Exit; Observable
- Market Value in inactive Market: Exit and dependent on valuation technique
- Replacement Cost: Entry and Observation
- Net selling Price: Exit and Observation
- Value in use: Exit and Unobservation

Measurement bases for Liabilities that there are some model measurements, such as:

- Historical Cost: Entry and Generally Observable
- Cost fulfilment: Exit and Unobservation
- Market Value in open, active and Orderly market: Entry and Exit; Observable
- Market Value in inactive Market: Exit and dependent on valuation technique
- Cost of Release: Exit and Observable
- Assumption Price: Entry and Observable

3. CONCLUSIONS

IPSAS has been appeared for a long time and developed relatively well; although there are differences with specific conditions in Vietnam today, IPSAS is always the guidelines for public agencies in Vietnam to implement. There are no regulations related to State revenue management agencies such as tax authorities, state treasuries...aimed at the State general accounting and the State report to reflect the overall financial

situation of the State, results in each period. Transition to the accrual basic shall be recognized and reflected more fully the accounts receivables, the received accounts and the remaining accounts

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