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CONCEPTUAL FRAMEWORK OF INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS: WORLD EXPERIENCE AND UKRAINE

KONCEPCYJNE PODSTAWY STANDARDÓW RACHUNKOWOŚCI W SEKTORZE PUBLICZNYM: DOŚWIADCZENIE ŚWIATOWE A UKRAINA

КОНЦЕПТУАЛЬНАЯ ОСНОВА СТАНДАРТОВ БУХГАЛТЕРСКОГО УЧЕТА В ОБЩЕСТВЕННОМ СЕКТОРЕ: МИРОВОЙ ОПЫТ И УКРАИНА

Abstract

The article discusses the role of the "Conceptual framework for general purpose financial reporting of public sector entities" in connection with the reform of the accounting and reporting system in the public sector of Ukraine on the basis of harmonization with International Accounting Standards. The chronology of the development of the Conceptual Framework and its brief content are generalized. An analysis of the purpose of the Conceptual Framework for General Purpose Financial Statements was conducted. Conclusions on the need to develop a national conceptual framework are made.

Keywords: *public sector, conceptual framework, general-purpose financial statements, International Public Sector Accounting Standards, national accounting standards (standards) in the public sector.*

Streszczenie

W artykule omówiono rolę "Koncepcyjnej podstawy sprawozdawczości finansowej podmiotów sektora publicznego" w związku z reformą systemu rachunkowości i sprawozdawczości w sektorze publicznym Ukrainy na podstawie harmonizacji z

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międzynarodowymi standardami rachunkowości. Została przedstawiona ogólna chronologia rozwoju ram koncepcyjnych i jego krótka treść. Została również przeprowadzona analiza celu Koncepcyjnej podstawy dla celów ogólnego sprawozdania finansowego. Konkluzje dotyczą potrzeby opracowania krajowych podstaw koncepcyjnych.

Słowa kluczowe: sektor publiczny, podstawy koncepcyjne, ogólne sprawozdania finansowe, międzynarodowe standardy rachunkowości sektora publicznego, krajowe standardy rachunkowości (normy) w sektorze publicznym.

Аннотация

В статье рассмотрена роль «Концептуальной основы финансовой отчетности общего назначения субъектов государственного сектора» в связи с реформированием системы учета и отчетности в государственном секторе Украины на основе гармонизации с Международными стандартами бухгалтерского учета. Обобщены хронология разработки Концептуальной основы и ее краткое содержание. Проведён анализ предназначения Концептуальной основы финансовой отчетности общего назначения. Сделаны выводы о необходимости разработки национальной Концептуальной основы.

Ключевые слова: государственный сектор, концептуальная основа, финансовая отчетность общего назначения, Международные стандарты бухгалтерского учета в государственном секторе, национальные положения (стандарты) бухгалтерского учета в государственном секторе.

Formulation of the problem

The economic situation that emerged during Ukraine's accession to the world economic community and the socio-political complications in the country itself required significant structural changes in the state sector of Ukraine and led to a logical need for reforming the accounting and reporting system as an information system for managing public finances. In accordance with the "Strategy for the modernization of the accounting system in the public sector for 2007-2015" [1], the expected results of the implementation of the reform of the adaptation of Ukrainian legislation on accounting and reporting to international standards include:

improvement of the public financial management system;

transparency of financial reporting in the public sector and the possibility of their comparison with similar data from other countries.

However, the process of reform did not come to an end within the specified time frame; a number of activities are planned for 2016-2018 [2]. Numerous changes have been made to the normative documents that have just been adopted, which complicates their application. As a result, this leads to a low quality of financial swelling of the public sector entities, its incompatibility with previous reporting periods.

Analysis of recent research and publications

The scientific works of O. Adamiq, S. Svirko, N. Sushko, A. Farion, E.

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Cechulina and many other Ukrainian scientists and practitioners provide an overview of the process of reforming the accounting and reporting of the public sector, its evaluation on the basis of a comparison of the requirements of the International Accounting Standards in the Public Sector (hereinafter referred to as the IASPS) and national accounting states (standards) in the public sector (hereinafter - NS(S)APS), solving methodological and technical problems in their implementation.

However, none of the domestic studies was devoted to the provisions of the Conceptual Framework for General Purpose Financial Reports of the public sector entities, its objectives and status. Paying tribute to the scientific achievements of Russian scientists, we consider it extremely relevant to study this document. In our opinion, many problems in the implementation of national standards would have been avoided if this document had been timely translated into Ukrainian and comprehensively discussed by regulators, scientists and practitioners. In addition, as shown by the OECD study [3], the reform of accounting and reporting systems in the public sector of other countries occurred through the creation of a national Conceptual Framework and national standards based on international ones.

The purpose of the article is to study the Conceptual Framework for General Purpose Financial Reports, identify possible problems in applying its provisions in the national accounting system and justify proposals for their solution.

Statement of the main results. Although the first edition of the IASPS came into force in 2002, it was changed in 2004, 2006, 2012 and 2016 [4], the Conceptual Framework for General Purpose Financial Reporting [5] was completed only in 2014. Individual components of the Conceptual Framework (such as the reporting unit and elements of the financial statements) were covered in the Accrual Accounting Guide issued in 2011 [6].

The main stages of the creation of this document by the Council for International Public Sector Accounting Standards (CIPSAS) are summarized in Table 1. They indicate a detailed discussion of the most important aspects of financial reporting of public sector entities.

The conceptual framework for general purpose public sector financial reporting considers the concepts used in the development of the IASPS and Recommended Practical Guidelines (RPGs) for the preparation and presentation of financial statements.

Table 1. Chronology of the Conceptual Framework for General Purpose Public Financial Reporting

<i>Document Titles</i>	<i>Issue Date</i>	<i>Review Period</i>
“Purpose of financial statements”, “Structure of financial statements”, “Qualitative characteristics of information in financial statements”, “Reporting unit”	September 30, 2008	March 30, 2009
“Elements of financial statements. Recognition in financial statements”	December 15, 2010	June 14, 2011
“Valuation of assets and liabilities in financial	December 15,	June 14, 2011

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<i>statements”</i>	<i>2010</i>	
Project 1 “Role, Sphere of application, Structure, Purpose and Users, Qualitative Characteristics, Reporting Unit”	<i>December 15, 2010</i>	<i>June 14, 2011</i>
Project “Main characteristics of the public sector with the value of the reporting period”	<i>April 29, 2011</i>	<i>August 31, 2011</i>
“ <i>Submission of financial statements”</i>	<i>January 29, 2012</i>	<i>May 31, 2012</i>
Project 2 “Elements of financial statements. Recognition in financial statements”	<i>November 7, 2012</i>	<i>April 30, 2013</i>
Project 3 “Valuation of assets and liabilities in financial statements”	<i>November 7, 2012</i>	<i>April 30, 2013</i>
Project 4 “Submission in general-purpose financial statements”	<i>April 17, 2013</i>	<i>August 15, 2013</i>

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based on the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities [5]

The duration of the development process is also due to significant differences in the structure, powers and methods of activities of public sector entities in different countries. The duration of the development process is also due to significant differences in the structure, powers and methods of activities of public sector entities in different countries. However, the principles outlined in it allow a decision to be made if the IASPS or RPGs does not cover any accounting object or transaction. Because the IASPS, like the IFRS for the business sector, are the standards based on the principles.

A summary of the sections of the Conceptual Framework is showed in Table 2. Traditionally it is noted that it does not replace the IASPS or the RPGs, nor does it

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Table 2. Structure and content of the Conceptual Framework for General Purpose Public Financial Reporting

Section Titles	Structure	Summary
The role and sphere of application of the Conceptual Framework	Role of the Conceptual Framework. Powers of the Conceptual Framework. The main purpose of financial statements. Sphere of application.	The value of the Conceptual Framework as a document issued in the development of standards. It extends to the public sector entities who choose IFRSPS (International Financial Reporting Standards in the Public Sector) to compile financial statements.
Purpose and users of financial statements	Purpose of financial statements. Users of financial statements. Information for the recipients of services and the sources of its provision. Basic information of financial statements. Report of financial situation. Financial fulfillment report. Cash flow report, budget information. Information on compliance with legislation and other rules and regulations. Indices of the results of services, forecast financial and non-financial information. Explanatory information. Information on changes and additions to financial statements. Other sources of information.	The purpose of financial statements in the public sector is to provide users the information for decision-making. Holders of financial statements: authorities, funds, donors, taxpayers, the public, auditors, media. Contents of financial statements: information on financial condition, financial implementation and cash flows. Additional information on the comparison with the approved budget, analysis and forecast of activities (for example, cost, volume, service quality).
Qualitative characteristics	Introduction. Relevance. True presentation. Clarity. Timeliness. Comparability. Evaluation. Limitations: essence, cost-benefit, balance between qualitative characteristics.	Qualitative characteristics of information in financial statements: relevance, truthful representation, clarity, timeliness, comparability, evaluation. Limitations to information in financial statements: essence, cost-benefit, balance between qualitative characteristics.
Reporting unit	Introduction. Main	The concept of the reporting

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	characteristics of the reporting unit.	unit as ministries, agencies, organizations, institutions, programs (regardless of the availability of legal status as an isolated unit).
Elements of financial statements	Introduction. Assets. Commitments. Net financial position, other sources, other borrowed liabilities. Income and expenses. Excess or deficit for a period. Contributions. Withdrawal of contributions.	The main elements of financial statements: assets, liabilities, incomes, expenses, contributions, distribution of contributions. Assets. Liabilities. Net financial position, other sources, other borrowed liabilities. Incomes and expenses. Excess and shortage for the period. Contributions to a net financial position, withdrawal of contributions.
Recognition in financial statements	Criteria for recognition and their disclosure. Definition of elements. Evaluation. Disclosure and recognition. Refusal to recognize.	Criteria for recognition and their disclosure. Definition of elements. Evaluation. Disclosure and recognition. Refusal to recognize.
Valuation of assets and liabilities in financial statements	Purpose of evaluation. Types of asset valuation. Types of liabilities' assessments.	Purpose of evaluation. Types of asset valuation: historical value, current value, market value, replacement cost, net realizable value, cost of use. Types of assessments of liabilities, historical value, cost of implementation, market value, cost of taking (acceptance).
Submission	Introduction. Selected information. Location information. Information about the organization.	Selected information. Location information. Information about the organization.

Let us also dwell on other features of presentation and disclosure of elements of this document, which have so far been *general purpose* public sector *financial reporting* beyond the scope of domestic regulators and researchers, but, in our opinion, are who do not have the right to require public extremely important for the public sector sector entities to disclose specific of Ukraine. The conceptual framework information to meet their information explains that the IASPS establishes needs.

principles for the recognition, assessment, These users are:

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citizens of the country who provide their resources and receive services from government authorities and other public sector entities;

other service recipients and resource providers to public sector entities (e.g., donors);

as well as heads of legislative and executive bodies, local self-government bodies, creditors, investors, borrowers, managers and employees of the public sector entities and other interested persons.

The statement of the list of users implies accountability to them by publishing these reports.

In Ukraine, the term “general-purpose financial statements” is not currently used for either the business or the public sectors of the economy. The requirement for the publication of financial statements at the level of legislation is limited only to business entities that prepare their financial statements under IFRS.

The conceptual framework distinguishes general purpose reporting as a (reporting) process and as a set of forms of financial reports (reports, statements), including notes, including a brief description of accounting policies. It is pointed out that the financial reports do not cover all the information needs of users who need information on the extent to which the use of resources in the past has been correct, effective and efficient in making decisions, and what resources are needed in the future for the functioning of public sector entities.

Therefore, the additional information should be provided on the following:

whether the subjects received and spent resources in accordance with the budget (estimate) approved in accordance with the established procedure;

whether the resources were received and spent by the entities in accordance with legal and contractual limitations;

whether the subject of the service (implements other functions for which it was created) is economical and effective;

what are the sources of financing for the activities of the entity and whether it has sufficient funds to carry out activities and fulfill obligations;

whether the income of the subject for the reporting year is sufficient to cover his expenses for the provision of services (other functions for which he was established) in the reporting year;

whether part of the costs of the services provision (the implementation of other functions for which the entity was established) was transferred to the taxpayers of future periods in the reporting year;

how the ability of the entity to implement the functions for which it was created has changed (improved or deteriorated) compared to the previous year;

what resources are available to the entity for spending in the future, and the availability of restrictions on their use for certain purposes.

Assessing the previous experience of both budgetary and financial reporting of the public sector entities of Ukraine, as well as the latest requirements for its content, it should be recognized that, despite the abundance of reporting forms, especially the annual one, and also the explanatory note to them, not all of the information listed above, is given even to the managers of budgetary funds of the highest level. In our opinion, this is how an explanatory (analytical) note of the management of a public sector entity based on its reporting should be built.

So far, the list and content of notes to the financial statements compiled under the national S(S)APS has not been published. However, we express the fear that, most likely, it will be a set of standardized tables without any verbal description, which are

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understood only by a narrow circle of professionals. This approach has already been applied by the Ministry of Finance of Ukraine for enterprises using national S(S)A for the preparation of their financial statements, including those in state and municipal ownership.

Thus, the Conceptual Framework focuses on the reporting process, rather than on the forms of financial statements, and provides for the presentation:

reports of financial position, financial results and cash flows;

information on compliance with budgets and legislation, other regulatory and legal acts regulating the issues of attracting and using resources;

information on the provision of services;

prospective financial and non-financial information and sustainability reporting; and

explanatory information.

The requirements for non-financial information are set out in the RPGs, and in

the financial information in the IASPS.

Conclusions

Adoption of the *NS(S)APS* in Ukraine without an appropriate conceptual framework makes the process of reforming the accounting system and reporting to the public sector formal.

The endorsement of the “Conceptual Framework for General Purpose Financial Reporting in the Public Sector” in Ukraine would confirm a conscious choice of standards based on the principles (in this case, the IASPS) that define the recognition, assessment, presentation and disclosure of elements of general purpose financial statements.

In accordance with this document, the public sector entities are responsible for managing the resources allocated to them and their use primarily for the citizens of the country, therefore their reporting should be published and not limited to indices of only financial statements.

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