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Public Sector Financial Reporting

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Colleagues,

Thank you for the opportunity to critique this reporting requirement. Details follow:

Background:

Question 1: Is there useful background information for public sector financial reporting? *Yes*

Question 2: Should documents be included as IPSASB literature? *Yes*

Question 3: Should the documents be formulated in terms of conceptual formulation or a handbook?

Critique:

The member believes that conceptual formulation would provide more useful information because the matter would be identified as an accounting principle. Handbooks tend to get discarded. In addition, conceptual formulation should be described fully to all students of accounting in current texts on the subject.

Public Sector Financial Reporting serves government established legal requirements. 1.2/pp.5
Generally, government and municipal accounting tends to be grounded firmly in statute or stare decisis which is a creature of the Courts which interpret law.

The government makes decisions on the distribution of scarce resources. 1.4/ pp. 5
Generally, budgets are formulated periodically which set forth how scarce resources are to be expended for the public benefit.

The government doesn't generate profit but does generate value. 2.1/ pp. 6
Government systems generate continuing value because the tracking mechanisms become predefined and needn't be extensively recreated over time. Government infrastructure projects generate cash flows over future decades of use and utilization fees. The Great Wall of China generated value over the centuries once it was built because marauders were kept at bay. Today, solar energy panels could be built along the Great Wall to generate value for decades to come.

Combination technologies like solar and desalination plants could generate value into the future by putting into place enhanced water capabilities for human and farm use.

Taxes are a primary source of revenue. 2.1 to 2.7 / pp. 7
Current taxes are a source of revenue. Excess consumption taxes are both a source of revenue and a "carrot and stick" approach. This approach tends to discourage behavior that is inimical to the public health or interest.

Assets generate cash flows like buildings, highways, bridges, tunnels etc. 4.1/ pp. 9
Assets generate both continuing value and future cash flows to pay off debt servicing in current periods.

The "Going Concern" principle is fundamental to the compilation of financial statements. 6.4 to 6.5/ pp. 10
In places like China, the "Going Concern" concept is undermined by random Acts of G-d like huge floods, earthquakes and tsunamis. The advent of these natural crises force governments to

expend huge amounts of resources to attend to the needs of local citizens and repair public and private property.

Long term sustainability is a most fundamental or elemental principle.

The government may control rights to natural resources. 8.1/ pp.11

Generally, the government may quantify what exists in the form of natural resources via provable reserves

of oil, gas and other precious resources in a finite supply- at least on Earth. Places like Saturn's moon Titan

have huge reserves of hydrocarbons and gases which are in finite supply on the Earth.

What are the requirements for statistical accounting? 9.1 to 9.3 / pp. 11

The requirements of statistical accounting are varied. Examples are as follows:

- *range of data quantification i.e. fund balances*

- *error rates in data entry/ preparation described by distributions like the Poisson or Normal Distributions*

- *correlation of data and regression ; such as, National Income Accounting data and trends*

- *probabilistic implications may be seen in Contingency Planning and Contingency Accounting*