



Ministry of Finance of Georgia
State Treasury



**Public Sector
Accounting and Reporting**

2013



Public Finance Management Reform



- Georgia is implementing a Public Finance Management Reform ;
- The accounting reform is based on the “Action Plan for Implementation of International Public Sector Accounting Standards”
- The accounting reform has the goal of implementing accrual IPSAS in the public management sector
- A transition stage before full implementation of the accrual international standards has been to implement *“The rules of financial reporting for public sector entities based on modified cash method”* starting from 1 January this year.



Public Finance Management Reform



- The Action Plan stipulates annual implementation of 3-5 IPSAS standards and expansion of the scope of *“The rules of financial reporting for public sector entities based on modified cash method”*

Q: To what extent the aforementioned order is applicable and is there relevant experience to learn from?

- Starting from 1 January this year, a Treasury Ledger based on the principles of the Unified Chart of Accounts came into effect, but at the level of economic transactions the accounting entries guide is applied

Problem:

- The huge volume of the guide and comprehensiveness of detailed transactions covering all the specific public sector aspects;



Public Finance Management Reform



- Provision for an operation in the statement to consolidate interrelated accounts between entities in the public management sector.
- Accounting is accrual in the public sector, while budget execution is based on the cash method.

Problem:

- Due to transition to IPSAS, alignment of accrual accounting with simultaneous application of cash budgeting, regardless of the fact that the Chart of Accounts is based on budget classification.



Public Finance Management Reform



- Public sector entities prepare financial statements on the cost of net assets, while the financial statements of organizations entitled to economic activities are based on the principles of private sector accounting, including profit and loss statement.
- Preparation of consolidated financial statements at the level of these two subjects;
- Different IPSAS and GFS 2001 criteria at the bases of some methodological concept solutions (e.g. evaluation and classification of assets, liabilities, etc.)