

A NEW APPROACH OF CONCEPTUAL FRAMEWORK FOR GENERAL PURPOSE FINANCIAL REPORTING BY PUBLIC SECTOR ENTITIES

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The importance of accounting in the modern economy is obvious. That is more elevated bodies of the European Union and elsewhere dealing with the organization and functioning of accounting as a fundamental component of business (Nistor C., 2009).

The mission of the International Federation of Accountants (IFAC) is to serve the public interest, strengthen the worldwide accountancy profession and contribute to the development of strong international economies by initiating and encouraging the professional standards of high quality, the convergence process these international standards and to discuss issues of public interest which is extremely relevant international experience of (IFAC, 2011).

Currently, the concepts related to financial reports in public sector are developed by IPSAS references. Many of today's IPSAS are based on international accounting standards (IAS / IFRS), to the extent that they are relevant to the requirements of the public sector. Therefore today's IPSAS are based on concepts and definitions of the IASB's conceptual framework, with changes where necessary for public sector specific approach.

Thus this study present this brief draft statement under discussion by the leadership of IFAC in collaboration with other organizations and groups that develop financial reporting requirements of the public sector. Then, we highlight the importance and the degree of acceptance of the project which results from comments received. On the basis of combining qualitative with quantitative research seeks to demonstrate the necessity and usefulness of a common conceptual framework of the International Accounting Standards (in this case the Public Sector), starting from their emergence from presenting their bodies involved in the foundation, the content standards, experience of different countries. The results have direct implications on Romanian public accounting system, given that the reference of the international implementation and reporting is an actual goal.

The study is primarily addressed to graduate, doctoral students, professors and researchers working in public sector accounting. The study aims at presenting the acceptance of the theme subject for discussion by the IPSASB. It is addressed also to all those interested to know the current evoluția development of International Public Sector Accounting.

Keywords: financial reporting, consultation paper, public sector, public sectors references, Romania

JEL: M40, M41

Introduction

When IPSASB (International Public Sector Accounting Standards Board) initiated the first program, chose to begin by developing a core set that can be reliably adopted by those entities that have problems with financial reporting.

Many concepts, definitions and principles have been considered and integrated in IPSAS as IAS / IFRS has been developed them. However, until now, these concepts, definitions and principles were not explicitly identified or detailed. In several countries, national standards bodies have defined a conceptual framework adapted to local institutional and political system. An important part of the published work of these bodies is dedicated to the conceptual framework. The Council considers that it is time to develop a conceptual framework for general use international financial

reporting (financial information) for public entities. IPSAS will support the conceptual framework to be applicable in different states and different jurisdictions regardless of political system or type of regim. It should take into account: a) socio-cultural traditions b) form of government c) mechanisms for service delivery exists in many jurisdictions that adopt IPSAS.

The IFAC has released international public-sector accounting standards for all public-sector entities, whether they are national central governments or local governments since 2000 (Oulasvirta, 2010). The most IPSAS published until now are based on International Financial Reporting Standards (IFRS) - developed by the International Accounting Standards Board (IASB). This consultation document resulting from the first phase of the Council activity wants to develop a conceptual framework of the general purpose financial reporting and address the following issues:

- The role and authority of the conceptual framework;
- Objectives of financial information;
- The scope of financial information;
- Qualitative characteristics of information contained in financial reports for general use;
- Nature of the entity to submit financial information.

Brief History of Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities - Consultation paper

In July 2006 it has been established a collaborative project between the IPSASB and representatives of standards bodies impenentare national of Argentina, Australia, Canada, France, Israel, Malaysia, Italy, Netherlands, New Zeeleandă Spain, South Africa, Switzerland, United Kingdom, USA. Also participating were FEE (Federation des Experts Européens Comptables), IASB, TFHPSA (Task Force on the Harmonization of the Public Sector Accounting) and Eurostat. In March 2007, the IPSASB noted the progress and current status of the project including the initial issues such as objectives, the scope and qualitative characteristics of information have been prepared by the subcommittees.

In March 2008, the IPSASB make a review of the consultative paper on the first project, from 2007, joining the four chapters that were previously separate. These are: the objectives of general purpose reporting them financially, the scope of general purpose reporting them financially, qualitative characteristics of financial information included in the general purpose reporting entity financially and reporting. In September 2008, is approved for public comment and consultation the document - Conceptual framework for financial reporting for general use, used by public sector entities. The elements are: the objectives for financial reporting, qualitative characteristics of information included in the general purpose financial reporting, the reporting entity. This consultation paper is open until 31 March 2009.

In May 2009, began analyzing the 55 responses received for the first phase of the conceptual framework of IPSAS. Analysis of these responses continued throughout 2009 until April 2010. IPSASB also considered necessary to achieve a new draft consultation on the definition and recognition elements (second phase of the project). Then came phase three of the project document was a first measurement. In September of that IPSASB continued its efforts on three phase of the project and agreed that the next stage of development to produce a new draft consultation document. In April 2010, were discussing issues that have emerged from analyzing the responses. Further problems were discussed on two three phases of the project. In November 2010, was approved ED (Exposure Draft), which will end on June 30, 2011.

Document Highlights

The role and authority of the conceptual framework. The conceptual framework defines the concepts underlying the financial information on public sector entities adopt accrual accounting.

The conceptual framework does not define any new obligation on the financial information of public sector entities which are compliant to IPSAS and will not invoke IPSAS existing rules. However, if the situation is not covered by IPSAS standards or other documents issued by the Council, the conceptual framework is a relevant reference in the search for solutions.

The objectives of financial information are defined by users of financial statements in general, according to information needs. Users of these reports can be recipients of services, providers of resources or services concerning specific parties. A summary of their information needs was conducted. It appears that in many countries, legislative power is the main user of these reports. The financial information set by a public sector entity must provide users with adequate information entity.

The scope of financial information defined transactions, other events and activities that can be taken into account in the general purpose financial reports. Financial reporting should be large enough so that the general financial report of an entity to take account of financial or non-financial items in the past, present or future, to be understood and to provide financial data.

Qualitative characteristics of information contained in financial reports for general use. These qualitative characteristics are attribute ensures the interests of users of the information contained in financial reports and make general reference to the objectives defined for financial information. Qualitative characteristics of financial information provided in reports on the general use of public sector entities are: relevance, reliability, understandability, timely availability, comparability and verifiability. General purpose financial reports are also subject to general constraints relative importance, cost and the appropriate balance between qualitative characteristics.

The nature of the entity that presents a conceptual framework to the financial information is not intended to designate parts of government or public sector entities. The nature of relations between the legislative and executive and financial information on the consequences of these relationships are raised equally.

Research methodology

The main objectives in our paper are: the conceptual history of public sector accounting, analysis and presentation of a consultative paper: Conceptual framework for reporting them financially in the public sector - in September 2008, detailed analysis of the received 55 responses. From the methodological point of view, a qualitative research is conducted, based on books, articles, publications and electronic resources of the Internet, but also a sustained quantitative study being empiric. These want to submit proposals for public response and interest in this problem. We have completed these steps:

- Documentation on the responses of 55. We looked at only 54; one of the answers can not be accessed.
- Analysis and interpretation of responses, through a content analysis will build a database of answers given by respondents. By quantifying 1 (Yes) and 0 (N) will determine acceptance or denial of each view (N = 9) under discussion. We must mention that, if a respondent did not respond to a View, in our analysis we considered that View is accepted, receiving a value. We went on the premise that if he did not agree, say so.
- Once this database we conducted an analysis on the country areas, the degree of acceptance and category of respondents.

Scientific research method in this paper contribute to its efforts to deepen the knowledge of character back (required by the theoretical research done) and by the prospective (given by empirical research). IPSASB accept comments on all issues raised in the consultation document in this regard subject to debate nine key issues. As a rule on respondents answers is argument for or against. If a negative response is required proposing new solutions.

Responses are required on the following issues:

1. Authority conceptual framework - the conceptual framework will establish new mandatory requirements for financial information in the public sector, which comply with IPSAS. The selection of accounting principles applicable in certain situations that do not comply with IPSAS, public sector entities will refer to the definitions, recognition criteria, valuation principles and other concepts identified in the conceptual framework that could be applied.
2. General purpose financial reports - are designed to meet the needs of general information for a wide range of potential users.
3. Users of general purpose financial statements (general purpose) - to identify common information needs of potential users of general purpose financial statements reports, these users are identified by: recipients of services or their representatives; taxpayers or their representatives; other parties, including interest groups and their representatives. Legislative power is one of the most important users of financial reports generated by public sector entities.
4. Objectives of Financial Reporting - by public sector entities are to provide useful information for users of the reports by: evaluation; taking responsibility for resource allocation decisions in politically and socially.
5. The scope of financial information. Area of financial information includes financial and non-communication of data: economic resources; effect of transactions, other events and activities that alter the economic resources, rights to these resources during the period, including incoming and outgoing numbers, and financial performance; compliance by the reporting entity laws or regulations applicable to the adoption and approval of budgets and justification taxes and fees; the information the prospective financial and other information on future activities. The field also includes financial information, providing explanatory documents: a) The main factors affecting the entity's financial performance, achievement of service delivery and other goals that may have an influence on future performance. b) The assumptions underlying them financially in the reporting of information presented in general purpose and key uncertainties.
6. Evolution of the scope of financial information. Financial reporting must evolve according to the information needs of users and in accordance with financial reporting objectives.
7. Qualitative characteristics of information in general purpose financial reports. These features are: the relevance, which includes the value of confirmation, the predictive value or both; true image, obtained by describing fair, neutral and without significant errors intelligibility; comparability timely dissemination of financial information; check constraints. The relative importance is achieving a balance between cost and quality characteristics.
8. Features of the reporting entity. A reporting entity is mainly characterized by the existence of users who require general purpose financial reporting. A public sector entity may carry out financial information may have its own legal entity or other organization.
9. Entity composition of a group of financial disclosures. A reporting entity has the power to govern the financial and operational strategies of other entities (criteria laid value) and can benefit from the work of others.

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Results

Relative to the political map of states can be distinguished in the total number of countries on every continent, who have contributed to improving the conceptual framework (Figure 1).

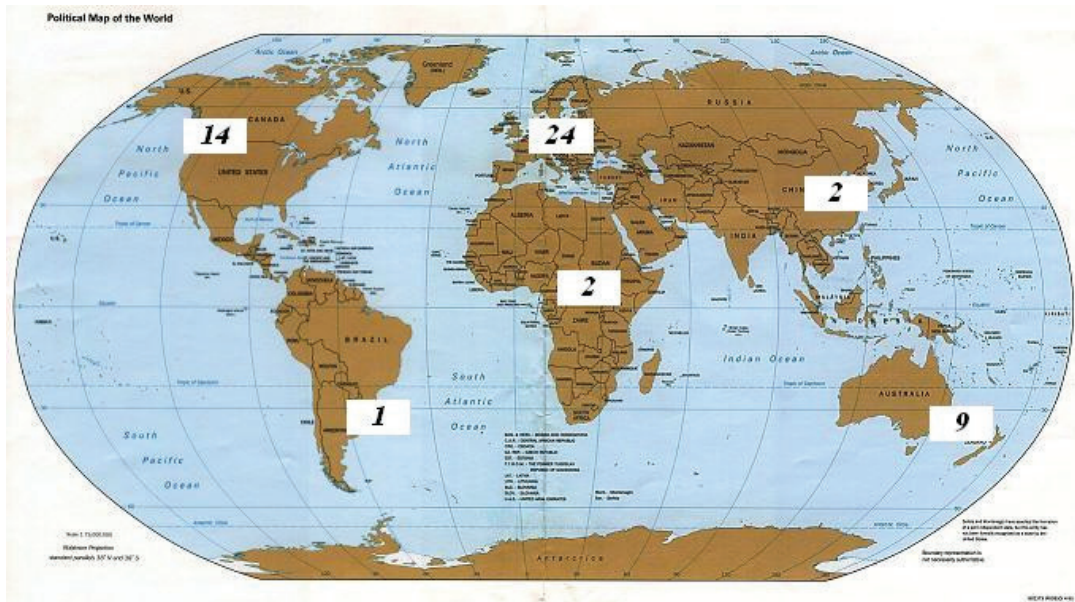


Figura 1. Country situation
Source: Own processing

The degree of acceptance of the 9 hypotheses (view) discussed is as follows (Figure 2):

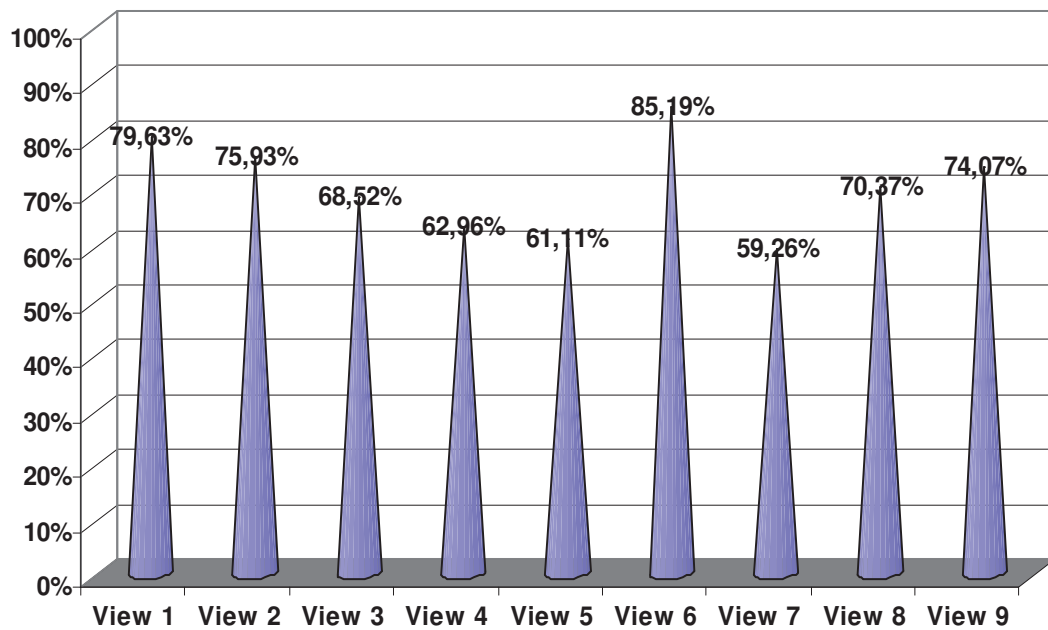


Figure 2. Acceptance degree
Source: Own processing

Overall, respondents supported referential in excess of 50%. View 6 - Evolution of the scope of financial information appears to be the most acceptable, since the few exceptions. Users agree that the scope of information includes financial information that must constantly evolve to

successfully meet the needs of users. In contrast, the subject 7 - Qualitative characteristics of information in general purpose financial reports were proved to be the most problematic situation. Most raises doubts that these quality characteristics suitable for the financial statements are not equally suited to all information in the public sector. It is clear that qualitative, adequate financial statements are equally suitable for any information on the proposed scope of the consultative document. This is illustrated by the confirmation in paragraph 4.28 of the consultation document where the quality of "verifiability" is often referred to as "affordability" in the context of qualitative information and perspective: it seems to be more than a difference in terminology. Another example: it is not clear how the quality of the "exact representation" can be applied to prospective financial information, which is not part of the financial statements.

Conclusions

IPSAS conceptual framework is found to be a controversial issue worldwide. The most frequent comments were made on the basis that IPSAS not quite explicitly defined terms used, such lines were deployed to put in place smoothly each of the nine hypotheses are preliminary abortive. From our point of view, we consider that provides a broad basic approach is correct in terms of accounting approach, but focus and retouching can head to the precise details, accurate and to the point of each element independently. Ideas drawn from the consultation document have been accumulated in strengths and drawbacks in the approach.

Following the study, we identified the following strengths of the consultative document: Consultation Paper is well written in a manner intelligible to users of financial information, are the best international practices for public sector entities, financial reporting purposes is well defined, IPSASB have taken into account in an active general purpose financial reporting. Disadvantages may be considered: the objective of the IPSASB project should not interpret the IASB, the idea that there is a potential risk and misleading public sector entities, differential treatment for public-private partnership is a controversial subject, raising many misunderstandings among users, so it is an acute need for better specification of the characteristic features of each sector, IPSASB should make a clear distinction between users of public sector financial reporting.

Future research

IFAC Board established the Council for International Accounting Standards for Public Sector - IPSASB in order to produce high quality standardized accounting to be used by public sector entities around the world for general purpose financial statements. Thus, development of accounting standards which recognition and implementation will be extended on a scale as to be geographically located in a continuous ascent. IFAC is trying to deliver some quality accounting standards for public sector in a way more obvious to all. And comments relevant IFAC can not change what has been specified or not mentioned at all. As for the future research, we believe the focus should be on highlighting all the uncertainties and to not attempt to provide remedies in the area of concern. In the hope of new works to treat more seriously as possible and improve the issues highlighted point here, we conclude that the IPSAS should take into account to optimize current criticism in the comments and congratulations to animate quality of the following future projects.

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