

PEKING UNIVERSITY SCHOOL OF ECONOICS

**Lectures on Government Accounting
With Required Readings**

Spring 2012

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(One hour per lecture)

No.	Topic
8A Tu April 3	<p>Annual Budget Accounting and Conventional Fiscal Indicators Government budgets typically appropriations and the means of financing them through revenues and borrowings. Budget accounting monitors the execution of the expenditure budget and the collection of revenues. Using budget concepts and rules, interim reports are prepared during the fiscal year and accounts are closed at year end so that annual statements of actual revenue and expenditures, and handling of deficit or surplus are prepared.</p> <p>Readings: (1) James L. Chan and Yunxiao Xu, 2012, "Government Financial Reporting Standards and Practices" (hereafter Chan and Xu, 2012), Section on "Ex Post Budget Reporting", pp. 20-21); (2) 陈立齐, 2011, "西方国家政府会计专题讲座(九) "美国州和地方政府的预算会计和报告," <i>预算管理</i> 与<i>会计</i> (7月), 50-52页。(以后简称"讲座")</p>
8B Tu April 3	<p>Budget Comparisons In-year and at Year-end Actual revenues are compared with projected revenues, and actual expenditures (perhaps commitments as well) are compared with appropriations periodically during the fiscal year and certainly at year-end so that variances can be evaluated and corrective actions taken. These budget comparisons are necessary but not sufficient because the typical cash budget has a number of deficiencies.</p> <p>Readings: (1) Chan and Xu, 2012, Sections on "Budget to Actual Comparison" and "Effects of Budgetary and Accounting Bases", pp. 21-24; (2) 讲座(九), "美国州和地方政府的预算会计和报告," 50-52页。</p>
9A Th April 5	<p>Fiscal Accounting: Objectives, Analytical Framework and Bookkeeping Government fiscal accounting serves a hierarchy of objectives: to ensure legal compliance and safeguard the treasury, to support financial management, and to demonstrate fiscal accountability. As government is accountable for all its economic resources and for meeting all its obligations, fiscal accounting adopts the analytical framework of "assets – liabilities = net assets" (also called the accounting equation or identity) and uses changes in financial position to evaluate periodical performance. The analytical framework is made operational by means of the double-entry bookkeeping method used to record changes to financial position due to transactions and events.</p> <p>Readings: (1) James L. Chan and Qi Zhang, 2012 "Government Accounting Standards and Policies" (hereafter Chan and Zhang, 2012), Sections on "Government Accounting: A General Framework," and "Government Accounting Standards and Policies in Brief," pp. 1-19; (2) 讲座(一), "政府会计准则的结构," 37-40页。</p>
9B Th April 5	<p>Annual Financial Statements and Reporting The accounting process of identifying transactions and events, recognizing the consequences of transactions and events, and measuring those consequences in</p>

	<p>the accounts so that financial statements can be prepared. The suite of integrated annual financial statements include: a statement of financial position for reporting assets, liabilities and net assets at year end; a statement of financial performance for reporting revenues, expenses, and any gains and losses for the year; a statement of cash flows during the year and cash position at year-end. Other relevant information can also be disclosed in annual financial reports.</p> <p>Readings: (1) Chan and Xu, 2012, Sections on “An Overview of Government Financial Reporting,” “Basic Financial Statements”, pp. 1-15 .</p>
10A Tu April 10	<p>Financial Statement Analysis</p> <p>Financial statements are a valuable source of data for constructing a variety of indicators to measure financial performance, liquidity and solvency, which are more extensive than the conventional deficit and debt measures used in fiscal economics. Accrual basis can be calibrated in mild, moderate and strong degrees to produce measures appropriate for measuring fiscal concepts. However due to restrictions imposed by accounting recognition criteria and limitations of accounting measurement techniques, additional disclosures and analyses are needed to meet the requirements of fiscal accountability and transparency.</p> <p>Readings: (1) 讲座(一), “政府会计准则的结构,” 文中“政府会计准则的框架结构,” 37-38 页; (2) Chan and Xu, 2012, Sections on “An Overview of Government Financial Reporting,” “Basic Financial Statements”, pp. 1-15 ; (3) Chan and Xu, 2012, Sections on “Supplemental Statements and Disclosures,” pp. 15-19.</p>
10B Tu April 10	<p>From Financial Statements to Fiscal and Economic Analyses</p> <p>Whereas budget comparisons use budget rules, budget reconciliation explains the discrepancy between the actual deficit on the budgetary basis and the actual deficit on an accrual basis. The discrepancy between anticipated deficit and actual deficit could also be explained by changes in economic condition and other factors. The measurement of capital assets pushes accounting measurement technology to its limit. The long-term projections of operating deficits and underfunding of social safety net programs are useful in gauging fiscal sustainability. Government financial data should be placed in the context of the entire public sector and then the whole economy. The IMF’s Government Finance Statistics (GFS) are used in making international fiscal analyses. The budgetary, accounting and statistical bases of reporting require harmonization for the sake of cost-effective design or modification of a government’s financial information systems.</p> <p>Readings: (1) Global Perspective: Chan and Xu, 2012, “Statistical Reporting,” pp. 26-32; (2) Global Perspective: IMF, Shifting Gears: Tackling Challenges on the Road to Fiscal Adjustments, <i>Fiscal Monitor</i>, April 2011, focus only on Appendix 2 Fiscal Transparency Under Pressure, pp. 73-78; (3) Case of U.S.: Chan and Xu, 2012, “How Much Red Ink?” <i>World Economics</i> (January-March), pp. 63-72 ; (4) Case of Greece: Brian Sturgess, 2010, “Greek Economic Statistics: A Decade of Deceit,” <i>World Economics</i> (April-June), focus only on the sections “The problems with Greek data” and “The political economy of Greek data,” pp. 78-88.</p>
11A Th April 12	<p>American Federal Whole-Government Financial Reporting</p> <p>The unified federal budget is echoed at year-end by the Consolidated Financial Statements (CFS) of the U.S. Government. These statements, though having problems of their own that result in the auditor’s disclaimer of audit opinion, serve to point out the limitations of the federal budget, which plays extremely powerful but also controversial role in influencing the economy. The contents and inter-relationships of the CFS, as well as their shortcoming and additional disclosures to supplement them, are discussed. Basic comparisons of budgetary, accounting and statistical bases of financial reporting will also be made.</p>

	<p>Readings: (1) Chan and Zhang, 2012, Box 3 “The Long Road to Accrual in America”; (2) 讲座 (五) “美国政府的财务报告 (1)” 43-47 页; (3) 讲座 (十) “美国联邦政府财务报告的新发展,” 29-30 页。</p>
<p>11B Th April 12</p>	<p>American Federal Departmental Financial Reporting The government-level consolidated financial statements (CFS) are prepared by aggregating and adjusting departmental CFS contained in annual Accountability and Performance Reports. Accounting for and reporting on the use of budgetary resources are an important function of departmental accounting systems. The gaps between these two levels of federal financial reporting will be identified, because of their political and economic significance. The general features of American government accounting and financial reporting will be highlighted for international comparison and reference. Readings: (1) 讲座 (六) “美国政府的财务报告 (2)” ; (2) 讲座 (二), “企业会计与政府会计的关联。”</p> <p>*** Assignment of term project “Financial Analysis of U.S. Government from a Chinese Perspective”***</p>
<p>12A Tu April 17</p>	<p>American State and Local Government Accounting Since American government accounting embodies most of the features and issues related to Western practices, it will be the focus of the next four lectures. American state and local government accounting retains several important features: the use of funds as pool of resources in budgeting and managing resources for specific purposes; heavy influence of public finance laws and budgets; the modified cash/accrual basis of accounting; and interim and annual budget comparisons. The managerial emphasis of fund accounting and budget accounting also imposes limitations on the usefulness of multiple and voluminous fund financial statements. Readings: (1) 讲座 (三) 和 (四) “什么是政府会计” 。</p>
<p>12B Tu April 17</p>	<p>American State and Local Government Financial Reporting The past four decades saw efforts to expose the limitations of fund accounting and cash basis of accounting. These efforts have resulted in modifications to – but not abandonment of – fund accounting and fund financial statements. Government-wide financial statements, prepared under a strong or full degree of accrual, are required to give policy makers and the public more insight into the long-term consequence of past and current decisions to defer cost of services to the future. Other disclosures are made in Comprehensive Annual Financial Reports (CAFR) to enhance their usefulness. These reports are designed primary to demonstrate the accountability of individual units of governments, with minimal attention to national comparability and virtually no attention to international comparability of financial data. Readings: (1) 讲座 (7) 和 (八) “美国州和地方政府财务报告 (1) 和 (2)” ; (2) Chan and Xu, 2012, the section on “Budget-related Reporting,” pp. 19-24; (3) Chan and Zhang, 2012, Box 3 “The Long Road to Accrual in America”.</p>
<p>Tu April 24</p>	<p>Group Tem Project on “Financial Analysis of U.S. Govt. from the Chinese Perspective”</p> <p>Help session on April 24</p>
<p>Tu May 8</p>	<p>Student Group Presentations of “Financial Analysis of U.S. Govt. from a Chinese Perspective”</p>

<p>13A Th May 10</p>	<p>Western Government Accounting and Its Globalization American government accounting embodies elements of the traditional Continental European model and the radical “ABC” (advanced British Commonwealth) model. Is it possible – or desirable even if it is possible – to develop uniform international public sector accounting for global application? Are Western government accounting practices applicable to developing countries and transitional economies? Answers to these questions have influenced and will continue to influence the development of International Public Sector Accounting Standards (IPSAS) and their adoption. Readings: (1) Chan and Zhang, 2012, section on IPSAS, pp. 6-7 and the Appendix with listing of IPSASs; (2) Chan, 2008, “International Public Sector Accounting Standards: Conceptual and Institutional Issues”; (3) Chan, 2006, “IPSAS and Government Accounting Reform in Developing Countries.”</p>
<p>13B Th May 10</p>	<p>Western Government Accounting – Other Variants In addition to the Anglo-American model, there are other variations in Western government accounting. For example, the German approach has been quite resilient to radical changes, while the French have been more receptive to foreign influences. The various traditions in government accounting are compared in order to derive international norms (“best/better/good practices”) and explore regional and national unique characteristics. Readings: (1) Chan, Jones and Luder, 1996 “Modeling Government /accounting Innovations: An Assessment and Future Research Directions,” Vol. 9, <i>Research in Government and Nonprofit Accounting</i>, focus on pp. 1-3, 9-18; : (1) Germany, Federal Ministry of Finance, 2012, “The Budget System of Federal Republic of Germany,” focus only on pp. 38-40; (2) France, Vareille and Adhemar, 2003, “The Modernization of Government Accounting in France...”, only parts 1 and 2 on the initiation of reform to change the tradition system on pp. 1-18;</p>
<p>14A May 15</p>	<p>Government Accounting in China: Recent Developments and Future Prospects Following extensive exchanges with Western countries and careful deliberations during the past decade, China seems poised for some major developments. Experimental efforts in accrual accounting are taking place in selected provincial and local governments. Attempts will also be in preparing government financial reports. Plans for developing standards have been announced. The pace and depth of these measures will depend on a number of political and economic factors, as well as the resolution of theoretical and technique issues. Readings: (1) Chinese Ministry of Finance, “大力推进政府及非营利组织会计改革” 《会计改革与发展“十二五”规划纲要》 解读之九, 2011; (2) Chan and Xu, 2012, Box 2 “The Development of Government Financial Reporting Practice in China”; (3) Chan, 2010 “Yang’s Law and Zhu’s Mandate: The Roles of Accounting in Managing the Chinese State,” 杨氏规律和朱总理指令：会计的治国角色 , unpublished paper.</p>
<p>14B May 15</p>	<p>What’s the Use of Government Accounting? On the basis of personal experiences as a scholar and consultant, Professor Chan will show the value of government accounting as a field of study and professional practice. For your information: Condensed version of Professor Chan’s Curricular Vitae (CV).</p>