

<b>An introduction to the content and approach of the course</b>	
<ul style="list-style-type: none"> <li>• Content: Budgeting and accounting, as well as government finance statistics (GFS) providing information for fiscal policy making and fiscal analysis.</li> <li>• Approach: Using a comparative approach – economic in comparison with accounting; Chinese in comparison with international norms and American practices.</li> <li>• Requirements: Class attendance and participation, homework, examinations, and a research project for the entire semester.</li> </ul> <p>Reading assignments: Reading assignments should be finished <i>in advance</i> of the class session for which they are assigned. Refer to the table of contents of the two-volume book of readings following the syllabus.</p>	
<b>Week</b>	<b>Topic</b>
<b>Part I. Fiscal Information Systems and the Economic Perspective of Budgeting (Xu)</b>	
1	Fiscal policy making, analysis and implementation
2	The economic perspective of public budgeting (I)
3	The Economic perspective of public budgeting (II)
<b>Part II. Budgeting and Fiscal Management in China (Xu)</b>	
4	Fiscal forecasting, budget preparation and approval
5	Budget execution and financial performance
6	Chinese budget management and the economic perspective of budgeting
<b>Part II. From Budget Accounting to Financial Accounting in the U.S. (Chan)</b>	
7	<p><b>Government budgeting and budgetary accounting</b></p> <p><i>Session A The influence of political system and governance structure is illustrated by the history of reforming government budgeting and accounting in the U.S. in the 20<sup>th</sup> century.</i></p> <p>A. American government institutional structure and effects on budgeting (Read: A.2 Chan on American government budgeting and accounting Reform, sections on the federal government; A.1 Chan on federal budget laws, emphasizing laws that created the budget system)</p> <ol style="list-style-type: none"> <li>1. Constitutionalism</li> <li>2. Federalism</li> <li>3. Separation of powers and checks and balances</li> <li>4. Rule of law and rule by law</li> </ol> <p>B. State and local government practices (Read: A.2 Chan on American government budgeting and accounting reform, section on state and local governments; B.7, B.8 and B.9 on American local government budgeting and accounting)</p> <ol style="list-style-type: none"> <li>1. Constitutional or other legal requirements for a balanced budget</li> <li>2. Operating budgets and capital budgets</li> <li>3. Budgeting by fund and resource use restrictions on use of resources enforced by fund</li> <li>4. Use of encumbrances for preventive financial control</li> </ol>

	<p>5. Budgetary accounting during the year, and budgetary comparison within-year and at year-end</p> <p><i>Session B. An important function of accounting in government is to monitor and report the implementation of the budget. American federal government budget concepts and system are introduced, and the spending process is illustrated for one department, along with a brief reference to the current fiscal paralysis.</i></p> <p>C. Federal government agency/department practices (Read: C.1 Excerpts from the OMB document on budget concepts and budget system; C.2 Federal Aviation Administration’s schedule of program and financing as sample department budget request; B.6 Chan on federal agency financial reporting. Refer to the glossaries in C.10 and C.11 as needed)</p> <ol style="list-style-type: none"> <li>1. Budgetary authority, budgetary resources, sequestration</li> <li>2. Routine spending process: apportionment, allotment, obligation, outlay</li> <li>3. Program and financing schedule of a budget account</li> <li>4. Department statement of status and use of budgetary resources</li> </ol>
8	<p><b>Financial accounting: Objectives, Concepts and Principles</b></p> <p><i>Session A Unconstrained by budget concepts and practices, financial accounting and related financial reporting provides another perspective on how to view a government’s finances. This session will have a fast pace in order to cover the most important ideas identified below.</i></p> <p>A. Financial accounting: concepts and principles (Read: A.3 Chan assessing government accounting; A.7 Chan and Zhang on government accounting standards and policies, skipping the appendix)</p> <ol style="list-style-type: none"> <li>1. Objectives of financial accounting and reporting</li> <li>2. Accounting entity and reporting entity</li> <li>3. Accounting equation: static and dynamic versions</li> <li>4. Realization, consequences of transactions and events</li> <li>5. Recognition criteria</li> <li>6. Measurement focus and basis of accounting</li> <li>7. Financial statements, financial disclosures, financial reports</li> </ol> <p><i>Session B The complementary and competitive relationship between government accounting and budgeting has been evolving.</i></p> <p>B. Comparing budgetary accounting measures and financial accounting measures: usefulness and limitations</p> <ol style="list-style-type: none"> <li>1. Evolving relationship between accounting and budgeting (Read: A.9 Heiling and Chan on the relationships between accounting and budgeting)</li> <li>2. Budget-related reporting (Read A.6 Chan and Xu on government financial reporting, focusing on the section on budget-related reporting)</li> <li>3. Comparisons (Read A.5 Chan and Xu comparing the accounting and economic approaches on measuring deficit and debt)</li> </ol>

9	<p><b>Financial statements for whole-of-government</b></p> <p><i>Session A Financial statements, contained in financial reports, are derived from the balances of accounts kept in compliance with certain accounting principles. Generally accepted accounting principles used to prepare general purpose financial statements are stressed.</i></p> <p>A. Financial accounting process: A Review (Review A.7 Chan and Zhang, paying particular attention to accounting process)</p> <ol style="list-style-type: none"> <li>1. Identification of consequences of transaction and event analysis</li> <li>2. Recognition</li> <li>3. Measurement</li> <li>4. Recording</li> </ol> <p>B. Annual financial reporting (Read A.6, Chan and Xu, skipping the section on statistical reporting and paying particular attention to the following topics)</p> <ol style="list-style-type: none"> <li>1. Objectives</li> <li>2. Basic general purpose financial statements</li> <li>3. Supplemental statements and disclosures</li> </ol> <p><i>Session B Financial statements that cover the whole of government and are based on data from an accrual accounting system are considered necessary for fairly presentation of the government's financial conditions. The form and content of sample financial statements of governments in the U.S. are analyzed.</i></p> <p>C. Contents of whole-of-government financial statements</p> <ol style="list-style-type: none"> <li>1. U.S. Government Consolidated Financial Report (Read B.5 on American federal government financial reporting, referring to C.7 for highlights of cash reports, and C.8 for consolidated financial statements, which are explained in C.9)</li> <li>2. An American state government (Read B.8 Chan on government-wide financial statements, as illustrated by the State of Illinois in C.12)</li> </ol>
<b>Part III. Government Accounting in China (Xu)</b>	
10	Overview and Need for Reform
11	Issue and Relevant International Benchmarks or Experience
12	Issue and Relevant International Benchmarks or Experience
<b>Part IV. A Re-examination of American/International Standards and Practices (Chan)</b>	
13	<p><b>Issues in American government budgeting and accounting</b></p> <p><i>Session A After the fundamentals, we will now examine some of the critical long-term and short-term challenges facing the U.S. in budgeting and accounting. Some of these are the result of the political nature of the budget process; others are of a technical nature.</i></p> <p>A. Current/recent U.S. budget situation: fiscal cliff, sequestration, continuing resolution, and federal debt ceilings (Read: C.3 an OMB memorandum on implementation of sequestration, and C4 for news stories, C5 for background information, and C6 on the impact of this kind of budget cuts and a political analysis of the impasse)</p> <p>B. Measuring issues (Read C.11 and C.12 for criticisms and</p>

	<p>recommendations on improving federal financial reporting; A.5 Chan and Xu again for financial accounting ideas to improve budget numbers)</p> <ol style="list-style-type: none"> <li>1. Broadening the coverage of public institutions</li> <li>2. Constructing government balance sheets</li> <li>3. From accrual accounting to accrual budgeting?</li> </ol> <p><i>Session B Thanks for their high degree of transparency, the world knows so much about the depth of fiscal problems of U.S. (and Europe). But are more data the better? We will examine the issues of accessibility and the effects on information and communication technology on government financial reporting.</i></p> <p>C. Reporting issues related to users and uses of financial reports</p> <ol style="list-style-type: none"> <li>1. Reporting to whom? – The dilemma of financial reporting in a democracy (Read: A.8 Drebin, Chan and Ferguson on decisions and information needs of government accounting information users; A.4 Chan and Rubin on the role of information in a democracy and government operations)</li> <li>2. Static fixed-format official report or interactive information services to users (Read: Chan B.10 on new methods of reporting)</li> </ol>
14	<p><b>Government Finance Statistics (GFS)</b></p> <p><i>Session A Governments around the world are encouraged to compile and report finance statistics to the International Monetary Fund for comparative macro-fiscal analysis. This session introduces the concepts and standards in the IMF's GFS system.</i></p> <p>A. Fiscal affairs in the IMF as a global monetary authority</p> <ol style="list-style-type: none"> <li>1. Fiscal foundations of the monetary system</li> <li>2. Fiscal monitoring, analysis and technical assistance</li> </ol> <p>B. Main features of GFS Manual 2001</p> <ol style="list-style-type: none"> <li>1. Introduction (Read D.1 for a description of the GFS system)</li> <li>2. Coverage of the GFS System (Read D.2 GFSM, Chapter 2)</li> <li>3. Accounting rules (Read D.2 GFSM, Chapter 3)</li> <li>4. Analytic framework (Read D.2 GFSM, Chapter 4)</li> </ol> <p><i>Session B The IMF publishes yearbooks reporting government finance statistics submitted by governments around the world. We will examine the data tables for China and the U.S. and also compare statistical reports based on GFS and financial reports based on financial accounting data.</i></p> <p>C. GFS Yearbook 2011 country tables for China and the United States: What's missing? Why? (Refer to D.3)</p> <p>D. Harmonizing statistical reporting and financial reporting (Read A.6 Chan and Xue on government financial reporting, focusing on the section on statistical reporting)</p> <ol style="list-style-type: none"> <li>1. Similarities and differences</li> <li>2. Financial statements for the general government sector and the public sector</li> </ol>

15	<p><b>Fiscal Transparency and Integration of Fiscal Information Systems</b></p> <p><i>Session A Fiscal transparency is widely regarded as a good practice. In this section we will review the components of the IMF’s fiscal transparency system, and its recent proposals to reinvigorate the monitoring of fiscal transparency practices and to strengthen the consistency among the various fiscal information systems of government.</i></p> <p>A. IMF’s Fiscal Transparency system</p> <ul style="list-style-type: none"> <li>a. Introduction (Read D.4 on how the IMF encourages fiscal transparency)</li> <li>b. Code of Good Practices (Read D.5)</li> <li>c. Manual of Fiscal Transparency, and (Read D.6, Chapters II and III)</li> <li>d. Questionnaire of Fiscal Institutions (Refer to D. 7)</li> </ul> <p>B. An IMF proposal to align government budgeting, accounting and statistics based on broader coverage and the accrual basis (Read: A.10 Heiling, Schuhrer and Chan on the IMF alignment proposal; D.8 IMF/FAD paper on fiscal transparency, accountability, and risk)</p> <p><i>Session B We will devote the last class session to a discussion about whether all of the international standards and codes are suitable to China, or perhaps some are not, and the reasons. Obstacles are to be identified so that measures may be adopted to overcome them.</i></p> <p>C. Fiscal transparency in China: applicability of international benchmarks and future prospects – a class discussion of issues</p>
16	Review

# **Readings in Government Fiscal Budgeting, Accounting and Statistics**

Compiled by James L. CHAN  
Spring 2013

## **Brief Table of Contents**

### Book 1

#### **A. Book chapters and journal articles (1)**

1. Chan, "Federal Budget Laws of the United States" (p. 2)
2. Chan, "Government Budgeting and Accounting Reform" (p. 6)
3. Chan, "Government Accounting: An Assessment" (p. 25)
4. Chan and Rubin, "The Role of Information" (p. 29)
5. Chan and Xu, "How Much Red Ink?" (p. 35)
6. Chan and Xu, "Government Financial Reporting" (p. 40)
7. Chan and Zhang, "Government Accounting" (p. 61)
8. Drebin, Chan and Ferguson, "Information Users" (p. 84)
9. Heiling and Chan, "Accounting and Budgeting" (p. 92)
10. Heiling, Schuhrer and Chan (2013) "Grand Convergence" (p. 100)

#### **B. Chan's Essays in Budget Management and Accounting (p. 106)**

1. "Structure of Government Accounting Standards" (p. 107)
2. "Government Accounting and Business Accounting" (p. 113)
3. "What is Government Accounting?" (1) (p. 119)
4. "What is Government Accounting?" (2) (p. 123)
5. "U.S. Government Financial Reporting" (1) (p. 126)
6. "U.S. Government Financial Reporting" (2) (p. 131)
7. "U.S. State and Local Government Financial Reporting" (1) (p. 133)
8. "U.S. State and Local Government Financial Reporting" (2) (p. 137)
9. "U.S. State and Local Government Budgetary Accounting and Reporting" (p. 142)
10. "U.S. Government Financial Reporting: New Developments" (p. 146)
11. "U.S. Government Financial Reporting: Appraisal and Improvement" (1) (p. 151)
12. "U.S. Government Financial Reporting: Appraisal and Improvement" (2) (p. 156)

# Readings in Government Fiscal Budgeting, Accounting and Statistics

Compiled by James L. CHAN

Spring 2013

## Brief Table of Contents

Book 2 of 2

### **C. American Government Budgeting and Financial Reporting** (p. 159)

1. OMB, “Budget Concepts and Budget Process” (p. 160)
2. FAA, Schedule of Program and Financing (p. 173)
3. OMB Memo on implementing sequestration (p. 178)
4. Select news items about the sequester: (p. 180)
  - a. *New York Times*, “Answers to Questions” (p. 180)
  - b. *New York Times*, “Many Steps” (p. 182)
  - c. ABC News, “Obama Signs Order” (p. 184)
  - d. *New York Times*, “Budget Battles Ahead” (p. 185)
5. Background information (p. 187)
  - a. Federal Budget (p. 187)
  - b. Federal Debt and Debt Ceiling (p.196)
  - c. Fiscal Cliff (p. 201)
6. *New York Times* editorial and analysis: (p. 210)
  - a. Editorial, “The Real Cost of Shrinking Government” (p. 210)
  - b. Harwood “Deep Philosophical Divide” (p. 213)
7. U.S. Treasury Department, Financial Highlights of Cash Report, FY 2012 (p. 215)
8. U.S. Treasury Department, Consolidated Financial Statements, FY 2012 (p. 216)
9. U.S. GAO, “Guide to the Annual Financial Report” (p. 229)
10. U.S. OMB, Glossary of budget terms (p. 248)
11. Schick, A. Glossary of budget terms (p. 253)
12. State of Illinois Comprehensive Annual Financial Report, FY 2011 (p. 260)

### **D. IMF Government Finance Statistics and Fiscal Transparency** (p. 268)

1. Fact Sheet: Government Finance Statistics (p. 269)
2. *Government Finance Manual*, Ch. 2, 3 and 4 (p. 273)
3. *GFS Yearbook*, Country Tables: China, United States (p. 294)
4. Fact Sheet: ... Fiscal Transparency (p. 300)
5. Fiscal Transparency Code of Good Practices (p. 303)
6. *Fiscal Transparency Manual*, Ch. II and III (p. 307)
7. Questionnaire on Fiscal Institutions: Parts IV through VII (p. 335)
8. FAD, “Fiscal Transparency, Accountability and Risk” (p. 337)

**James L. Chan, CV and list of publications (p. 370)**