

Public Sector Accounting in Japan (日本の公会計制度について)

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Overview of PS Accounting

	Central Gov.	Local Gov.
Government	General Acc't	General Acc't
	Special Acc't	General Acc't
Agency	IAA(独法) NUA(国大)	Local-IAA (地方独法)

Accrual Basis
 Modified Cash Basis
 Some accounts use accrual basis

IAA: Independent Administrative Agency

NUA: National University Agency

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Approach of Transition to Accrual

1. Segregation of functions and special accounts as “Agency” (独法化)
2. Preparation of pro forma financial information by accrual basis (central and local governments)
発生主義による財務情報の作成

Note: Official Financial Reporting of both of central and local governments are still based on modified cash basis.

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Central Government - History

- Oct. 2000 “Guidelines on B/S of Gov.”
「国の貸借対照表作成の基本的考え方」
- Sep. 2001 First Trial B/S (FY 2000)
- June. 2004 “Guidelines” on F/S by ministries” 「省庁別財務書類の作成基準」
- Sep. 2005 First F/S (FY 2003)

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Central Government – Reporting Entity

- F/S of General Account (一般会計)
 - F/S of General Account and Special Accounts (一般会計・特別会計)
 - Consolidated F/S (連結財務書類)
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- By Ministries (省庁別財務書類)
 - Central Government as a whole (国の財務書類)

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Central Government - A set of Financial Statements

- Balance Sheet (貸借対照表)
- Statement of Administrative Costs (業務費用計算書)
- Statement of Change in Net Assets (資産・負債差額増減計算書)
- Cash Flow Statement (区分別収支計算書)

Note: Tax and other revenue is recorded in the statement of change in net assets.

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Local Governments - History

- Late 1990s - Voluntary Preparation of Accrual Basis Financial Information
- March. 2001 - “Guidelines” issued by MoIAC(總務省) “總務省方式”
- April 2006 - “Accounting Standards” for the Tokyo Municipal Government (東京都會計基準)
- May 2006 and Oct. 2007 – New MoIAC reports (基準モデル、總務省方式改訂モデル)

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Accrual Based Financial Information by Local Governments

	Prefectures		Designated Cities		Other Municipalities	
	FY 2005	FY 2004	FY 2005	FY 2004	FY 2005	FY 2004
Balance Sheet for "Normal Accounts"	47	47	15	14	1098	956
	(100%)	(100%)	(100%)	(100%)	(61%)	(52%)
Statements of Administrative Cost for "Normal Accounts"	47	47	15	14	710	554
	(100%)	(100%)	(100%)	(100%)	(39%)	(30%)
Balance Sheet for "All Accounts"	44	44	14	14	177	160
	(94%)	(94%)	(93%)	(100%)	(10%)	(9%)
Consolidated Balance Sheet	47	47	15	14	102	62
	(100%)	(100%)	(100%)	(100%)	(6%)	(3%)

(Source: Ministry of Internal Affairs and Communications)

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Local Governments – Reporting Entity

- “Normal Accounts” (General Account + α)
(普通会計=一般会計+ α)
- All Accounts (全会計)
- Consolidated Financial Information
(連結財務諸表: 全会計+地方独法+一部事務組合+第3セクター等)

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Local Governments – A set of Financial Statements

- Balance Sheet (貸借対照表)
- Statement of Administrative Costs
(行政コスト計算書)
- Statement of Change in Net Assets
(純資産変動計算書)
- Cash Flow Statement(資金収支計算書)

Note: Tax and transfer revenue (“non-exchange transactions” is recorded in the statement of change in net assets, while other revenue (exchange transactions) is recorded in the statement of administrative costs

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Next Steps for PS accounting in Japan

- Early disclosure
- Accrual Basis to be “formal” reporting
- Introduction of double bookkeeping system (複式簿記会計システム)
- Unification of Accounting Standards
 - Accounting Standards Setter
 - Convergence with IPSASs

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<<For Your Information>>

International Public Sector Accounting Standards Board (IPSASB)

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IPSASB - Mission

- Develops International Public Sector Accounting Standards (IPSASs) - cash and accrual
- Supported by the UN, World Bank, OECD, NATO and others
- Facilitates convergence of national and international public sector standards

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IPSASB Process

- Meetings 3 times per year
- Open to the public
- All materials publicly available – posted on internet

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IPSASB Members 2008

- **Nominated by IFAC Member Bodies -15 members**
UK (Chair), South Africa (Vice-Chair) ,
Australia, Canada, China, France,
Israel,
Japan, Kenya, New Zealand,
Netherlands, Norway, Turkey, USA
(2)
- **Public Members -3 members**
Canada, Switzerland, Italy
- **Observers**
ADB, EU, IASB, IMF, INTOSAI, OECD,
UN, UNDP, World Bank

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Developing Standards

Accrual basis standards based on IFRSs

- Convergence with IFRSs unless public sector specific reason for departure
- Current hierarchy – where no IPSAS exists consider IASB standards or national standards
- Public sector specific standards

Cash basis IPSAS

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Available on the IPSASB Web Site:

- All IPSASs (26 accrual plus 1 cash basis)
- All current Exposure Drafts and other publications
- IPSASB meeting highlights
- IPSASB meeting agenda papers (before each meeting)

FREE OF CHARGE

at: <http://www.ifac.org/PublicSector/>

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Adoption

- UN (Planned from 2010)
- OECD, NATO, EC, IFAC, INTERPOL
- A number of countries in process (Switzerland from 2007)

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Strategic Themes

- Conceptual framework for public sector
- Public sector specific issues including convergence with statistical bases where appropriate
- IFRS convergence
- Promotion & communication

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Conceptual Framework

- To develop a public sector conceptual framework
- Collaborative work with NSSs
- Target year – 2012
- First group consultation paper, will be published at Sep. 2008

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