

## 1. Current Status I. Background

*Enactment of National Accounting Act, which is effective from 2009, opened new era for Korean government accounting evolution.*

Need to reform government accounting? ? 2008

Adoption of accrual/dbouble entry accounting 2009.1 → Completion of government accounting reform

National Accounting Act 2007.10

National Finance Act 2007.1

Budgetary Accounting 2007.1

dBrain Installation 2006

- Any change for budgeting process needed?
- Related legal/regulation prepared?
- System and organization setup?

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## 2. Scope I. Background

*To achieve the goal of preparation for new accounting in central government, 10 action plans were set up in 4 areas.*

**Completion of Government Accounting**

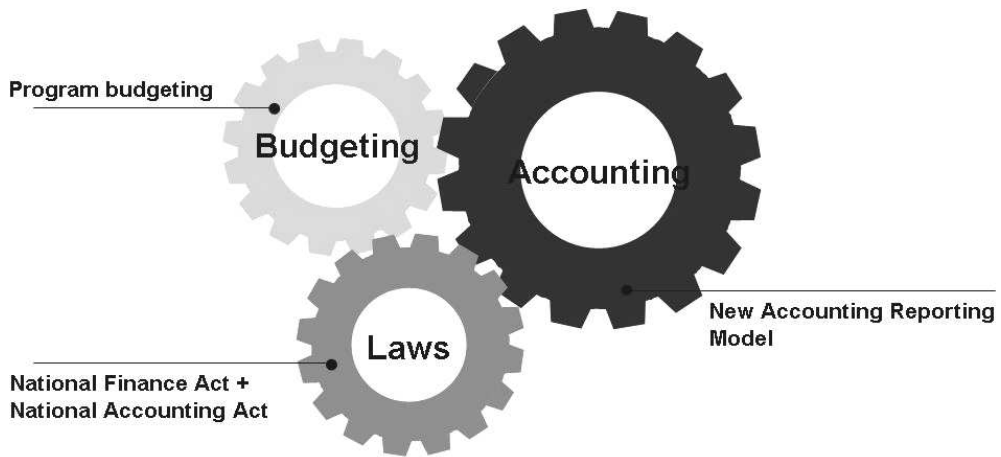
Action Plan	Budgeting	Efficient/Effective Budgeting Process	Financial Analysis and Statistics Index
	Legal/Regulation	National Finance Act National Accounting Act Government Accounting Standards	Opening Balance Sheet Assets/Liabilities Count Preparation of Opening Balance
	System	Test of dBrain	Education of accounting officials

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### 3. Correlations

I. Background

*Budgeting process and accounting standards and its IT system, related laws are closely related with one another.*



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### Table of Contents

I. Background

## II. Budgeting Process

III. Government Accounting Standards

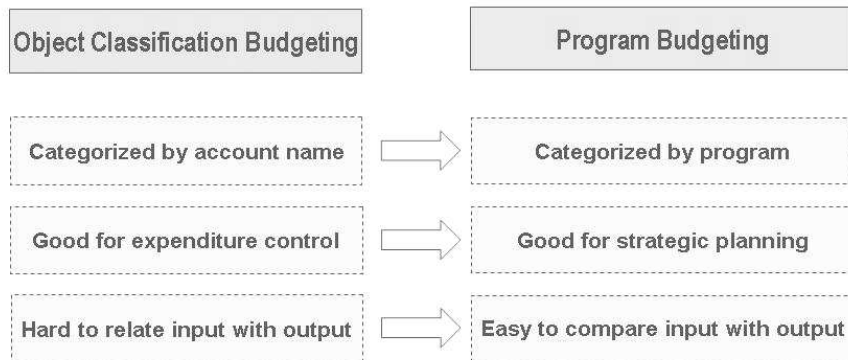
IV. Laws & Acts

V. System

## 1. Shift in Budgeting Types

II. Budgeting Process

*Korean government changed its budgeting types from object classification budgeting to program budgeting.*

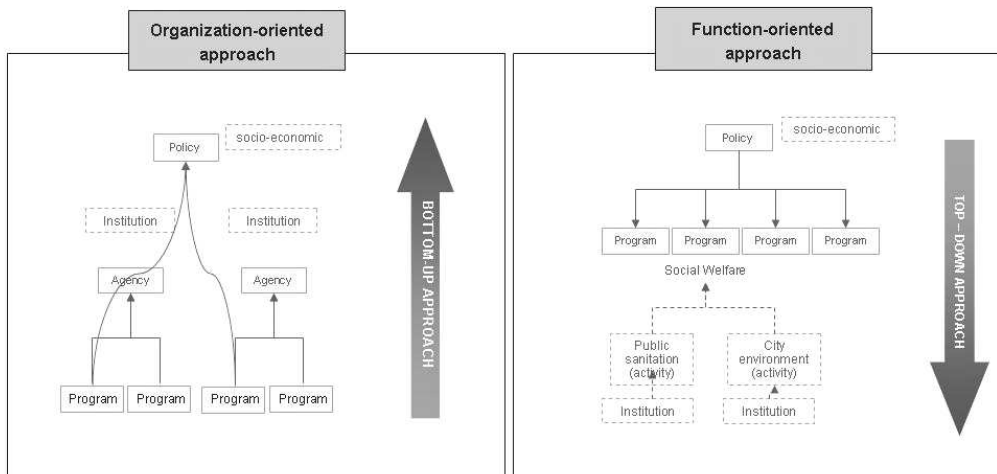


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## 2. Program Structuring

II. Budgeting Process

*When it first adopted, Korean government took the bottom-up approach.*

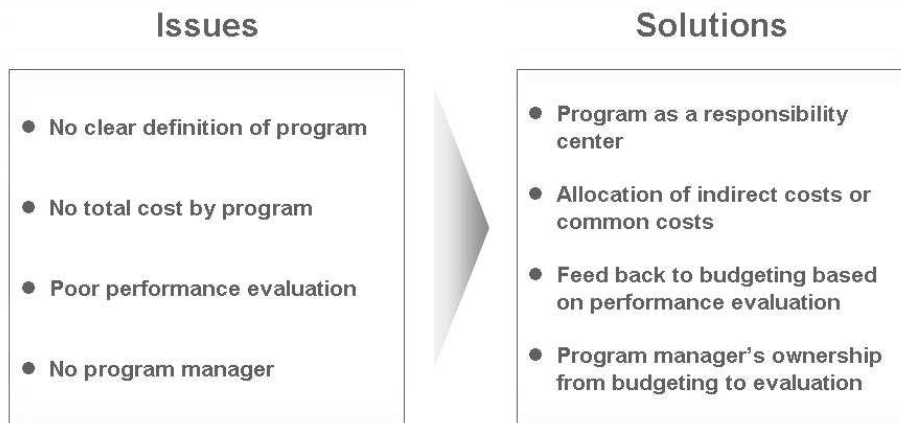


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### 3. Issues & Solutions

#### II. Budgeting Process

*Because it's in the beginning stage, the program budgeting is experiencing several problems.*



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- I. Background
- II. Budgeting Process

### III. Accounting Standards

- IV. Laws & Acts
- V. System

## 1. Government vs. Business III. Accounting Standards

*The biggest difference between government and business is the role of budget in government sector.*

Fund Accounting

Mapping Principle Not Applicable

Different Definition of Assets

Budget leads the Accounting

Budgeting is the process of political power struggle

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## 2. Relationship between budgeting and accounting III. Accounting Standards

*Program flows in the bottom of whole government operation processes from budgeting through performance evaluation.*

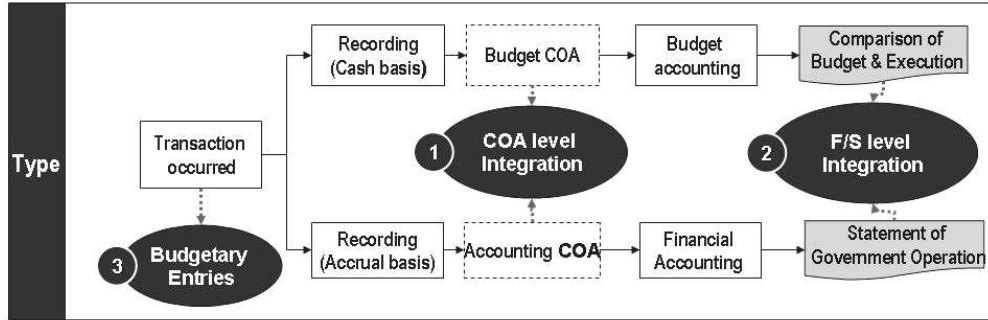
Budgeting Process	Contact point with accounting	Financial statements
<div style="background-color: #e0e0e0; padding: 10px;"> <p style="font-size: small; margin: 0;">Unit of budget execution and performance evaluation</p> <p style="margin: 5px 0;">Long-term Planning</p> <p style="margin: 5px 0;">↓</p> <p style="margin: 5px 0;">Budget Request</p> <p style="margin: 5px 0;">↓</p> <p style="margin: 5px 0;">Appropriation</p> <p style="margin: 5px 0;">↓</p> <p style="margin: 5px 0;">Execution</p> <p style="margin: 5px 0;">↓</p> <p style="margin: 5px 0;">Performance Evaluation</p> </div>	<div style="background-color: #e0e0e0; padding: 10px;"> <p style="margin: 5px 0;">Budgeting by program</p> <p style="margin: 5px 0;">↓</p> <p style="margin: 5px 0;">Recording by program</p> <p style="margin: 5px 0;">↓</p> <p style="margin: 5px 0;">Evaluating by program</p> <p style="margin: 5px 0;">↓</p> <div style="background-color: #e0e0e0; padding: 5px; border: 1px solid black; display: inline-block;"> <p style="margin: 0;">Program plays the key role in each stage</p> </div> </div>	<div style="border: 1px solid black; padding: 10px; margin: 5px 0;"> <p style="text-align: center; margin: 0;">Income statement</p> <p style="margin: 5px 0;"><b>Program A</b></p> <ul style="list-style-type: none"> <li>▪ Total cost</li> <li style="padding-left: 20px;">- repairs            2M</li> <li style="padding-left: 20px;">- materials        3M</li> <li style="padding-left: 20px;">- depreciation   10M</li> <li style="padding-left: 20px;">- others            1M</li> <li style="border-top: 1px solid black; padding-top: 2px; padding-left: 20px;">16M</li> <li style="margin-top: 10px;">▪ Total revenue    2M</li> <li style="border-top: 1px solid black; padding-top: 2px; padding-left: 20px;">14M</li> </ul> </div>

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### 3. Integration of Budgeting and Accounting

III. Accounting Standards

Three levels of integration between budgetary accounting and financial accounting can be applied.



1 COA level Integration

2 F/S level Integration

3 Budgetary Entries



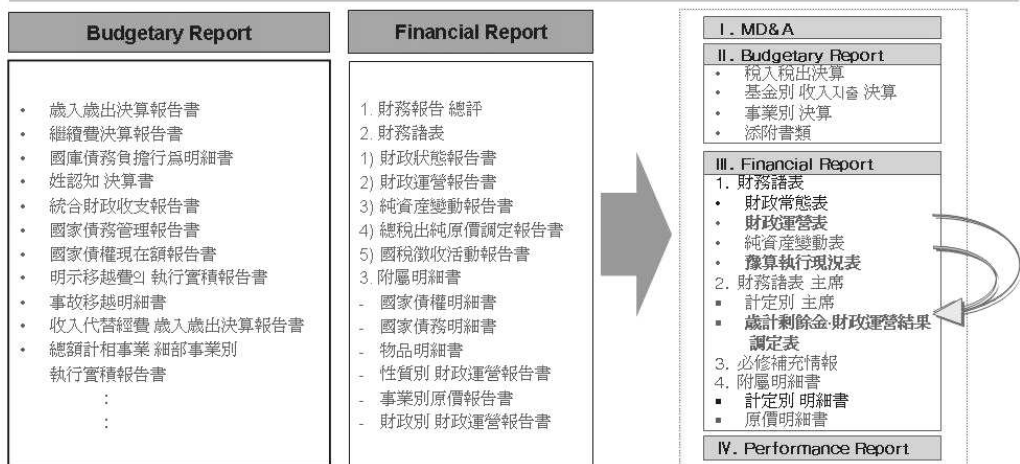
### 4. Financial Reporting Model

III. Accounting Standards

Budgetary report was integrated into financial report, and it functions as a chapter of government financial report.

Budgetary / Financial Report(As-Is)

Integrated Financial Report(To-Be)

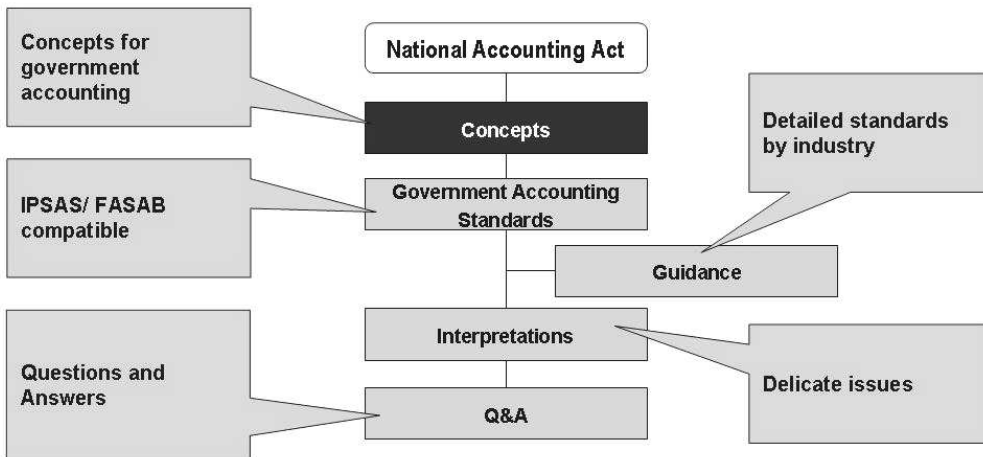


## 5. Government Accounting Standards

III. Accounting Standards

*Government Accounting Standards have a hierarchy of several levels.*

### Structure of government accounting standards



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- II. Budgeting Process
- III. Government Accounting Standards

## IV. Laws & Acts

- V. System

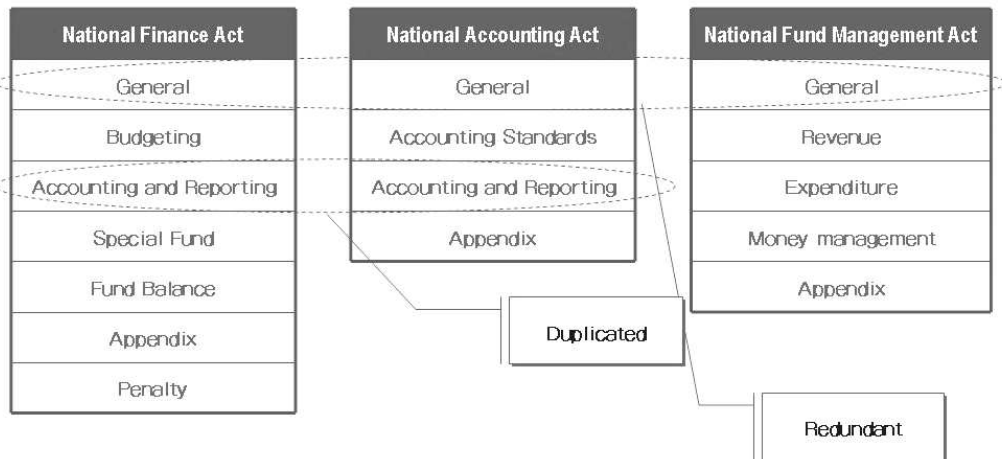


## 1. Related Laws

IV. Laws & Acts

*Basic 3 laws related with government finance have some conflicts and duplications. Each law will treat budgeting, execution, and accounting & reporting, respectively.*

### Duplication and Conflicts



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## 2. Key Reforms of Finance Acts

IV. Laws & Acts

*Korean government prepared revised drafts of finance related laws and is going to submit to the National Assembly for the approval this September.*

### Before

- Separate laws, not consistent
- Different accounting standards
- Redundant reporting process
- Duplications and conflicts existed

### After

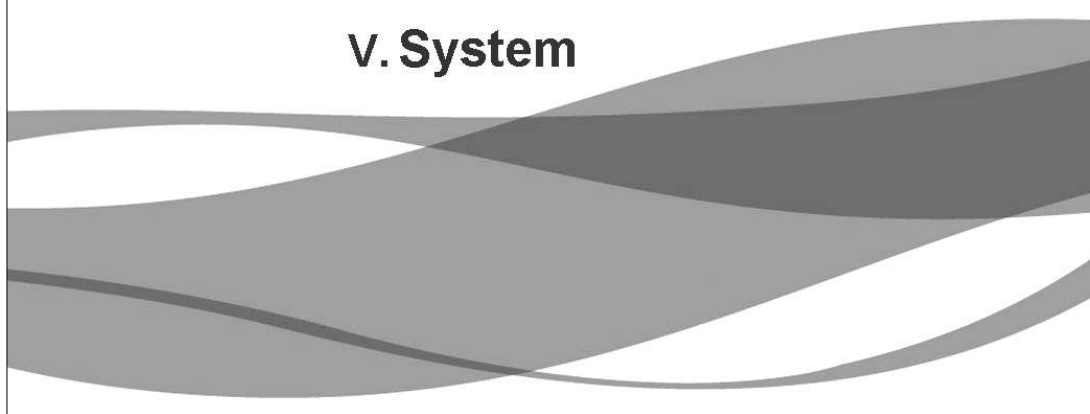
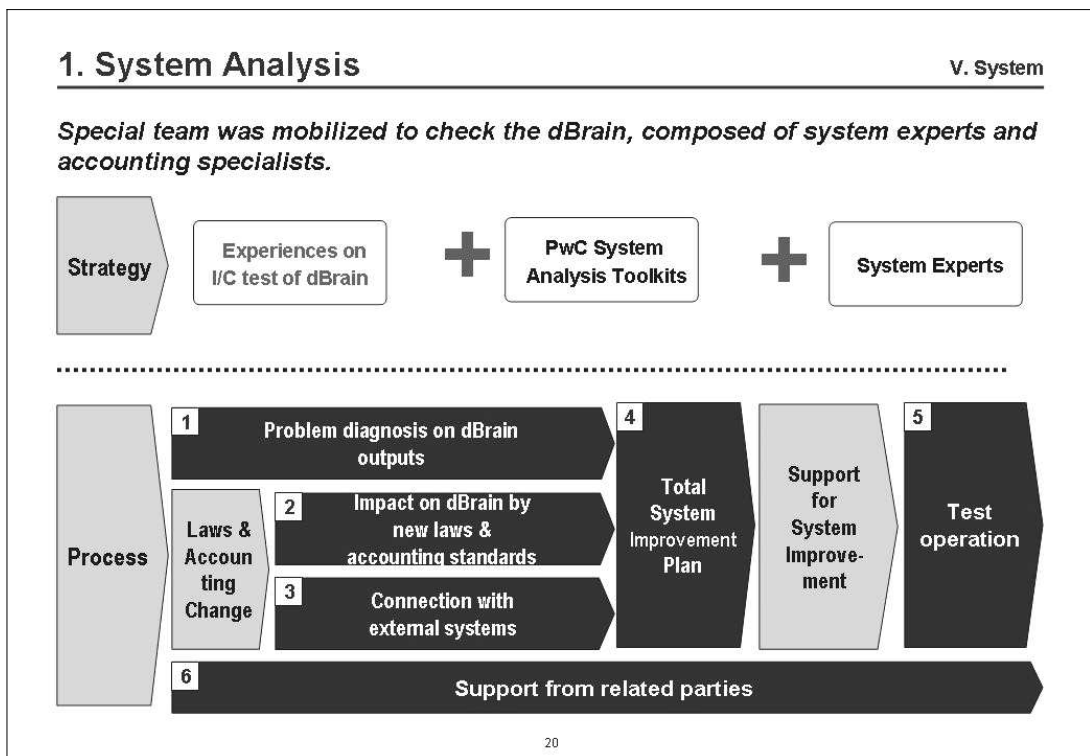
- Consistent
- Unified accounting standards
- Simplified reporting process of enterprise fund
- Duplications and conflicts removed

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## 2. Results

### V. System

*Internal transactions module need to be installed and proper education is important for the accounting staffs.*

