GFS and financial accounting

John Verrinder
Eurostat
National accounts

Macroeconomic accounts produced by statisticians!

Designed in the 1950s-60s

Draw from both economic theory and business accounting

Improved and expanded over time

>> Worldwide System of National Accounts (SNA)
The European System of Accounts (ESA 2010)

The European version of the worldwide standards

EU Regulation

= directly applicable in the Member States
+ specific rules for government (Manual)

Covers the whole economy...
Government Finance Statistics

"General Government Sector" in national accounts – grouping of units

Expenditure
- Revenue
= Deficit
Financing transactions

Balance sheets (assets, liabilities/debt)
ESA vs IFRS/IPSAS?

Work of International Public Sector Accounting Standards Board (IPSASB)

Oct 2012 Consultation paper on IPSAS and GFS

Substantial areas of similarity, but also fundamental differences to be managed

IPSASB >> "Unnecessary differences should be avoided"
Public accounting to GFS

**Data sources**
- Public accounting (system, statements...)
- Other sources (surveys, banking data etc)

**Integration**
- Transformation to ESA concepts
- Estimation techniques
- Balancing of the accounts

**GFS**
- Dissemination
- Policy use (including Excessive Deficit Procedure)
Areas of similarity

*Integrated system of stocks and flows*

- Balance sheets
- Double/Quadruple entry accounting

*Accruals basis*

...when economic value is created, transformed or extinguished

*Concepts of control*
Main areas of difference (except jargon...)

Consolidation - *ESA records shareholdings in controlled entities*

Valuation - *ESA general preference for market value*

Treatment of holding gains and losses - *Not income/expense!*

Investment is expenditure - *(not depreciation)*

Provisions/guarantees and employee pensions