

# European Public Sector Accounting Standards?

## Workshop on public sector accounting

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# Key Statements

- Accrual Public Sector Accounting
  - ➔ undoubtful to be preferred compared to cash accounting
  - ➔ no further discussions necessary hereunto
- Supranational public sector accounting (harmonised throughout the EU)
  - ➔ for macroeconomic statistics: reconciliation calculations sufficient
  - ➔ for predictive purposes in terms of governmental financial crises: not effective  
(no evidence that any kind of accounting has an impact on market behaviour that provides hints for an upcoming financial crisis)
  - ➔ anyway: a harmonised supranational public sector accounting is not likely to become reality  
(basis data not comparable, political concerns will lead to options and administrative discretions)

- Harmonisation of public sector accounting in the EU is first of all politically requested
- EPSAS will be developed regardless of discussing intensively appropriateness
- Facing the fact that EPSAS will be developed IPSAS shouldn't serve as template:
  - ➡ IAS-/IFRS-based hence „creative accounting“ possible (e.g. fair value, global valuations, expectations, assumptions, management approach)
  - ➡ auditing of IPSAS-based public sector financial statements will be degraded to plausibility checks
  - ➡ insufficient focus on public sector specific necessities
  - ➡ in fact a cautious accounting is to be preferred in order to objectify public financial informations and to underline the central purpose of public financial statements that is Stewardship towards the taxpayer

- the current IASB Exposure Draft for the upcoming revised Conceptual Framework mentions Stewardship (ED.1.3) again but insists that the overall purpose of financial reporting is to provide informations for investors („decision usefulness“, ED.1.2.)
  - hence IPSAS (as an IFRS-version) based EPSAS will inherit a not appropriate overall goal of financial reporting in the public sector
- it needs to be clarified how the prudence principle could be transfered to regulations with respect to valuation of assets and liabilities
  - the current IASB Exposure Draft introduces again the principle of prudence (ED.2.14)
  - but this is merely refering upon carefulness following administrative discretions that are executed unter uncertainty (by the way that contradicts the principle of neutrality as IASB itself formulates in the current Conceptual Framework)
  - so the principle of prudence within IASB is not comparable to the principle of prudence as the overall target of providing financial reporting according to german trading law