

# **BENEFITS of International Accounting for Greece**

**B**etter Information

**E**conomic Efficiencies

**N**et Debt Reduction

**E**ducation

**F**inancing Competitiveness

**I**nvestor Confidence

**T**ax Relief

**S**ustainable Growth

**Positive BENEFITS  
&  
Protective BENEFITS**

# BENEFITS of International Accounting for Greece

*(Working Draft)*

## BENEFITS Points: Positive & Protective

<ol style="list-style-type: none"><li>1. <b>Better information</b> improves decision-making.</li><li>2. <b>Better information</b> increases transparency.</li></ol>	<ol style="list-style-type: none"><li>1. <b>Financing competitiveness</b> decreases borrowing costs.</li><li>2. <b>Financing competitiveness</b> increases global access.</li></ol>
<ol style="list-style-type: none"><li>1. <b>Economic efficiencies</b> through better balance sheet management.</li><li>2. <b>Economic efficiencies</b> through better cost management.</li></ol>	<ol style="list-style-type: none"><li>1. <b>Investor confidence</b> through comparable financial statements.</li><li>2. <b>Investor confidence</b> through credible financial management.</li></ol>
<ol style="list-style-type: none"><li>1. <b>Net debt reduction</b> is the top priority financial metric.</li><li>2. <b>Net debt reduction</b> summarizes financial performance.</li></ol>	<ol style="list-style-type: none"><li>1. <b>Tax relief</b> through better financial management.</li><li>2. <b>Tax relief</b> through economic prosperity.</li></ol>
<ol style="list-style-type: none"><li>1. <b>Education</b> strengthens accountability.</li><li>2. <b>Education</b> minimizes expectation gaps.</li></ol>	<ol style="list-style-type: none"><li>1. <b>Sustainable growth</b> through sound financial management.</li><li>2. <b>Sustainable growth</b> through minimizing risk.</li></ol>

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## **Better Information: Points**

1. Better information improves decision-making.
2. Better information increases transparency.

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## **Better Information: Testimonials (1 of 2)**

1. The main reason for implementing accrual accounting in Sweden was to facilitate the implementation of management by results. **The Swedish Financial Management Authority**
2. Portugal is working with the IMF to implement IPSAS to improve decision-making, increase transparency, and strengthen accountability. **Portugal Ministry of Finance**
3. Lessons learned from the crisis included a lack of accrual-basis budget information, need for performance information, and need to improve skills and knowledge. **Republic of Estonia Ministry of Finance**
4. Accrual budgeting reduces the scope for fiscal illusions, helps to steer public finances according to fiscal reality, and makes it harder for stakeholders to ignore future budget challenges. **Austrian Federal Ministry of Finance**

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## **Better Information: Testimonials (2 of 2)**

5. Double-entry book keeping for the public sector does away with this short-term thinking (“short-termism”). Cameralistic accounting [ie, cash-based] obscures vital fiscal policy information and no longer meets today’s management requirements. **The Free and Hanseatic City of Hamburg Minister of Finance**
6. In Code of Fiscal Responsibility, the Government is committed to ensuring that best practice accounting methods are used in public accounts, resource accounting, and budgeting. **UK HM Treasury**
7. In summary, it’s time for governments to go from laggards to leaders as it relates to managing with accrual accounting and publishing independently audited financial statements. **USA Auditor General**
8. The objective of financial statements is to provide information about the financial position, performance, and cash flows of an entity that is useful to a wide range of users. [EC prepares its financial statements based on IPSAS.] **European Commission**

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## **Economic Efficiencies: Points**

1. Economic efficiencies through better balance sheet management.
2. Economic efficiencies through better cost management.

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## **Economic Efficiencies: Testimonials (1 of 2)**

1. Our experience has shown that well managed GAAP accounting systems improve performance with government assets and resources which directly supports sustainable growth. **Canada Auditor General**
2. Accrual accounting information on assets greatly improves allocation of resources and costs, and facilitates keeping track of government property. **The Swedish Financial Management Authority**
3. Accrual helps to prevent fiscal illusions in the sale of real estate or equity and to flag financial risks, including accrued liabilities. Cash does not show liabilities as long as they are not paid, which creates fiscal illusions. **Austrian Federal Ministry of Finance**
4. “Benefits brought by international accrual accounting standards in New Zealand include... clearer understanding of real impacts of political decisions (and reduced potential of corruption).” **Chief Financial Officer and Chief Accountant, Treasury, New Zealand**

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## **Economic Efficiencies: Testimonials (2 of 2)**

5. In 1999, Singapore began preparing resources accounting according to accrual accounting principles which has improved decision-making and resulted in higher yields from cash holdings and financial investments. **Singapore Accountant General's Department**
6. The benefits of IPSAS to the country and the economy are so compelling that we expeditiously moved to integrate strategic planning indicators, performance based budget, cost accounting, and accrual budget information. **Republic of Estonia Ministry of Finance**
7. Implementation of IPSAS will allow UNDP to realize a number of key benefits, including, improving operational performance and financial management; better measurement and understanding of full costs for benchmarking and comparing against similar organizations, and improving management of fixed assets, inventory, payroll, and employee benefits. **United Nations, UNDP**
8. “.. aside (from) the fact that IPSAS has become a global phenomenon, it is also a potent tool to check corruption and misappropriation of public funds in the public sector.” **ICA of Nigeria President**

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## **Net Debt Reduction: Points**

1. Net debt reduction is the top priority financial metric.
2. Net debt reduction summarizes financial performance.

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*(Working Draft)*

## Net Debt Reduction: Testimonials (1 of 2)

1. Net debt and the change in net debt is the single most important performance metric, which is why in the Canadian 20 Questions About Government Financial Reporting document, it is by far the most prominently mentioned metric and mentioned repeatedly. **Canada Public Sector Accounting Standards Board**
2. Net debt is an extremely significant indicator because it provides information about the affordability of future services. Having to report net debt acts as a check on a government spending beyond its means. **Canada Public Sector Accounting Standards Board**
3. For simplicity and transparency, it makes sense to continue using net debt as the main stock indicator which will give greater prominence and raise public awareness to the country's fiscal position. **Australian Government, National Audit Commission**
4. Net debt is the most common metric used for international comparisons. **Australian Government, National Audit Commission**
5. Net debt better reflects the underlying strength of the Crown balance sheet because it incorporates gross debt as well as liquid financial assets held by the government. **New Zealand, The Treasury**

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## Net Debt Reduction: Testimonials (2 of 2)

6. The focus on net debt rather than gross empowers us to build up our financial asset cushion and has led to one of the lowest financial obligation burdens in the world. **New Zealand Ministry of Finance**
7. Net debt is one of the ratios we discuss first and foremost in our stakeholder communications. A focus on gross debt can be damaging and can foster the use of accounting illusions. **Austrian Federal Ministry of Finance**
8. Change in net debt (reduction) more important than nominal value of debt. **Austrian Court of Audit**
9. Portugal will use net debt, and not gross debt, as a key performance metric as it provides a fuller and fairer view of our financial asset and liability management. **Portugal Ministry of Finance**
10. Staff should consider three important issues including gross versus net debt. Complementary analysis based on net debt presented to show the impact of risk-mitigating factors. **IMF**

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## **E**ducation: Points

1. Education strengthens accountability.
2. Education minimizes expectation gaps.

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## **Education: Testimonials (1 of 2)**

1. The flexibility and the focus on performance are linked to an increase in accountability for financial and operating results and the annual report is a very important tool in this respect. **The Swedish Financial Management Authority**
2. Public education on accounting is an essential component of our progress in strengthening accountability and managing expectations. **Canada Auditor General**
3. The purpose of this financial report is to provide users with information about the stewardship by the Australian Government and accountability for the resources entrusted to it. **Australia Minister of Finance**
4. On a drive to improve public accountability, there is a transition in progress from reporting on the modified cash basis of accounting to reporting on the accrual basis of accounting. **South Africa National Treasury**
5. With improved transparency with regard to financial reporting, we can avoid expectation gaps. It's important that we recognize reality – that doing nothing and kicking the can down the road is an imprudent and unsustainable action. **USA Auditor General**

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## Education: Testimonials (2 of 2)

6. The fact that the IPSAS are compatible with the private sector's International Financial Reporting Standards (IFRS) make the presentation of the consolidated financial statements accessible even to non-specialists. **Swiss Federal Federal Finance Administration**

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## **Financing Competitiveness: Points**

1. Financing competitiveness decreases borrowing costs.
2. Financing competitiveness increases global access.

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## Financing Competitiveness: Testimonials

### (1 of 2)

1. Accrual accounting systems can provide investor confidence to lower the country's cost of borrowing and support sustainable growth. **Portugal Ministry of Finance**
2. Internationally accepted accounting principles and standards are important to guarantee, among other information characteristics, understandability and comparability, thus reducing costs for investors. **Brazil Ministry of Finance**
3. In Canada when one of the provinces adopted public sector accounting standards, they indicated that their credit rating improved and their cost of debt went down. **Canada Auditor General**
4. For the Czech Republic to compete in the global capital markets and possibly gain a competitive advantage over much larger nations, IPSAS offers us a strategic opportunity. **Czech Republic Ministry of Finance**

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## **Financing Competitiveness: Testimonials**

### **(2 of 2)**

5. Other benefits of adopting IPSAS include better access to financing through bond releases or international financing for organizations such as the IMF or WB.  
**Nigeria Accountant General of the Federation**
6. New Zealand prepares its sovereign balance sheet according to independent accounting standards. This transparency has a number of benefits, including contributing to our sound sovereign credit rating. **New Zealand Ministry of Finance**

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*(Working Draft)*

## **Investor Confidence: Points**

1. Investor confidence through comparable financial statements.
2. Investor confidence through credible financial management.

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## **Investor Confidence: Testimonials (1 of 2)**

1. Transparency and comparability facilitate the job of financial management and help generate confidence among the public. **Swiss Federal Finance Administration**
2. Good government breeds confidence. Governments that successfully manage their own financial affairs set an example to the rest of society about their ability to cope with economic and social challenges. **Australia National Commission of Audit**
3. Israel, in the first paragraph of the opening letter of its annual report, sends a strong message that its financial statements are prepared in accordance with accounting standards that are based on IPSAS, which are implemented in the Western World's leading countries. **State of Israel Ministry of Finance**
4. The decision to implement IPSAS in Nigeria stemmed from the enormous benefits. They would enhance credibility of the government's financial information and help to build the confidence of Nigeria's development partners. The reforms are expected to increase the level of accountability in government, improve service delivery in the public sector, support efficient internal controls and bring into focus the performance of agencies. **Nigeria Government Accounting Office**

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## **Investor Confidence: Testimonials (2 of 2)**

5. In order to have the credibility of the financial statements, the accounting standards need to be unbiased and transparent. The audit plays an important role in the process to ensure compliance with the standards, to help maintain the momentum and help educate members of parliament and the public. **Canada Auditor General**
6. One reason for accrual accounting [IPSAS] is to show the faithful image of financial statements to stake holders. **Spain Ministry of Treasury and Government**
7. In order to permit international comparison of public finances, the accounting is based on the International Public Sector Accounting Standards (IPSAS). **Austrian Federal Ministry of Finance**

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## **Tax Relief: Points**

1. Tax relief through better financial management.
2. Tax relief through economic prosperity.

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## **Tax Relief: Testimonials (1 of 2)**

1. The combination of results from implementing accrual accounting, including better balance sheet management, better understanding of costs, and better risk management, all directly lead to greater respect for and opportunities to lower the tax burden on the taxpayers. **UK HM Treasury**
2. The French government has invested heavily in accrual accounting over the past 15 years and taxpayers have greatly benefited through more efficient use of assets, improved economic productivity of commerce, and lower taxes. **French Ministries of Economy and Finance**
3. The accounting reform process was led by the MOF and the Court of Auditors as they are both viewed as "friends of the taxpayers". Performance information allows better understanding and management of expenditures on public service. **Austrian Federal Ministry of Finance**
4. The quality of financial accounting across all government levels has contributed to the UK's faster return to solid economic growth. **UK HM Treasury**

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## Tax Relief: Testimonials (2 of 2)

5. The time has come to improve transparency and accountability in general and to enhance financial reporting for sovereign nations. This needs to change, because management of financial resources has implications for investors, implications for taxpayers, and implications for citizens around the world. **USA Auditor General**
6. In the early '90s, there were very large deficits, and the Canadian government realized that it was about to hit the wall. And in the 1995 budget, the government brought in what they called the Financial Information Strategy and one pillar was new accrual accounting policies. "Deficit" became a dirty word. There were increases in taxes, but personal tax was not touched. **Canada Auditor General**

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## **Sustainable Growth: Points**

1. Sustainable growth through sound financial management.
2. Sustainable growth through minimizing risk.

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## Sustainable Growth: Testimonials (1 of 2)

1. Why wouldn't any Minister of Finance seeking to ensure sustainable growth in the 21<sup>st</sup> century use modern public finance tools, especially GAAP accounting and budgeting? **New Zealand Minister of Finance**
2. The benefits of accrual accounting include a reliable body of data for administrative activities and higher-level political decision making, including sustainable financial policy and intergenerational fairness, and these can act as the handbrake on debt. **Hessisches Ministerium der Finanzen**
3. Only commercial accounting, focused on providing budgetary clarity and budgetary accuracy, can create the necessary level of transparency. There is no alternative to double-entry accounting for the public sector. Only by knowing what a state's assets, depreciation and amortization, and pension provisions are, is it possible to set incentives for cost-effective action and sustainable growth. **The Free and Hanseatic City of Hamburg Minister of Finance**
4. Austria's rapid implementation of IPSAS was strengthened by a resolve to counter the destabilization on growth of the financial crisis. **Austrian Federal Ministry of Finance**

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## **Sustainable Growth: Testimonials (2 of 2)**

5. The financial crisis confirmed the importance of quality accounting, financials, and audits in returning the US back to a path of long-term positive growth. **USA Auditor General**
6. An objective of accrual accounting for government financial reports in China is to provide reliable underlying government financial information for the achievement of sustainable development of public finance. **The People's Republic of China Ministry of Finance**
7. Internationally accepted standards, including IPSAS, improve fiscal transparency. Monitoring and promoting those standards can reduce fiscal risk factors that are defined as the difference between a government's forecast and actual fiscal position. **IMF**
8. When governments run prolonged deficits, they are spending money that belongs to future generations. Deficit spending endangers social programs we benefit from and our children will soon depend on. **Canada Ministry of Finance**

*\*Testimonials summarized for brevity. USA, Canada, and New Zealand comments from former government officials at and following 2014 New Era in Sovereign Accounting Symposium - London.*

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