PEMPAL Treasury Community of Practice

Management of Assets

Macedonia Working Group Meeting
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Content of Presentation

- Brief review of the steps for implementing accrual accounting (Baku)
- Financial (Monetary) and non-financial assets
- Steps for managing and reporting nonfinancial assets – a focus on property, plant and equipment
- Some specific challenges in developing economies



Steps for implementing accrual Accounting (revisited)

- Recognition of non-financial assets is the most difficult component of accrual accounting
- As such it is generally recommended that this be the last component in transitioning to full accrual accounting

In terms of assets it is recommended to:

- start by recording financial assets in the accounts
- next commence recording new acquisitions in the accounts and assets' register
- focus on major classes of non-financial assets by value land, buildings etc.
- Infrastructure assets, although representing high asset values, may require a greater time period
- move to cover all non-financial assets over time it does not need to be a big bang approach





Financial Assets

- Cash and cash equivalents
- Revenues receivable
- Loans and advances to other governments
- Other loans and advances
- Investments
- Derivatives

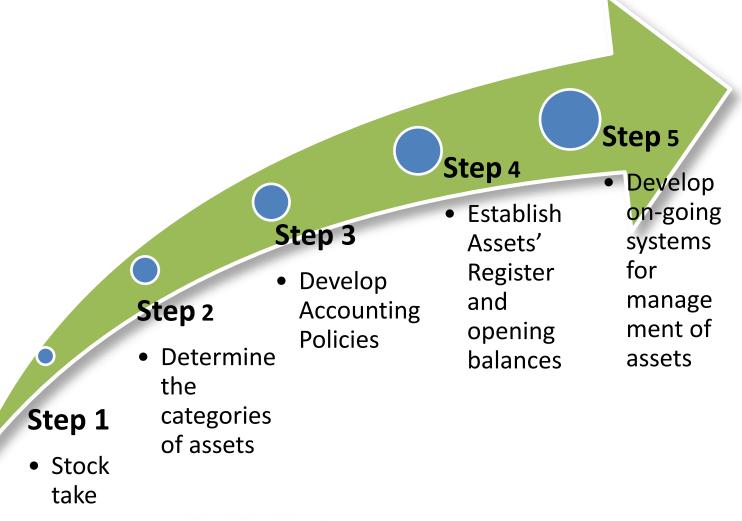
Non-Financial Assets

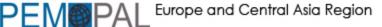
- Inventories
- Heritage assets (not required under IPSAS)
- Property, plant and equipment
- Infrastructure assets
- Military assets
- Investment properties
- Biological assets and agricultural produce
- Intangible assets

Much of the content for this presentation is taken from Study 14, of the IPSASB: *Transition to the Accrual Basis of Accounting: Guidance for Public Sector Entities*



Five Steps in accounting for nonfinancial assets





Step One

Identify information requirements associated with each asset class and the relevant recognition criteria

Stock Take

Plan timeframes for collection and verification of data and development/implementation of systems

This will probably require external expertise and assistance eg. qualified experienced Property Valuers



Step Two

Requirements for reporting in the financial statements and for management reporting

the Categories of Assets

Requirements should reflect the general structure of the chart of accounts in the general ledger

GFSM 2001 can be used as a guide as to the minimum reporting requirements, adapted for local needs

Control registers for low value assets – Portable and Attractive Items (not an accounting issue)



Step Three

Accounting Policies

Definition and Recognition Criteria (IPSAS 3)

Asset Classes

Componentisation of assets

Develop capitalisation thresholds

Identify measurement policies

Develop depreciation policies

Develop impairment policies



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Step Four

Develop methods for obtaining historic cost information or valuations

Establish Assets Register

Obtain historic cost information or valuations

Validate data/resolve issues



Step Five

On-going
Management
of Assets

Maintain systems including a record of all asset movements including acquisitions and sales

Develop processes to assess residual values, useful lives and depreciation methods

Calculate depreciation in each reporting period

Perform regular revaluations (if required)

Perform regular impairment reviews



Specific Issues and Challenges for Developing Economies

- Defining the useful Life of Assets
- Property valuation outside the major population centres
- Low Value Assets capitalisation thresholds
- Capital repairs verses low value repairs
- Grouping certain assets which are material
- Componentisation



Conclusion

- Reporting non-financial assets will be a major undertaking in every country
- Countries must first determine what they own (stocktake) and reliably measure the stock
- It is also important to develop relevant policies, procedures and systems to manage the assets on an on-going basis

