Public Expenditure Management
Peer Assisted Learning

PEMPAL
Treasury Community of Practice

Management of Assets

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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 non-financial 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

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Financial Assets	Non-Financial Assets
• Cash and cash equivalents • Revenues receivable • Loans and advances to other governments • Other loans and advances • Investments • Derivatives	• 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 non-financial assets

Step 1

- Stock take

Step 2

- Determine the categories of assets

Step 3

- Develop Accounting Policies

Step 4

- Establish Assets' Register and opening balances

Step 5

- Develop on-going systems for manage ment of assets

Step One

Stock Take

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

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

Determining the Categories of Assets

- Requirements for reporting in the financial statements and for management reporting
- 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

Step Four

Establish Assets Register

- **Develop methods for obtaining historic cost information or valuations**
- **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