

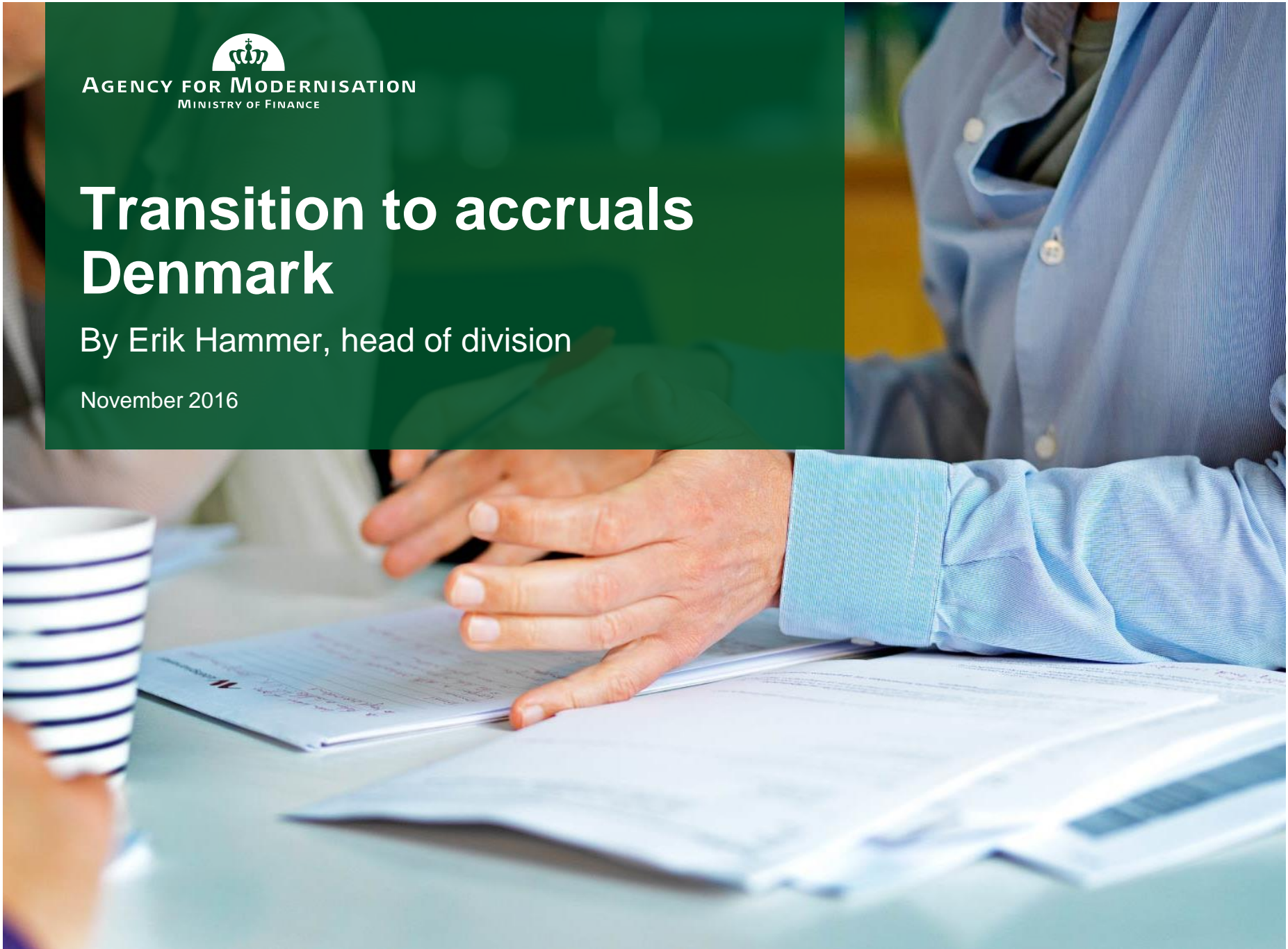


AGENCY FOR MODERNISATION  
MINISTRY OF FINANCE

# Transition to accruals Denmark

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# AGENDA

1. **Brief history**
2. **Private versus Public sector**
3. **From modified cash principle to accrual – Fixed asset**
4. **Experiences from the implementation**

# BRIEF HISTORY

- From 1925 to 1954 Central Government accounts were on accruals basis – but there were no Agency specific accounts
- From 1955 to 2005 Central Government accounts were on a modified cash basis, where the main basis of the accounts were to monitor the fiscal effects on the economy and to control the use of appropriations, however some accruals elements were kept in the accounting principles
- From 1998 the central government debts were accrual based
- From 2001 grant obligations (commitments) were accrual based
- Accrual accounting were introduced during 2003-2005
- Accrual budgeting were introduced during 2005-2007
- Since 2007 corrections to adopted principles in light of e.g. statistical issues or new international accounting standards. Some issues are still outstanding

# PRIVATE VERSUS PUBLIC

- Private seeks to increase profit by meeting objectives in different levels
- Public seeks to complete their designed tasks with assigned resources

	Public entities	Private entities
Objectives	Achievements of objectives	Maximize profit
Means	Resources	Achievements of objectives

- The focus when implementing accruals accounting during 2003-2005 were to calculate operating costs and the cost of government activities
- This influenced especially the valuation principles towards historic costs

# IMPLEMENTATION GUIDANCE

## Accounting guidelines where made by the Ministry of Finance:

- No. 1: Identification
- No. 2: Classification
- No. 3: Registration
- No. 4: Principles of valuation
- No. 5: Opening Balance
- No. 6: Transition to operation

## Other guidance:

- IT-systems had to be reconfigured. Guidelines to help Agencies were developed
- Education – Process implementation, Accountants, Managers, Top management

# EXPERIENCES FROM THE IMPLEMENTATION

## Lessons Learned:

- Focus on significant assets
- Including the intangible assets
- Avoiding being too detailed
- Establish procedures of future registrations
- Identification of complex areas and special assets

**Note:** Change in Economic and Financial Management takes time and requires attention

# IMPACT OF THE REFORM

## A survey among Agencies in 2008 show:

- 83 % have made new investments based on the identification and valuation of assets
- 60 % have sold assets they don't use any more
- 56 % have changed their maintenance plans
- 32 % uses Business Cases more actively
- 32 % have used the higher transparency to cut costs
- 65 % take budgeting for future years more seriously