EUROPEAN PUBLIC SECTOR ACCOUNTING

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Public sector accounting (PSA) and reporting was subject to considerable national reforms during the last decades and is in the focus of the European Commission aiming to harmonize the accounting systems of its Member States by developing European Public Sector Accounting Standards (EPSAS). Therefore, the topic is of high relevance for both academia and practitioners.

This book provides different views about PSA in Europe as of today. It spans topics such as history of PSA, its differences to private sector accounting and finance statistics, as well as budgeting. A main part is devoted to International Public Sector Accounting Standards (IPSAS) by addressing their spread, conceptual framework and selected public sector specific standards, including a case study. Also, consolidated financial reporting is covered by drawing examples.

This textbook is not only of use for students and researchers, but interested readers that seek for broad perspectives on PSA such as practitioners and members of intergovernmental organisations. It intends to complement university teaching modules on PSA as those accessible for free under www.offene.uni-rostock.de/online-course-european-public-sector-accounting.
CHAPTER 8

IPSAS CONCEPTUAL FRAMEWORK AND VIEWS ON SELECTED NATIONAL FRAMEWORKS

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SUMMARY
This chapter is about conceptual frameworks in public sector accounting, particularly addressing the IPSAS conceptual framework. While taking this as a reference, the chapter also offers brief views on selected national frameworks from a group of European countries—namely the UK, Finland, Austria, Germany and Portugal—, as illustrative examples of how conceptual frameworks can approximate or diverge from that of IPSASB.

The explanations enable an understanding of the role of a conceptual framework underlying public sector accounting standards, as well as the main issues normally included in it.

KEYWORDS
financial information, users, qualitative characteristics, elements of financial statements, measurement criteria
1. Introduction

The beginnings of accounting conceptual frameworks (CFs) may be found in the 1930s in the USA, originating in the accounting profession. A clear attempt to reach an accounting theory was the American Accounting Association 1966 “A Statement of Basic Accounting Theory” (ASOBAT)\(^1\). However, it was not before 1973, with the creation of the Financial Accounting Standards Board (FASB), that accounting conceptual frameworks began to be discussed and developed across countries, starting from the Anglo-Saxon world.

FASB’s CF, started in 1973, was the major and most complete one, comprising several statements on a wide range of financial accounting and reporting matters (e.g., objectives of financial reporting, qualitative characteristics of accounting information, elements of financial statements, recognition and measurement in financial statements, and presentation of financial statements). This work has inspired others, such as those from the Accounting Standards Committee in UK, and more recently, that from the International Accounting Standards Board (IASB).

As to public sector accounting (PSA), the origins of its CFs come from the USA as well, being derived from those of business accounting, at least in the last forty years. Separating between federal accounting and governmental accounting for state and local level, the latter followed, since the 1930s, principles and standards issued by a national council (currently the Governmental Accounting Standards Board – GASB). However, at the beginning of the 1980s, FASB, which was concerned explicitly with business organizations, started to concern itself with nonbusiness organizations too, issuing a statement on the objectives of financial reporting by nonbusiness organizations, conflicting with GASB’s responsibilities\(^2\). Nowadays, GASB focuses on state and local government accounting, including non-for-profit public sector units. Since its establishment in 1984, GASB has initiated its own CF, starting from the FASB’s framework; currently, some important

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\(^1\) Jones (1992).


While, in principle, there should be only one commonly accepted (financial) accounting theory, historically derived from practice, it is acknowledged that, even within business accounting, developing a single generally accepted accounting CF is not easy. Additionally, considering that accounting is to be a purposive activity, aimed at producing and reporting information that must be useful for somebody to do something,\(^3\) the development of accounting CFs has been based on approaches considering the users of financial accounting reports and their needs,\(^4\) which, in turn, are determined by the context where they act. Environment is deemed to determine the objectives of accounting information and consequently other dimensions of the accounting CF.\(^5\)

This explains why, although based on business accounting, specific CFs (as standards) have been especially derived and developed for PSA. Even those who argue for ‘one single world of accounting’ recognize that there might be context specifics determining PSA particularities, hence requiring its CF to reflect differences (e.g., different concepts and different interpretations of principles), at least at a detailed level, from the one for financial accounting overall.

Accordingly, though deriving from the IASB’s CF, the IPSASB (2014) published a specific CF for PSA, considering the following public sector specific characteristics\(^6\):

- The primary objective of delivering public services – rather than to make profits and generate a return on equity for investors; requires

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\(^3\) Jones and Pendlebury (2010).


\(^6\) See IPSASB (2014, preface).