Fédération des
Experts Comptables
Européens

ACCRUAL ACCOUNTING IN THE PUBLIC SECTOR

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EXECUTIVE SUMMARY

Introduction

Cash accounting is where transactions are recorded when money is paid or received. In contrast, accrual accounting is a method of recording financial transactions where the full characteristics of those transactions are recorded in the period to which they relate.

Accrual accounting is the accepted method of accounting worldwide for the private sector. Increasingly, the public sector is also moving towards accrual accounting as it helps governments to obtain a better picture of the performance of their policies.

Accrual accounting facilitates better planning, management and decision making as well as providing a means with which to assess financial resilience. It can also assist better performance measurement and therefore performance management. So accrual accounting provides scope for organisations to manage their finances more effectively. It can permit more effective comparisons of some aspects of financial performance between different government departments and agencies as well as international comparisons. Comparison between government services for the purposes of competitive tendering as well as pre and post privatisation can also be made more readily if both sets of financial statements are prepared on the same basis.

FEE supports the move from cash to accrual accounting. FEE has published a number of papers on topics in connection with accrual accounting. For example, in February 2006, FEE published a Statement "Better Financial Information for Better Decision Making" and an Alert "Accrual Accounting for More Effective Public Policy" setting out the benefits of accrual accounting and promoting an understanding of accrual accounting. This paper discusses the current status of accrual accounting across Europe.

The accountancy profession has an important role to play in the move to accrual accounting in the public sector. The profession can bring its experience of the private sector to assist the implementation of accrual accounting in the public sector. Accountants employed in the public sector entity will be able to help others within the entity to understand better accrual accounting. There are also accountants in public practice whom the public sector entity can consult on technical issues and from whom it can obtain additional human resources for the transition. Finally, part of the duties of an auditor is to check whether the financial statements have been prepared in accordance with the generally accepted accounting principles and in accordance with accepted financial reporting standards.

Nature of this paper

FEE decided to produce this paper for a number of reasons:

- The trend for accounting in the public sector in Europe is away from the traditional cash based accounts and towards the adoption of accruals based accounts. For example the European Commission has prepared its first accruals based financial statements for 2005. FEE therefore felt that it would be useful to produce a document that set out what progress had been made in this area;

- It is well documented which countries throughout Europe are using the cash basis (for example Italy and Germany) and which are using the accruals basis (for example the UK) at a national government level. Whilst a cash or modified accruals basis is still common at that level, FEE felt it would be an interesting exercise to determine the level of use of the accruals basis at all levels of public administration;

- As countries move towards the accruals basis, it is becoming more likely that they will use International Public Sector Accounting Standards (IPSAS) as the basis for introducing accounting standards in those countries. For example, France has legislated for the introduction of a modified version of the accruals based IPSAS from 2007; and

- It was felt that by reporting on the state of implementation of accrual accounting it would be useful for those about to make the transition to be aware of some of the issues that the frontrunners have faced.

Methodology and results

The key document used to prepare this paper was a questionnaire that was sent to selected public authorities in European countries via their FEE Public Sector Committee representative. This was first circulated in early 2005 and reissued in late 2005 to clarify some of the questions asked. The questionnaire is at Annex A.

A number of countries replied to the questionnaire or else provided comments on the state of accounting in their country. A list of those which responded is at Annex B.

The questionnaire responses were then analysed and reported in this document. In chapter 2 there is analysis and commentary on the data set received, as well as some analysis of the trends identified from the data set. In chapter 3 there is commentary on the responses to some questions around the edges of accruals principles which were framed in the questionnaire.

Important message when interpreting the results

Responses were received from up to five tiers of government in the individual countries, from national government to local administrations. A country where the national government was using the cash basis, but some form of accrual accounting is followed at the lower levels of government could score four positive results out of five, meaning an implementation rate of 80 per cent.

The rate of 80 per cent should therefore be interpreted as: *"80 per cent of those who responded on behalf of (their part of) the public sector in their country said that they were following accruals principles, or a modified form of them"*.

The rate should not be interpreted as the proportion of countries which have implemented accrual accounting. In the example, the government has not adopted accrual accounting, but the results show that parts of the public sector are following the principles.

Key Messages

From the results of the questionnaire we can make the following observations:

- Across the survey group we have found approximately an 80 per cent implementation rate (see page 21 section 'the overall trend towards accrual accounting'). Whilst the number of countries which can be said to have made the full transition to accrual accounting is small, our survey provides evidence that across the full range and size of public bodies there is a large proportion where some form of accrual accounting has been adopted;

- It is more likely that public bodies in Northern European countries are using the accruals basis than in Central and Southern European countries;

- The experience of those using accrual accounting is that it takes longer to implement the accruals principles for tax revenues, provisions and grants than for operating expenses;

- A number of countries are well down the road of accrual accounting, but there is a group that are currently in transition and a smaller group which are still using cash;

- Where accrual accounting has been implemented for a number of years, the data shows a high level of consistency in terms of compliance with the accrual accounting principles. Where implementation is more recent it is much more likely that the accruals principles are currently being modified as part of a transition period;

- Accrual accounting is significantly more likely to have been implemented at a local government level than at the national government level. The overall implementation rate being at 80 per cent of respondents reflects that fact that many local and regional public bodies follow some form of the accrual principles, even when the national government is still on a cash basis; and

- There are a number of areas where there is still much discussion around implementation of the accruals principles (the 'debatable cases'). Where accounting standards are not in place there is scope for individual interpretation of those principles.

Conclusions and Recommendations

The data suggests that the more common approach to implementing accrual accounting is to make the transition first at a local level and only later transfer the implementation of accrual accounting to the national government. The advantage to taking this approach is that lessons can be learned from the local implementation to be incorporated into the approach for making that transition at a national level. Under this approach, it is important that at the local level similar principles are followed by all bodies to retain consistency and transparency.

The results show that the use of accruals principles for certain areas is significantly behind other areas. The most common example is the recognition of tax revenues which for many countries is still on a mainly cash basis where the rest of the financial statements are on an accruals basis. This would appear to be due to the challenge in finding an appropriate accounting policy. In contrast, the recognition of operating income and expenses on an accruals basis is a much simpler concept to implement. FEE would recommend that where countries are deciding to implement the accruals basis, they give early consideration to the best way to incorporate such challenging areas into the accruals based financial statements.

There is significant scope under the accruals principles for interpretation. Countries must adapt those principles to their own circumstances. A common example is whether to value assets at historic cost or whether to revalue those assets to fair value. This is a choice under the available standards on asset accounting. However, it is in the area of the debatable cases that the significant inconsistencies appear. In chapter 3 we have highlighted some of the cases which are not necessarily covered by accounting standards and are therefore open to interpretation. FEE takes the view that it is important to have a common set of standards employed by all, and supports principles based accounting allowing for application taking into account the specific national circumstances.

There has been much recent debate about the need for a public sector Conceptual Framework. It is undeniable that such a framework could assist preparers of accounts, in particular for situations where no defined accounting standards exist and therefore assist public sector administrations in preparing their financial statements. Improved consistency would also enhance one of the main objectives of any financial statements – that accounts are comparable over time and between organisations enabling an assessment of the performance of the public sector to be made. FEE therefore supports the initiative adopted by IPSASB for a Conceptual Framework which takes into account the specific needs of the public sector.

1. INTRODUCTION

What is accrual accounting?

Accrual accounting is a method of recording financial transactions where the full characteristics of those transactions are recorded in the period to which they relate. All assets owned by the organisation at the end of the period and all liabilities which exist at that point is also recognised in the financial statements. In particular it records revenues earned and resources consumed in a period rather then simply reflecting the cash movements. This allows the following to be prepared:

- A comprehensive statement of the position of an organisation at the end of a period; and

- A comprehensive statement of performance of an organisation during the period.

Under accrual accounting cash flow statements are still required to be produced. This provides information on the entity's use of resources and liquidity.

Accrual accounting is the accepted method of accounting worldwide for the private sector. Increasingly, the public sector is also moving towards accrual accounting as it helps governments to obtain a better picture of the performance of their policies. The European Commission has recently completed a project to introduce its own financial statements from 2005 onwards.

Accrual accounting is formalised in International Standards. For the public sector the IFAC IPSASB produces International Public Sector Accounting Standards (IPSAS). These are broadly based on the corresponding International Accounting Standards but are modified to clarify aspects which particularly affect the public sector. It is not mandatory for public sector bodies to adopt IPSAS. However, it is becoming increasingly likely that countries which are moving to accrual accounting will either adopting the accruals based IPSAS in full or use them as the basis for developing their own standards which take into account the particular circumstances in their country.

What is the difference with cash accounting?

Cash accounting records the cash effects of a transaction in the period in which they occur. Under this regime monies paid and received are recorded in the financial statements of an organisation.

Key elements of accrual accounting

- Income is recorded only when it is due, not when it is received.

- Expenditure is incurred when due, not when it is paid out.

- Assets are recorded when they belong to the organisation and when a future benefit will be received from holding the asset.

- All likely liabilities must be included.

- The question of whether an organisation is solvent must be reflected.

What are the relative merits of accrual and cash accounting?

Accrual accounting facilitates better planning, financial management and decision making in government as well as a robust and accepted way of measuring the economy, efficiency and effectiveness of public policies. Further, one of the objectives of financial reporting is to allow accurate comparison to be made between different organisations. By using the accruals basis for public financial statements, there is increased comparability of public sector and private sector organisations, whilst retaining the comparability of an individual organisation on a period by period basis.

Cash accounting makes little or no reference to the liabilities that an organisation will be required to meet in the future, nor does it recognise the benefits that will be obtained from purchased assets over a period of time. Financial statements prepared on a cash basis therefore give limited information of use to financial managers and decision makers. In practice, most countries still using cash accounting do produce periodical balance sheet information.

At the beginning of the transition process, there is a risk that financial statements prepared on an accruals basis are less readily understood than those prepared under the cash basis. To mitigate this risk it is important that the reader has a solid grounding in the principles of 'assets', 'liabilities', 'income' and 'expenditure'. This enables the legislature to effectively hold the executive to account and the executive to defend its position robustly.

Accrual accounting can, however, be presented in a format such that non-accountants can understand the key messages. When this is achieved, for example by the highlighting of key performance indicators, the benefits to decision makers of the accruals-based accounts is realised.

In contrast, the move to accrual accounting does involve significant on going costs and risks. For a more detailed discussion of the impact of the introduction of accrual accounting please see the FEE paper from 2003 "The Adoption of Accrual Accounting and Budgeting by Governments". This is available at www.fee.be/publications/main.htm.

Why has FEE produced this paper?

There has been a gradual shift in Europe away from cash accounting towards the introduction of accruals-based financial information. However, the pace of change has varied widely between individual countries, and some are only now in the process of fully implementing reforms of their accounting systems.

The purpose of this paper is therefore to document at what stage European countries are at regarding the implementation of accrual accounting, and to share the experiences of those who were early adopters of accrual accounting with those who are currently undergoing the reforms.

The implementation of accrual accounting can be said to be one aspect of reforms under New Public Management (NPM). FEE has produced a report on the state of NPM-style reforms in European countries which can be found at http://www.fee.be/publications/main.htm.

This paper also recognises that the decision to remain with cash accounting is a choice on behalf of the policy makers in those countries. FEE supports the move from cash to accrual accounting, but the objective of this paper is to discuss the current status of accrual accounting across Europe.

Methodology followed

FEE produced a survey questionnaire which was sent to selected public authorities in European countries via their Public Sector Committee representative. The survey was in two parts:

- Part one addressed the meaning of accrual accounting in the public sector and asked countries to respond how the question was being applied in their own circumstances;

- Part two highlighted some current areas of debate in the field of accrual accounting and asked countries to respond with their current thoughts and policy in the areas under question.

Part One: Areas examined by the survey questionnaire

- Recognition of fixed assets including the basis of initial valuation, the measurement of depreciation and the treatment of maintenance costs.

- The range of fixed assets recognised for example heritage assets, military assets and assets under construction.

- How fixed assets are recognised in opening balance sheets.

- How stocks (inventories) are recognised and accounted for.

- The policy for recognition of income and expenses, including tax revenues and grant income / expenditure.

Part Two: Areas of debate highlighted in the survey questionnaire

- The policy for the depreciation and valuation of assets.

- Recognition of gains and losses in the statement of performance.

- Recognition of budget variances in the financial statements.

- Recognition of state pension liabilities / employee benefits.

The responses to the questionnaire were collated by FEE and this report written based on those responses. A number of cautions should be highlighted to those reading this report:

- The report is based solely on the results from those countries which responded. The trends identified are of necessity limited to those responses and no assumptions should be inferred from those countries from which responses were not received;

- The way that the questions were framed was open to interpretation by the respondents depending on their own circumstances. It cannot be assumed that there was 100 per cent consistency in the way that the questions were answered;

- As highlighted in the Executive Summary, the interpretation of the results should be treated with care. A positive result in our survey arises when an organisation produces some kind of relevant accruals based information. This need not be the production of full accruals based financial statements.

More detail on the nature of the questionnaire and the public bodies to which it was sent is given in paragraph 2.2.

Contents of this paper

This report has been produced to highlight the results from the questionnaire which was sent to the various levels of public administration in European countries. A copy of the questionnaire is presented at Annex A and a list of the countries who responded is at Annex B. The findings from the responses have been structured as follows:

- In Chapter 2 there is an analysis of the data received. This shows the scale of the implementation of accrual accounting across the survey countries. There is also examination of the responses by account area, and a discussion of that state of implementation of accrual accounting in the respondent countries;

- Chapter 2 also contains an analysis of the trends in the data received. This will look at whether there are trends across countries, across the different levels of government in those countries, and across different account areas (for example the recognition of tax revenues);

- In Chapter 3 there is a commentary on the areas of debate on which we asked for opinions in the questionnaire;

- Key messages and the conclusions and recommendations arising have been highlighted in the Executive Summary to this report.

Whilst the analysis is of necessity limited to those European countries who responded to the accrual accounting questionnaire we hope, nevertheless, that the results will be of interest to other countries who are undergoing, or are considering, the reform of their accounting systems.

2. ANALYSIS OF THE RESPONSES

Introduction

The questionnaire on accrual accounting in the public sector was first issued in March 2005. Initially, twelve responses were received. From an analysis of those responses it was determined that there had been different interpretations of some of the questions. As a result FEE decided to clarify and re-issue the questionnaire in September 2005. A total of nineteen countries responded to the revised questionnaire. The revised questionnaire itself is attached at Annex A and the list of countries who responded is at Annex B. In addition to the nineteen respondents, FEE also received comments from Italy, Slovenia and Sweden on the status of accrual accounting in their own countries – these countries felt that the questionnaire was not broad enough to accurately reflect their own circumstances.

Nature of the questionnaire

The questionnaire contains 33 questions in the first part which deals with the extent to which accrual accounting is applied across the survey group. The questionnaire asked for responses on the practice of accrual accounting at five levels of government: municipality, small region, large region, national government and government agencies. Each country was therefore required to adapt its own public sector structures to fit this analysis.

As a result, FEE received a total of 1,921 responses from the survey group. A different number of responses were received from each country as not each level of government is represented in each country.

Analysis of the data set

The data can be analysed and presented in a number of ways. This paper will ask whether the data can provide answers to the following questions:

- To what extent is accrual accounting being applied across the survey group as a whole? This will take all of the results – for all countries, levels of government and account areas – and come to a total conclusion about the level of implementation;

- Which areas are most likely to be accounted for on an accruals basis? This will look at the responses to the individual questions and identify those areas which are leading the way in terms of being accounted for using accruals;

- Which countries are ahead in the implementation of accrual accounting? This will look at the total responses on a country basis and identify those countries which are more advanced in terms of moving to the accruals basis.

The data also allows an analysis of any trends that might be identified such as:

- Is there an overall trend in the use of accrual accounting?

- Are there any geographical patterns in the level of implementation of accrual accounting?

- Is there a link between the implementation of accrual accounting and the status of reforms characterised under New Public Management?

- Are there differences of similarities in the level of implementation of accrual accounting depending on the level of government examined?

Note that answers of not applicable, or where no answer was given as the question was not relevant, have been removed from the responses before the analysis was provided.

Table 1: To what extent is accrual accounting being applied across the survey group as a whole?

Response	**Maximum score**	**Actual score**	**Percentage**
Full accruals or modified accruals principles followed	1,921	1,157	60%
Accruals principles not followed	1,921	764	40%

Commentary on Table 1

This is an interesting global result, as it suggests that across the survey group there is a 60 per cent implementation of some form of accrual accounting. It should be remembered however that there is a difference between the full implementation of an accruals regime and the use of some form of accruals data, both of which would result in a positive score in the table.

However, there is a complication arising from the nature of the questionnaire. A number of the questions were designed to highlight a choice under accrual accounting – for example Q102 asks if fixed assets are recognised at historic cost and Q103 asks if assets are recognised at fair values. A positive answer to Q102 would lead to a negative response to Q103. Both are, however, permissible under accrual accounting and therefore the negative response does not indicate that the accruals principles are not being followed.

Furthermore, some of the questions were regarding some of the principles which are at the edge of the accrual accounting principle. For example questions 512 and 513 explore the relationship between recognising revenues and expenses, and the agreed budgets. It is possible to answer ‘no’ to both of these questions whilst still fully adhering to the accruals principles (indeed, many respondents commented that to answer yes to these questions would actually contravene those principles).

So, we cannot merely take the fact that 60 per cent of answers were yes and therefore that 60 per cent of the bodies surveyed are using accrual accounting.

What we can conclude is that the 60 per cent is a minimum. Many of the instances where a no is produced still means that the principles of accrual accounting can be followed. Therefore we can say that at least 60 per cent of the survey group have implemented, or are implementing, some form of accrual accounting.

It will be necessary to look at the data in more detail in order to determine what the true status is across the survey group. This will be done by reference to:

- Individual account areas specific scenarios;
- Data from the specific countries; and
- Different levels of government.

Which areas are most likely to be accounted for on an accruals basis?

Table 2.1: The recognition and measurement of fixed assets

This section of the questionnaire asked the respondent whether they recognised fixed assets as part of their financial reporting.

Area	**Yes**	**No**	**Total responses**	**Percentage replying 'yes'**
101: Are fixed assets recognised?	58	10	68	85%
102: Are fixed assets recognised at historic cost?	55	9	64	86%
103: Are fixed assets recognised at fair value?	17	43	60	28%
104: Are fixed assets re-valued using price indices?	14	48	52	23%
105: Is land recognised as a fixed asset?	54	9	63	86%
106: Are infrastructure assets recognised?	49	13	62	79%
107: Are heritage assets recognised?	39	16	45	71%
108: Are military assets recognised?	25	11	36	69%
109: Are assets in progress recognised?	54	8	62	87%
Sub-total	365	167	532	69%

Commentary on Table 2.1

- The majority of those public bodies who responded are recognising fixed assets either in full accruals based balance sheets or as part of periodic asset and liability reporting. It is not possible from the survey data to distinguish between the two, and therefore we cannot say that the full accrual implementation rate is, for example, 85 per cent for the recognition of fixed assets. Instead we can conclude that 85 per cent of those public bodies recognise in some form the value of the assets in their use.

- Only 15 per cent of the questionnaire responses indicated that expenditure on fixed assets was expensed to the income and expenditure account as incurred. The accruals principle is that the cost of the asset should be matched with the benefits received from holding that asset. This involves putting those assets which give benefit over more than one year onto the balance sheet and consuming the asset over the period in which benefit is gained.

- On the basis of recognition, again there was a majority who use historic cost as the basis of valuing those assets. A small but significant (28 per cent) proportion of the responses showed that fair values were used rather then historic cost. Accounting standards require that a choice is made between accounting on the cost model and revaluing those assets – but where revaluation is selected all assets in the same class must be re-valued. The cost model is a more understandable and straightforward approach and it is therefore not surprising that most accounting policy makers choose the cost approach.

- Where fair values are used, a few of the countries surveyed use price indices to revalue assets to current cost. This is a complicated approach as it required adjustments to be made to historic depreciation (see Q203) and is therefore not a common view.

- The questionnaire also asked about specific types of assets. For land and assets under construction there was a positive response rate of 86 and 87 per cent respectively. This is in line with the overall result of 85 per cent of fixed assets and shows that there is a consistent approach being taken – where the accrual accounting principle is followed for fixed assets, this includes land assets and assets under construction.

- For the recognition of infrastructure, heritage and military assets there was a decreasing positive response rate. However, this may not be a surprise given the nature of the questionnaire. For example, it may be that in a specific country the military assets are not held by local bodies or government agencies, but retained by the central government – hence a negative response would be provided in respect of the local bodies.

Table 2.2: Accounting for depreciation and maintenance costs

Area	**Yes**	**No**	**Total responses**	**Percentage replying 'yes'**
201: Do you account for depreciation on assets?	52	13	65	80%
202: Do you recognise maintenance costs on fixed assets as part of the asset?	24	35	59	41%
203: Do you make adjustments to depreciation on re-valued assets?	35	28	63	56%
204: Do you capitalise asset enhancements?	55	10	65	85%
205: Do you recognise depreciation where above revaluation?	9	49	58	16%
Sub-total	175	135	310	56%

Commentary on Table 2.2

- Broadly speaking these results tie in with table 2.1. Here it was determined that approximately 85 per cent of the survey group were capitalising fixed assets in accordance with accrual accounting principles, and table 2.2 shows that 80 per cent provide for depreciation and 85 per cent capitalise enhancements to assets. Thus there is some assurance over the consistency of the results.

- This further strengthens the conclusion that approximately 85 per cent of the respondents are following some form of the accrual accounting principles for asset accounting.

- However there was a mixture of views on whether adjustments to asset carrying values arising from revaluation and recognition of maintenance costs represents the accrual accounting principle. Across the survey group about half of those who responded said that yes they agree with the principle and followed it.

- Question 205 asked whether providing only for depreciation on re-valued assets above the amount re-valued in year followed accrual accounting principles. The vast majority felt that this did not meet accruals principles and the general view was that depreciation should be provided on the full carrying value of the assets.

Table 2.3: Accounting for fixed assets in the opening balance sheet

Area	**Yes**	**No**	**Total responses**	**Percentage replying 'yes'**
301: Are fixed assets included at cost on opening balance sheet?	25	18	43	58%
302: Are fixed assets included at fair value on the opening balance sheet?	21	27	48	44%
303: Are only depreciable fixed assets included on the opening balance sheet?	10	35	45	22%
Sub-total	56	80	136	41%

Commentary on Table 2.3

- This question refers to the approach taken by bodies when recognising fixed assets in an opening balance sheet i.e. the first time that the accrual accounting principles are applied. It is interesting that the overall positive response rate is 41 per cent – this might be a truer statistic on the proportion of bodies that have made the transition to accrual accounting across countries and levels of government in Europe.

- The responses suggest that there is a mixture of approaches taken regarding accounting for fixed assets in opening accruals based accounts. It is interesting to note that the positive response rate regarding the use of fair values in Q103 (28 per cent) is lower than the answer to Q302 (44 per cent). This suggests that public sector bodies are more likely to bring assets onto an opening balance sheet at fair value, than to account for assets on an ongoing basis using fair values.

- Furthermore, it may well be that the historic cost of such assets is not known and that on preparing the opening balance sheet the only way to value the assets is to estimate their current fair value.

- There was, however, a significant majority that felt under accrual accounting that all assets should be recognised on the opening balance sheet, not just the depreciable ones.

Table 2.4: Accounting for stocks (inventories)

Area	Yes	No	Total responses	Percentage replying 'yes'
401: Do you recognise all or some stocks?	57	8	65	88%
402: Do you recognise stocks at fair value?	36	23	59	61%
403: Do you recognise work in progress?	49	12	61	80%
Sub-total	142	43	185	77%

Commentary on Table 2.4

- In general stock is recognised in some form by all public sector organisations except those who account using the full cash based accounting methods (e.g. Italy and Hungary).

- A slightly lower percentage recognises stocks on a fair value basis, with some bodies valuing stock on a historical cost basis. Those bodies which follow this approach will need to make sure that this follows the principles of 'lower of cost and net realisable value' which underpins the accounting principle.

- One consistent message to come out of the survey was the recognition of work in progress. If stock is recognised, then work in progress is also recognised. Again, under the accrual accounting principle bodies need to record the future value to the business and the recognition of work in progress satisfies this principle.

Table 2.5: Accounting for revenues and expenses

Area	Yes	No	Total responses	Percentage replying 'yes'
501: Do you recognise revenues when earned?	52	9	61	85%
502: Do you recognise expenses when incurred?	57	8	65	88%
503: Do you accrue for revenue and expenses?	51	13	64	80%
504: Do you recognise expenses when goods are ordered but not delivered or invoiced?	10	55	65	15%
505: Do you recognise expenses when paid and adjust at the year end?	21	42	63	33%

Area	Yes	No	Total responses	Percentage replying 'yes'
506: Are grants recognised when legal entitlement is held?	37	18	55	67%
507: Are grants recognised when a valid claim is held?	17	27	44	39%
508: Are tax revenues recognised when receivable?	30	25	55	55%
509: Are tax revenues recognised when calculated?	10	38	48	21%
510: Are tax revenues recognised at the point of the taxable event?	18	36	54	33%
511: Are provisions are recognised if criteria are met?	46	20	66	70%
512: Does the budget plays no part in criteria for recognition?	51	10	61	84%
513: Are revenues and expenses recognised only if in the budget?	18	38	56	32%
Sub-total	419	339	758	55%

Commentary on Table 2.5

- The results show that a high proportion of bodies are accounting for income and expenditure under the accruals basis. These numbers (85 per cent and 88 per cent respectively) are well in line with the overall results for fixed assets (85 per cent), recognition of depreciation (80 per cent) and recognition of stocks (88 per cent).

- It is interesting that there is a slightly higher proportion of bodies that recognise expenses on an accruals basis than recognise revenue on an accruals basis. This is not unexpected however – where accrual accounting has been implemented there is a tendency for revenues (and in particular tax revenues) to take longer to fully switch to the accruals basis.

- The recognition of year end income and expenditure accruals is a slightly lower figure (80 per cent). This may be a statistical anomaly, but equally might reflect the use of a modified accruals basis, where the year end positions are estimated, or added later to the in-year transactions.

- The questionnaire also asked the debatable question about the recognition of accruals based on goods ordered but not invoiced or delivered by the year end. Most of the respondents were in agreement that this did not reflect accruals principles, as the benefit of the goods had not been received during the year. However, a small group of countries replied that this would be in keeping with accrual accounting (Poland, Romania and Slovakia).

- On accounting for grants there was a mixture of accounting approaches: some responded that they would recognise a grant based on the cash receipt, others would record the entitlement to the grant when the grant conditions have been met and some when legal entitlement to the grant is received. The majority view was the third approach – legal entitlement – but there was not a great consistency amongst the replies.

- The recognition of tax revenues on an accruals basis has tended to lag behind the recognition of income and expenditure on such a basis. This is demonstrated by the results, where 55 per cent of bodies recognise tax receipts when receivable and 85 per cent of bodies recognise other income receipts when receivable.

- The challenge with tax revenues is determining the point at which the receipt becomes payable to the tax authority. In particular, when determining the year end position it is not clear at what point an amount becomes owed to the authority. The questionnaire asked for responses on two potential points when tax might be recognised in the financial statements – the time of the taxable event and the point at which the tax is calculated. Only 21 per cent of respondents felt that the calculation of the tax due should prompt recognition of the tax in the financial statements, and only 33 per cent felt that recognising the tax at the point of the taxable event would be in keeping with the accrual accounting principles.

- This result highlights the issues with interpretation in accruals based financial statements. Both of the specific circumstances (calculation, taxable event) could be said to make the tax 'receivable', yet few respondents felt that this was a true application of the accruals principles.

- It may be that the respondents felt that questions Q508 to Q510 were mutually exclusive in that they were only allowed to choose one answer. However, it is an interesting finding that only 33 per cent of respondents supported the view that the IPSASB is taking in recognition of tax revenues – the situation described in Q510.

- On provisions there was a 70 per cent response that they are recognised if certain criteria are met. This is slightly below the rate of 80 to 90 per cent that we are seeing for the 'standard' accruals items in the financial statements. This would suggest that for certain bodies provisions are never recognised even though in most other ways the financial statements are put together using accrual accounting principles. Without more detailed analysis it is difficult to draw firm conclusions – for example those bodies may accrue rather than provide, which can be considered the prudent view – however it appears that this is one area where full compliance with the principles of accrual accounting has not been achieved.

- The questionnaire also asked the question regarding the role that the budget should play in recognising transactions in the financial statements. There were two questions: firstly whether it was a correct application of the accruals principles for the budget to play no part in the recognition criteria – this received an 84 per cent agreement rate. Secondly whether transactions should only be recognised if there is available budget – this received a 32 per cent agreement rate.

- It could be argued that under a strict application of accruals principles the answers to Q512 and Q513 should have been 100 per cent and zero. However, it is interesting to note that the 84 per cent is very much in line with the positive responses for assets, revenues and expenses being accounted for on an accruals basis, therefore it may be that those agreeing with the statement are those who use accruals.

Which countries are leading the way for the implementation of accrual accounting?

This is not a simple question to answer. Whilst there is published evidence about the accounting systems in place at national government level, the questionnaire collected data from several layers of government. Some countries operate different systems at different levels of government and it is therefore difficult to generalise about the state of accounting in those countries. Later in this chapter there is some analysis of the different methods used by different levels of government in certain countries.

In addition we have also raised caution about the use of the survey data in making general conclusions. Quantitative analysis cannot be performed on the data as it is not possible to compare like with like across the survey group.

What is possible, however, is to examine the responses given across all account areas and all levels of administration and then categorise the countries into three broad groups. These headings will be:

- Those which are well advanced in the implementation of accrual accounting;
- Those which are making progress in its implementation; and
- Those which are predominantly, or totally, using the cash basis of accounting.

Those which are well advanced

A number of countries have implemented accrual accounting over the past decade or so, and this system is now embedded in the public sector. Those countries who, across the levels of government scored highly included Denmark, Finland, Latvia, Estonia and the United Kingdom (note this list is illustrative, not exhaustive).

Generally, these countries are a number of years down the line from when accrual accounting was first implemented. This has allowed them to introduce the principles across most, if not all, levels of government and to implement the principles in all areas of the financial statements.

Those which are moving to accrual accounting

Perhaps the most interesting results come from a group of countries that fall between full accruals and full cash accounting.

- In Austria, according to the questionnaire fixed assets are recognised at historical cost but depreciation is not charged on depreciable assets. The exception to this is for agencies where assets are re-valued to fair value and depreciated. Stocks and provisions are not recognised as assets, but income and expenditure is recognised on an accruals basis.
- The Czech Republic is an example of a country which uses the accrual basis for fixed assets and stocks, but not for the recording of tax revenues. Nor does it recognise grants or provisions on an accruals basis. Without performing a detailed analysis on the state of accounting in the country it is difficult to be specific, but this profile is typical of a country in transition from a cash basis to an accruals basis.

- In Lithuania there is a similar situation to that in the Czech Republic. Again, fixed assets and stocks are accounted for on the balance sheet but tax revenues and grants are on a cash basis. In addition, whilst income and expenditure are accounted for on a receivable / payable basis the results of the questionnaire indicate that no year-end accruals are made, nor are provisions recognised.

These three circumstances, and the countries in similar positions, are examples of modified accrual accounting. This tends to represent a transitional period of accounting between full cash and full accruals. The experience of those who have undertaken this transition shows that it can take a number of years for accrual accounting to become fully embedded.

Those which are using cash accounting

A number of European countries use the cash basis for accounting for the public sector. In Italy the law does permit the use of accrual accounting but budgeting and financial statements are still prepared on a cash basis. In Germany, the federal government operates purely on a cash basis and there are no plans to implement accrual accounting at the moment (although as can be seen later in this paper the pure cash basis is only applicable at the federal level). Hungary also uses a pure cash basis, in this case for all levels of government, with only limited balance sheet information prepared periodically.

Under this system the financial statements will be of the ‘receipts and payments’ format and record cash movements only. These are the most understandable form of accounts for someone who is not a finance expert, however it is debatable whether such accounts are the most useful for decision makers or that they are effective in holding those decision makers to account.

Trends identified in the data set

The overall trend towards accrual accounting

The results of the questionnaire show some very consistent results across the survey group. A number of the questions were of the basic ‘do you account for x using the accruals principle’, and we can highlight the results as follows:

Area	Percentage accruals
Fixed assets	85%
Depreciation	80%
Stock	88%
Income	85%
Expenditure	88%
Tax revenues	55%
Provisions	70%
Average	**79%**

It is therefore reasonable to conclude that, for the survey countries and based on the survey data collected, some form of accrual accounting has been implemented to a 79 per cent level. However, it is important to remember that this does not mean that 79 per cent of countries are using accrual accounting, merely that this proportion of the respondents provide some information on accruals data. This may be, for example, full accrual based financial statements or a periodic statement of assets and liabilities.

As is the experience of those who have fully implemented accrual accounting, the recognition of tax revenues on an accruals basis lags behind the other account areas. This is because of the challenges of deciding when a tax liability has been created and when the public body should recognise it. This is a debate which each country must have and resolve before full implementation can be undertaken.

Geographical patterns in implementation of accrual accounting

The conclusions drawn in this section will of necessity be subjective, but it is possible to look for patterns in the data collected from the questionnaire. In particular the results tend to suggest that:

- The countries that are most advanced with accrual accounting are the Northern European countries. This ranges from the United Kingdom in the West; through to most of the Nordic countries that are well advanced, across to the Baltic States who are also front runners in the implementation of accrual accounting.

- Those that are still using cash or are going through a transition to accrual accounting tend to be the Central and Southern European countries. For example, Austria and the Czech Republic are on the road to implementation, and Italy and Hungary are still using very much cash based systems.

It is interesting to note that the data used in the questionnaire is over one year old, and that the pace of change in the countries in the transition group is increasing. For example, France has required a much greater use of the accrual accounting principles for 2006, and Switzerland is legislating for the full use of accruals (probably due in 2008). It may therefore be that the current geographical divide will be reduced.

The link with New Public Management

New Public Management (NPM) is a broad heading for a set of characteristics under which public administrations move away from the purely historical, legal based arrangements to a more control based governance structure where the focus is on outcomes for the citizen. It is characterised by devolved powers, effective delegation, performance measurement and increased transparency and accountability.

FEE has produced a paper on NPM which focuses on the impact on the accounting and auditing profession. One of the findings was that NPM style reforms were accompanied by reform of the accounting systems, with the introduction of accruals based financial statements at the forefront. The rationale is that increased transparency and accountability is produced when the accruals principles are used for public sector bodies to report on their activities.

The findings of the FEE paper were that the Northern and Western European countries were generally more advanced in NPM style reforms. This is broadly in line with the findings from this survey, where the Northern countries are currently ahead in the implementation of accrual accounting.

It is interesting to note that Switzerland (in the Cantons) was a real frontrunner in the field of NPM style reforms. The 'New Steering Model' contained a lot of the characteristics which we now call New Public Management. In 1973 the Swiss conference of Cantonal finance directors defined what was meant by accrual accounting and the Cantons began to follow these principles from that date. The Cantons will be amending this by switching to IPSAS in the near future.

The move to accrual accounting is therefore normally part of a wider set of reforms, where delegation is increased, departments are governed in order to provide a service for citizens rather than follow set rules, and there is increased openness of the public sector in terms of reporting and performance measurement.

Implementation in the different levels of government

Up to now the analysis has looked at the responses of countries as a whole and at the responses to particular circumstances. To perform a proper analysis it is also necessary to examine the responses by looking at the differences between the various levels of government.

The questionnaire asked for responses at five levels of government. However, not all countries have this many levels of administration and it is therefore difficult to comment on each of them, due to a lack of data.

It is possible to make comments about the data set by looking at the differences between central governments and local governments.

Overall finding

The data strongly supports what has been suspected by accounting specialists for some time, that accrual accounting is more strongly embedded at the local level than at the national level. The respondent countries can again be split into three groups:

- Those that use accrual accounting at both the national and local level (e.g. the UK and Denmark);

- Those that use mainly cash at a national level but accrual accounting at a local level, either at present or who are moving towards implementation of the accruals basis at a local level (e.g. Germany, Netherlands, Switzerland); and

- Those that use cash accounting at all levels (e.g. Hungary and Italy).

There was little or no evidence from the survey of a national government using accrual accounting with local governments still on a predominantly cash basis.

Specific situations

It is interesting to look at the circumstances behind two of the countries who are in the second group (i.e. cash at a national level but accruals at a local level):

- In Germany the federal government remains cash based and there are no plans for this to change. Some of the state governments (Lander) however have started the transition phase between cash and accruals – particularly Berlin, Bremen and Hamburg. At the local government level a number of areas are undergoing the implementation of accrual accounting which should be fully embedded over the next few years;

- In Switzerland the national government is still using the cash basis, although the expectation is that this will be converted to accruals by 2008. However, at the Canton level the use of accruals based financial statements has been a reality since 1973, and the local communities are required to follow the laws of their Cantons and are also therefore using accrual accounting.

Conclusion

These results lead us to make one conclusion and one observation:

- The data strongly supports the view that it has been more common to implement accrual accounting via a bottom up approach. The transition of many countries in the survey group has been driven first by reforms at the local level and it is the national government that has been the last to change;

- This gives rise to the question, why is this the case? And why have few countries opted for the 'big bang' approach? The answer may be due to the scale involved. It would appear to be simpler for smaller organisations to make the transition simply because they are smaller. In addition, the local bodies are unlikely to face some of the more tricky accounting issues, such as accounting for tax revenues, pension liabilities and heritage assets. It is much simpler to implement accrual accounting for operating expenses than for these areas.

Lessons can be learned from implementation at the local level, and during this transition phase the national government has the opportunity to decide on its accounting policies for some of the debatable areas. However, there have also been examples where the national government has led the reform, and others where all parts of the public sector have implemented change at the same time. It is therefore impossible to make a firm recommendation, but the experience of those who have started at the local level is that the lessons learned can be incorporated into the later reforms.

3. COMMENTARY ON AREAS OF DEBATE

Introduction

As detailed in chapter one the questionnaire also asked countries to respond on four areas of accounting where there is currently a debate as to the correct application of accrual accounting. The areas in question are:

- The policy on the depreciation and valuation of assets;
- The recognition of gains and losses in the Statement of Performance;
- The recognition in the financial statements of variances against budgets; and
- The recognition in the financial statements of state pension liabilities.

Eleven questions covering these areas were posed to countries in the survey group as part two of the questionnaire (see Annex B). Each question was framed as a statement, before which the words "In the following debatable cases, do you and the practitioners think that the accrual principle is being applied" were inserted. The aim was to collect data on how the principles of accrual accounting are being interpreted across the survey group.

This chapter identifies the common responses to the statements that were asked, and forms a conclusion as to how the accrual accounting concept is being applied.

Area 1: The depreciation and valuation of assets

Question 601:	Depreciation is recognised but limited to a small amount because of legal restrictions on the level of depreciation allowances or because of a low initial entry cost of depreciable assets or because of partial recognition of assets

The majority of countries commented that they did not think this represented the application of accrual accounting principles. The main argument given for this position was that standard accounting principles were independent of any public policies. Finland was one of the few countries to reply that they did think this met the principles, commenting that "the depreciation plan was established for all assets in 1997 or 1998 (or as acquired later) based on economic life. Special items such as heritage assets may have individually set depreciation plans. A plan may be revised later if the circumstances change". Other respondents felt that the statement had some basis in the principles of accrual accounting but that it reflected a modified version of the practice.

Question 602:	Depreciation allowances are not available for financing either in the same year or in the following years (the allowances are transferred to another entity which is responsible for spending them)

Again the general consensus was that this situation would not represent the correct application of the accruals principle, and that strictly it was a matter for financing rather than accounting. Lithuania was the only respondent to answer in the positive, commenting that "depreciation is not related with depreciation allowances".

Question 603:	Depreciation allowances are free to be computed (no regulation at all on the level of depreciation) and used at the will of the entity (for any purpose)

This scenario produced a mixed response, with a fairly equal split between respondents that thought in such a situation the accruals principle was fairly applied and those that did not.

The arguments and responses relating to questions 601 to 603 highlight one of the main features of accrual accounting: that the principles are open to interpretation and are therefore a framework which must be adapted to the individual circumstances of the practitioner.

Area 2: The recognition of gains and losses in the Statement of Performance

Question 604:	Depreciation allowances are not recorded in the statement of performance or in the statement of financial position, only in the statement of cost

There was a majority view that this statement would not be in keeping with the accrual accounting principles. Under these principles the correct application of the accruals concept would be to record the depreciation costs in the statement of performance or income and expenditure account (as applicable). Denmark was the only country to respond that the statement was in keeping with accruals principles, but did not provide further comment.

Question 605:	The difference between the depreciation allowance and borrowing repayment of the year (for a given asset) are put either as an expense or revenue in the statement of performance

Again, most of the responses were negative stating that the accruals concept did not hold in this scenario. There were some differences of opinion, for example the Greek response indicated that this was an application of accrual accounting, and the UK CIPFA response noted that under accruals principles the suggested accounting treatment was valid.

Question 606:	The depreciation allowances are not recorded in an account "accumulated depreciation" but in a special account "depreciations reserves" put in the equity section of the balance sheet. The carrying value of the depreciated asset is kept at the entry cost on the asset side of the balance sheet, when the depreciated asset is sold the gross loss (difference between entry cost and selling price) is sold by "depreciation reserves".

With the exception of Greece all responses to this question reflected that it would not retain the accrual accounting principle. The main objections were that the carrying value of assets in the balance sheet would be misrepresented, and that the profit or loss on the disposal of the asset would not be correctly reflected in the Statement of Performance for the year.

Question 607:	The revaluation surplus of fixed assets is credited to income of the year.

This question provided an interesting response. Whilst the most common scenario is that the revaluation surplus is credited to reserves in the balance sheet, most respondents felt that to credit the surplus to income for the year did not go against the accrual accounting concept. The UK response noted that is the concept of ‘prudence’ that requires the surplus to be credited to reserves and released across a number of accounting periods, rather than the principles of accruals themselves.

Area 3: The recognition in the financial statements of variances against budget

Question 608:	The difference between the budget and actual positions is recorded at the year end as a provisional reserve until the next budget decides on it

There was almost total agreement that this scenario does not reflect the accrual accounting concept. Most respondents argued that under accruals principles the effects of a transaction are recorded in the financial statements when they occur, and not before. The one different voice was that part of the UK which responded regarding National Health Service accounting. This reply commented that "accounting is on the basis of income and expenditure in the period. In some cases unspent budget may be set aside as an earmarked reserve". This appears to be a modification of the pure accrual accounting concepts and was the only reply to consider a positive response to the statement.

Area 4: The recognition in the financial statements of state pension liabilities

Question 610:	The recognition of state pension liabilities as they are accrued through contributions and/or years of work

There was a mixed response on this issue, with a small majority suggesting that the accrual accounting principle would hold. However, the responses raised more questions – for example when does a state pension liability actually accrue? There was a general feeling that there is a lack of international guidance for the public sector on this issue, for example there is no IPSAS on employee benefits.

The mixture of the responses was illustrated by the two UK replies offering very different comments. The response covering local authorities suggested a positive response, but the response covering central government stated that "this would appear to be pushing the boundary of the recognition point for liabilities beyond what is currently recognised in most financial reporting frameworks. This is a topic of course that is currently being researched by the IFAC Public Sector Committee".

Question 611:	The recognition of state pension liabilities as they crystallise at pensioners' retirement dates

Again, opinion was divided with more questions raised. For example, there was discussion about whether state pension liabilities can 'accrue' before they have 'crystallised', and about whether state pensions are an executory contract and should therefore be recognised as they are paid.

The overall comment that can be drawn on the issue of accounting for state pension liabilities under the accrual accounting concept is that it is a tricky issue. There is no hard and fast guidance for the public sector as the accounting rules leave a lot of room for interpretation, and this can mean large inconsistencies between sets of financial statements, given the amounts involved.

Commentary on the areas examined

The overriding theme of the range of responses received comes back to one issue: under accrual accounting there is a framework of principles which must be interpreted according to the circumstances of the individual public sector body. Accounting standards give guidance to the user as to how to apply the principles, but this guidance cannot cover every circumstance and there will always be room for those applying the principles to use them to their own means.

For example, the question as to where revaluation surpluses should be accounted for showed that whilst most bodies would credit the surplus to a reserve, there is nothing in the accruals principle to prevent recognising the surplus as income straight away. The reason for using a reserve is that this is the prudent course, rather than the strict application of accruals.

Another area to provoke an interesting response was regarding the treatment of pension state liabilities. This argument is part of a much larger debate on the accounting for social policy obligations, and our results show that there is much work to be done before an agreed accounting treatment is reached.

One possibility for reducing the potential inconsistencies in approach would be for the introduction of a public sector Conceptual Framework. This would provide additional guidance where accounting standards do not cover the specific scenarios encountered. The IPSASB and National Standard Setters have adopted an initiative to work towards a Conceptual Framework which takes into account the specific needs of the public sector. FEE supports this initiative and believes that it will be an important step towards ensuring that principles based accounting can be applied consistently.

ANNEX A: THE ACCRUAL ACCOUNTING QUESTIONNAIRE

QUESTIONS **A – Does the practice of the accrual principle in your country mean recognizing:**	**Answers : yes or not Standardized policies of your country at the level of**					**Comments**
	City, town, municipality	**Province, small region**	**Big region, land, canton**	**National government**	**Agency, public entity**	
1-for fixed assets						
101-fixed assets: all or some						
102-fixed assets at historical cost						
103-fixed assets at fair value						
104-fixed assets at revaluated value (whatever may be the revaluation method)						
105-land (some or all)						
106-infrastructure assets, for example road or rail networks						
107-heritage assets, for example art collections and antiques						
108-military assets (some or all)						
109-fixed assets under construction						
2-for depreciation and maintenance :						
201-depreciation on depreciable assets: some or all – if 'yes' please explain where the depreciation charge is recognised						
202-maintenance cost keeping depreciable assets in "as new" condition – please explain the accounting treatment when actual maintenance costs exceed the depreciation allowance						
203-adjusted depreciation on revaluated assets						
204-capitalising maintenance cost only when they enhance an asset in comparison with its original condition						

QUESTIONS **A – Does the practice of the accrual principle in your country mean recognizing:**	**Answers : yes or not** **Standardized policies of your country at the level of** **City, town, municipality**	**Province, small region**	**Big region, land, canton**	**National government**	**Agency, public entity**	**Comments**
205-depreciation only for the amount above the revaluation of the year (if any)						
3-Transitional provisions for the opening balance sheet (at the first time application of accrual principle)						
301-fixed assets at historical cost : all or some						
302-fixed assets at fair value : all or some						
303-only depreciable fixed assets : all or some						
4-Stocks						
401-all or some						
402-write down of stock values (related to some kind of fair value)						
403-work in progress						
5-Revenues and expenses						
501-revenues (other than tax revenues) when earned						
502-expenses when incurred						
503-expenses accounted for on a cash basis with adjustments for deferred and accrued expenses and revenues at the year end : all or some						
504-expenditures on goods and services ordered but not delivered or invoiced (on condition that the related budget amount is available)						

QUESTIONS **A – Does the practice of the accrual principle in your country mean recognizing:**	**Answers : yes or not** **Standardized policies of your country at the level of**					**Comments**
	City, town, municipality	**Province, small region**	**Big region, land, canton**	**National government**	**Agency, public entity**	
505-expenses only when paid but with an adjustment at year end for related goods or services which have been delivered						
506-grants when the recipient is legally entitled to them						
507-grants only when a valid claim has been received						
508-tax revenues when receivable – if relevant, please give details if the treatment varies between different taxes						
509-tax revenues when calculated – if relevant, please give details if the treatment varies between different taxes						
510-tax revenues when the taxable activity or event occurs – if relevant, please give details if the treatment varies between different taxes						
511-provisions recognised provided risks are related to the operations of the year, can be estimated and are likely to crystallise, even if not budgeted						
512-expenses and revenues without consideration of the budget (in cash or in modified cash or in accruals…) – if non-budgeted amounts are recognised, please explain the accounting treatment						
513-expenses and revenues as far as they are included in the related budget (e.g. depreciation allowance)						

2 – In the following debatable cases, do you and the practitioners think that the accrual principle is being applied?	**Comments**
601-depreciation recognised but limited to a small amount because of a legal restrictions on the level of depreciation allowances or because of a low initial entry cost of depreciable assets or because of partial recognition of assets	
602-depreciation allowances not available for financing either in the same year or in the following years (the allowances are transferred to another entity which is responsible for spending them)	
603-depreciation allowances free to be computed (no regulation at all on the level of depreciation) and used at the will of the entity (for any purpose)	
604-depreciation allowances not recorded in the statement of performance nor in the statement of financial position only in the statement of cost	
605-difference between depreciation allowance and borrowing repayment of the year (for a given asset) put either as an expense or a revenue in the statement of performance	
606-depreciation allowances are not recorded in an account "accumulated depreciation" but in a special account "depreciations reserves" put in the equity section of the balance sheet ; the carrying value of the depreciated asset is kept at the entry cost on the asset side of the balance sheet, when the depreciated asset is sold, the gross loss (difference between entry cost and selling price) is sold by "depreciation reserves"	
607-the revaluation surplus of fixed assets is credited to income of the year	
608-difference between budget and actual is recorded at the year end as a provisional reserve until the next budget decides on it	
609-revaluation of certain stocks with a low rate of turn-over (long-term stocks)	
610-recognition of state pension liabilities as they are accrued through contributions and/or years of work	
611-recognition of state pension liabilities as they crystallise at pensioners' retirement dates	

ANNEX B: LIST OF COUNTRIES FROM WHICH A RESPONSE TO THE QUESTIONNAIRE WAS RECEIVED

The following countries provided detailed responses to the revised questionnaire:

- Austria;
- Cyprus;
- Czech Republic;
- Denmark;
- Estonia;
- Finland;
- France;
- Germany;
- Greece;
- Hungary;
- Latvia;
- Lithuania;
- Netherlands;
- Poland;
- Romania;
- Slovakia;
- Spain;
- Switzerland;
- United Kingdom (CIPFA); and
- United Kingdom (ICAEW).

In addition, the following countries provided a summary of the status of accrual accounting in their countries although did not provide responses to the revised questionnaire, as it was not deemed suitable to their own circumstance:

- Italy;
- Slovenia; and
- Sweden.