

DISCLOSURE OF ACCOUNTING GOVERNMENT REPORTS: a comparative study
between Brazil and MERCOSUL countries members from IPSAS perspectives

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ABSTRACT

The present study analyzes the differences in the disclosure of accounting reports between Brazil and other countries members of economic bloc Southern Common Market (MERCOSUL), considering the international convergence of International Public Sector Accounting Standards (IPSAS) and the local standards of each of the countries examined. This is the analysis of governmental financial reporting in Brazil, Argentina, Uruguay and Paraguay, considering the local differences, as well as possible influences arising from the economic bloc, the comparability of reports from these countries and the challenges of comparing reports among countries belonging to different economic blocs. In addition to the bibliographic, documentary and literature review, an empirical study was realized, comparing the reports of the countries concerned and showing the plan of accounts used, the measurement and recognition criterions adopted to the reports items and other relevant aspects of data analysis, timeliness, consistency and reliability. Following, data analysis were consolidated and the findings and observations from the confrontation of the country reports were demonstrated. Finally, we analyze the effects the new procedures and financial statements drawn up by each country and by IPSAS cause, as well as the challenges and prospects for effective international convergence. Relevant aspects are considered, such as different languages and cultures, as well as the accounting aspects of government.

Key-words: Disclosure, Accounting Reports, MERCOSUL, IPSAS.

1 INTRODUCTION

The adoption of International Public Sector Accounting Standards (IPSAS) has become one of the most important challenges for governments of countries around the world, especially in countries like Brazil, where accounting practices are based on regulations dating back to the 60 and that are focused on financial and budgetary controls.

Despite being regulated by normative rules that have not yet incorporated the new premises contemplated by IPSAS, the Brazilian Public Accounting - by the efforts of the Federal Accounting Council (CFC) and the National Treasury Secretary (STN), which have been conducting technical studies and issuing standards and procedures manuals with emphasis in the property aspects – putting on Brazil as one of the countries listed by the International Federation of Accountants (IFAC) in the convergence process.

Brazil, a member of the MERCOSUL economic bloc, stands as an important interlocutor and driver of development, but just like the other countries members of the economic bloc, it does not deal yet with government financial information that are worthy of credibility and could appropriately contribute to the making decision process.

Understanding the convergence process within the governments of countries belonging to the same economic bloc allows the sharing of good management practices and contributes to a better quality of accounting information. Niyama (2010) explains that the emergence of large economic blocs has contributed to the harmonization of accounting standards of many countries. Belonging to the same economic bloc and realizing numerous free trade transactions, the MERCOSUL countries members at first imply similar financial reporting practices and accounting reports.

Based on the situation above, to analyze how the disclosure process is done in Brazilian government accounting reports and between the Governments sphere of other member countries of the economic bloc Southern Common Market (MERCOSUL), the study focuses on the following question: *the convergence processes to International Public Sector Accounting Standards are adherent between the Governments of the MERCOSUL countries?*

To deal with this research question, the present study analyze the criteria for disclosure of accounting reports issued by the Brazilian government and the governments of other MERCOSUL countries members face of IPSAS standards: Brazil, Argentina, Uruguay and Paraguay, considering the local differences, as possible influences arising from the economic bloc, the reports comparability of these countries and the challenges of comparing reports between countries belonging to different economic blocs.

In addition to the bibliographic and documentary research, it is conducted an empirical study comparing the reports of the selected countries, demonstrating, beyond the chart of accounts used, the criterion used for measurement and recognition of items of reports, timeliness, consistency, reliability and other relevant aspects of data analysis. Following, it will be consolidated data analysis and demonstrated the findings and evidences from the comparison of reports from these countries. Finally, it is analyzed the effects arisen from the new procedures in structured financial statements, as the existent prospects and challenges to achieve the international convergence on the government accounting aspects.

The article presents beyond this introduction: (i) literature review; (ii) government reports; (iii) comparative study: IPSAS, Brazil, Argentina, Paraguay and Uruguay; (iv) conclusion and final recommendations to public accounting researchers.

2 LITERATURE REVIEW

2.1 Conceptual and Historical Aspects

The Argentine Republic, the Federative Republic of Brazil, the Republic of Paraguay and the Eastern Republic of Uruguay signed on March 26, 1991, the Treaty of Asuncion, in order to create the Southern Common Market - MERCOSUL. The period between March 26, 1991 and December 31, 1994, is known as the transition period for the Free Trade Zone, which arranged the removal of tariff and nontariff barriers to the free circulation of goods, capital and people (BEUREN; BRANDÃO, 2001, p. 23).

The MERCOSUL was formed in Customs Union in January 1995, thus ending the transition period and beginning a new stage that has been qualified as a period of consolidation of the Customs Union (Rose, 1999). In 2002 it was approved the Olivos Protocol to solve disputes between MERCOSUL members, a step that demonstrated the desire of countries to continue deepening the integration process.

Immediately following the approval of this Protocol, it was created the Permanent Court of Review (TPR), in order to "ensure the correct interpretation, application and enforcement of fundamental instruments of the integration process and the consistently and systematic MERCOSUL's set of rules" (MERCOSUL website). Among the main MERCOSUL's topics are (Treaty, 1991):

- Free circulation of goods, services and factors between countries through elimination of tariffs and non tariff restrictions on the circulation of goods, and any other similar measurement effect;
- The establishment of a common external tariff and the adoption of a common commercial policy relating to other States or groups of States; and positions coordination in regional and international economic-commercial;
- The coordination of macroeconomic and sectoral policies between the States - foreign trade, agricultural, industrial, fiscal, monetary, foreign exchange and capital, other than to agree - in order to ensure proper conditions to competition between the States, and
- The States commitment to harmonize their legislation into the relevant areas in order to strengthen the integration process.

The four MERCOSUL's countries members share values expressed by their democratic, pluralistic, defenders of basic freedoms, human rights, environmental protection and sustainable development. These countries also share commitment to democracy, legal security, combating poverty and equity social and economic development. The partners primarily looked for increasing the size of their national markets through integration, which is a vital conditional to hurry up the processes of economic development with social justice.

The primary objective of the Treaty of Asuncion is the integration of four countries through the free circulation of goods, services and production factors, also of the establishment of a Common External Tariff (TEC). Moreover, the Treaty seeks to adopt a common trade policy, coordination of macroeconomic and sectoral policies, and legal harmonization in relevant areas.

2.2 International Public Sector Accounting Standards – IPSAS

The International Federation of Accountants - IFAC Board has established the International Public Sector Accounting Standards Board (IPSASB), an international Board to develop high-quality accounting standards for use by public sector entities around the world in the preparation of general purpose financial statements (IFAC, 2010).

The objectives of the IPSASB are to serve the public interest by developing high quality public sector financial reporting standards and by facilitating the convergence of international and national standards (IFAC, 2010). The convergence process is conceptualized by Niyama and Silva (2011), as an idea of "moving toward" indicating that the process tends to reach a common language.

The IPSASB develops accrual International Public Sector Accounting Standards – IPSASs, international standards that are converged with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) by adapting them to a public sector context when appropriate (IFAC, 2010). Thus, the IPSAS are standards that must be followed to achieve the governmental accounting convergence. They are the parameter, the north to be adopted by countries.

According to IPSAS 22 - Disclosure of Financial Information About the General Government Sector, an entity should disclose segment revenue and segment expense for each segment. Segment revenue from budget appropriation or similar allocation, segment revenue

from other external sources and segment revenue from transactions with other segments should be separately reported. Moreover, it establishes that an entity should disclose the total carrying amount of segment assets, liabilities for each segment and the total carrying amount of segment liabilities for each segment (IPSAS 22).

As to the disclosure standards and practices, Choi and Meek (2008) affirm they are influenced by sources of finance, legal systems, political and economic ties, level of economic development, education level, culture, and other factors.

The objective of accounting disclosure is to publish information of economic, financial, social and environmental organizations performance to the social partners, stakeholders, considering that the financial statements and other forms of disclosure should not be deceptive (Tinoco; Kraemer, 2004, p.256).

Hendriksen and Van Breda (1999, p.512) affirm accountants tend to use the word accounting disclosure in a slightly narrower sense, dealing with the placement of financial information about a company in a financial reporting, usually an annual reporting. However, to the authors, the financial statements represent only one component of a much wider publisher system.

It is relevant to remember that financial reporting is different from financial statements. Financial reporting is the full process of preparing the financial statements, in a broader sense (Niyama, 2010). The FASB consider financial statements are a central part of financial reporting (SFAC No. 8). The present study aims to analyze the entire process of preparation of financial statements under the MERCOSUL countries Public Sector, named Government Reports.

According to IPSAS 01 - Presentation of Financial Statements (paragraph 21), a complete set of financial statements comprises (a) a statement of financial position; (b) a statement of financial performance; (c) a statement of changes in net assets/equity and (d) a cash flow statement.

Table 1 – IPSAS Main Characteristics of Financial Statements

Statements	Main Characteristics
Statement of financial position (balance sheet or statement of assets and liabilities)	(a) Property, plant and equipment; (b) Investment property; (c) Intangible assets; (d) Financial assets (excluding amounts shown under (e), (g), (h) and (i)); (e) Investments accounted for using the equity method; (f) Inventories; (g) Recoverables from non-exchange transactions (taxes and transfers); (h) Receivables from exchange transactions; (i) Cash and cash equivalents; (j) Taxes and transfers payable; (k) Payables under exchange transactions; (l) Provisions; (m) Financial liabilities (excluding amounts shown under (j), (k) and (l)); (n) Minority interest, presented within net assets/equity; and (o) Net assets/equity attributable to owners of the controlling entity.
Statement of financial performance (statement of revenues and expenses, an income statement, an operating statement, or a profit and loss statement)	As a minimum, the face of the statement of financial performance shall include line items that present the following amounts for the period: (a) Revenue; (b) Finance costs; (c) Share of the surplus or deficit of associates and joint ventures accounted for using the equity method; (d) Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinuing operations; and (e) Surplus or deficit.
Statement of changes in net assets/equity	An entity shall present a statement of changes in net assets/equity showing on the face of the statement:

	<p>(a) Surplus or deficit for the period;</p> <p>(b) Each item of revenue and expense for the period that, as required by other Standards, is recognized directly in net assets/equity, and the total of these items;</p> <p>(c) Total revenue and expense for the period (calculated as the sum of (a) and (b)), showing separately the total amounts attributable to owners of the controlling entity and to minority interest; and</p> <p>(d) For each component of net assets/equity separately disclosed, the effects of changes in accounting policies and corrections of errors recognized in accordance with IPSAS 3.</p>
Cash flow statement	<p>Cash flow information provides users of financial statements with a basis to assess</p> <p>(a) the ability of the entity to generate cash and cash equivalents, and</p> <p>(b) the needs of the entity to utilize those cash flows.</p>

Source: Adapted from IPSAS 01

Related to the set of financial statement, the IPSAS 01 also establishes when the entity makes publicly available its approved budget, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the financial statements and the notes may include items referred to as schedules in some jurisdictions and when information about compliance is not included in the financial statements, it may be useful for a note to refer to any documents that include that information (IFAC, 2010).

The IFAC issued a list of countries that either have adopted or are in process of adopting International Public Sector Accounting Standards (IPSAS). According to this list, the IFAC did the following observations relating to the MERCOSUL's members:

- Brazil: The Federal Government of Brazil has announced plans to fully implement IPSASs by 2012.
- Argentina: Process in place to develop public sector accounting standards that are harmonized with IPSASs (accruals).
- Uruguay: Legislation has been passed that requires adoption of IPSASs.

The Paraguay, although was the only country the IFAC didn't list as a country into convergence, it is developing a process to converge to IPSAS.

3 GOVERNMENT REPORTS

3.1 Brazil

In Brazil, as previously mentioned, the legal framework regulating the public sector practices has not yet encompassed the fundamentals of the IPSAS. The convergence process was initiated with the publication of Brazilian Accounting Standards Applied to the Public Sector (NBCASP), issued by the CFC, and the Accounting Manual for Applied Public Sector (MCASP), issued by National Treasury.

The NBCASP aim to establishing a new conceptual reference which is enable to allow the adoption of IPSAS a second time. The operating procedures were then encompassed by the MCASP, which is in the third edition. In its Part V - Financial Statements Applied to the Public Sector, the MCASP reports and statements to be mandatorily made by all Brazilian Government spheres (Federal, State, Federal District and Municipalities) and powers (legislative, executive and judicial).

The government reports were not translated to English, so the original names were maintained. According to MCASP, Brazil's public entities should establish and disclose the Balanço Orçamentário (BO), o Balanço Financeiro (BF), o Balanço Patrimonial (BP), a Demonstração das Variações Patrimoniais (DVP), a Demonstração dos Fluxos de Caixa

(DFC), a Demonstração das Mutações do Patrimônio Líquido (DMPL) e a Demonstração do Resultado Econômico (DRE).

Table 2 – Main Characteristics of Brazil’s Reports

Report	Main Characteristics
Balanço Patrimonial (BP)	Evidence, both qualitative and quantitatively, the public entity’s financial situation, through representative accounts of public property, in addition to compensation accounts
Balanço Orçamentário (BO)	Shows the revenue and expenditure predicted in comparison with those realized
Balanço Financeiro (BF)	Shows the revenue and expenditure budget and extra-nature budgeting receipts and payments, combined with the balances from the previous year, and those to move to the next year
Demonstração das Variações Patrimoniais (DVP)	Reveal the changes in equity, arising from or independent of budgetary execution, and report the property result for the year
Demonstração dos Fluxos de Caixa (DFC)	Highlight the changes taking place in cash and cash equivalents
Demonstração das Mutações do Patrimônio Líquido (DMPL)	Demonstrate: a) the period property deficit or surplus, b) each mutation recognized directly in equity c) the effect arising from the change in accounting principles and the effects of the errors rectification made in previous years. d) contributions from owners and distributions received by them as owners
Demonstração do Resultado Econômico (DRE)	Highlight the economic result of the public sector actions, given its connection with the costs subsystem

Source: Adapted from MCASP

The MCASP also regulates the use of notes to the financial statements containing additional information related to those statements made in the report’s body and provide narrative descriptions or segregation and opening items previously disclosed, beyond information about items that do not fit the recognition criteria in accounting statements.

3.2 Argentina

Through the *Norma Internacional de Contabilidad (NICSP) 1 - Presentación de Estados Financieros*, Argentina provides the same complete set of financial statements provided by the IPSAS 01. With the program *Transparencia en la Gestion Publica Contaduría of General de La Nacion*, the Argentine government explains that the NICSP are based on standards issued by IFAC. Thus, all statements of IPSAS 01 are also provided by Argentina.

In accordance to the established in item 75, paragraph 8th of the National Constitution, the National Congress is responsible on the treatment of investment account, which raises the Executive National Power and which preparation, in accordance to item 91 of Law n°. 24.156, Financial Management and Control Systems in the Public Sector and its amendments is the General Accounting Office responsibility. The Res S.H. n° 25/95 establish that the Central Administration Accounting Statements to the National Public Sector are *Balance General*, the *Estado de Recursos and Gastos Corrientes*, the *Estado de Origen and Aplicación de Fondos* and the *Estado de Evolución del Patrimonio Neto*, and the Accounting Statements notes and appendix related on property uses and with the equity of National Public Sector entities (*Anexos relacionados con Bienes de Uso* and *Anexos relacionados con los Patrimonios Netos de entidades del Sector Público Nacional*) and *Aportes a Organismos Internacionales*:

Table 3 – Main Argentina’s Reports

Reports
Balance General
Estado de Recursos y Gastos Corrientes
Estado de Origen y Aplicación de Fondos
Estado de Evolución del Patrimonio Neto
Anexos relacionados con Bienes de Uso
Anexos relacionados con los Patrimonios Netos de entidades del Sector Público Nacional
Aportes a Organismos Internacionales

All data base are available on the website of the Ministry of Economy and Public Finances by Volume I (it shows the Central Administration Financial Statements) and Volume II (Evaluation of Government Management Results).

3.3 Uruguay

Uruguay’s government has mandated IPSAS for the national accounting entity. This is established in clause 21 of Decree 81, dated December 17, 2002, which gives responsibility to the National Audit Office of the Republic, to record and publish the financial statements. Decree 327/997 gives responsibility to the General Accounting Office of the Nation to draw up the General Framework for Public Accounting, including the master plan of accounts, and all related standards and to draft the financial statements for the Nation's Treasury and Public Accounts. The General Accounting Office of the Nation has not yet complied with the decree, but it is making a great effort to implement the mandate and to install a reliable accounting system. It is also preparing the government staff to become proficient in the knowledge and practical use of IPSAS.

Uruguay, through Decree n°. 103/991, also sets rules for companies to elaborate the following financial statements: Estado de Situación Patrimonial, Estado de Resultados, Cuadro de Bienes de Uso, Intangibles e Inversiones en Inmuebles-Amortizaciones, Cuadro de Evolución del Patrimonio, Estado de Origen y Aplicación de Fondos and Notas a los Estados Contables (Beuren; Brandão, 2001).

Table 4 – Main Uruguay’s Reports

Reports
Estados de Situación del Tesoro
Estado de Resultados
Fuentes Y Usos de Fondos
Rendiciones de Cuentas de los Incisos
Ejecución Presupuestaria

Uruguay also publishes sheet of Income Public Sector, pointing out the *ingresos*, the *egresos*, the primary result and the public sector overall result. The account *ingresos* is divided in Central Government Gross Income, BPS, and BPS Certified DGI. The account *egresos* is divided in remuneration, non-personal expenses, liabilities, transfers, inversions and public debt interests. The term *ingresos* is similar to revenues, and *egresos*

IFAC describes Uruguay’s situation as: the legislation has passed legislation has been passed that requires adoption of IPSAS. As the legislation is so important in code law countries, the first step has being adopted. The next step in this direction should be an effective practice change established by the legislation, followed by checking the adherence to such legislation.

The website of the Ministry of Economy and Finances provides various accounting reports as following:

- Volume I - Resumen,
- Volume II – Recursos,
- Volume III - Gastos de Funcionamiento,
- Volume IV – Inversiones,
- Volume V - Rendiciones de Cuentas de Incisos e
- Volume VI - Estados Demostrativos de Resultados.

The Volume I has as its main publication the Estado de Resultados, Ejecución Presupuestaria, Fuentes y Usos de Fondos, Estados de Situación del Tesoro e Rendiciones de Cuentas de los Incisos.

3.4 Paraguay

In Paraguay, the Law n° 1.535 - State Financial Management - settle in its item 93 that the reporting institutions disclosure include monthly and annual reports. Moreover, states that entities and Public entities shall submit the annual report to the General Direction of Public Accounting, dependent on the Secretariat of Financial Administration of the Ministry of Finance, not later than February 10 of each year, including the following financial and patrimonial Exercise Fiscal ended on December 31: *Balance General; Estado de Resultados, Balance de Comprobación de Saldos y Variaciones, Ejecución Presupuestaria de Ingresos y de Gastos, Inventario de Bienes de Uso* and *Otras Informaciones*.

The item 94 states that the set of financial statements contain the *Balance General y Estado de Resultados Consolidado del Sector Público, Origen y aplicación de Fondos, Estados de Ejecución del Presupuesto, Estado Consolidado de Ahorro, Inversión y Financiamiento, Flujo de Cajá* and *El Estado actualizado del Crédito y la Deuda Pública*. Despite all these chart of statements, the law does not conceptualize what each statement contains.

Table 5 – Main Paraguai’s Reports

Reports
<i>Balance General y Estado de Resultados Consolidado del Sector Público</i>
<i>Origen y Aplicación de Fondos</i>
<i>Los Estados de Ejecución del Presupuesto</i>
<i>Estado Consolidado de Ahorro, Inversión y Financiamiento</i>
<i>Flujo de Cajá</i>
<i>El Estado actualizado del Crédito y la Deuda Pública</i>

It is interesting to note that, private sector standards in Paraguay simply sanction standards that are exactly the IASB’s pronouncement. In other words, it just regulate what is already regulated, as evidenced in the adoption of International Accounting Standards (IAS) by the College of Accountants of Paraguay (Beuren; Brandão, 2001). The website of the Ministry of Finance of Paraguay provides the annual and monthly accounting reports. They are:

- Volume I - Informe Financiero,
- Volume II - Control Financiero y Evaluacion Presupuestaria,
- Volume III - Administracion Central,

- Volume IV - Administracion Descentralizada,
- Volume V – Municipalidades,
- Volume VI - Deuda y Credito Publico.

The Volume I - Informe Financiero - summarizes the publication of major consolidation financial statements: Balance General Consolidado, Estado de Resultado Consolidado, Origen y Aplicación de Fondos, Nota a los Estados Financieros and Flujo de Cajá.

4 COMPARATIVE STUDY: IPSAS, BRAZIL, ARGENTINA, PARAGUAY AND URUGUAY

4.1 Comparison of Government Reports

The comparative study was realized in base of the government reports issued by the MERCOSUL countries members.

Considering the characteristics of government reports, the MERCOSUL countries differ from IPSAS standards, as shown in Table 6.

Table 6 – Comparative Table between IPSAS, Brazil, Argentina, Paraguay and Uruguay

IPSAS	Brazil	Argentina	Paraguay	Uruguay
Statement of financial position (balance sheet or statement of assets and liabilities)	Balanço Patrimonial (BP)	Balance General	Balance General y Estado de Resultados Consolidado del Sector Público	Estados de Situación del Tesoro
Statement of financial performance (statement of revenues and expenses, an income statement, an operating statement, or a profit and loss statement)	Demonstração das Variações Patrimoniais (DVP)	Estado de Recursos y Gastos Corrientes	Los Estados de Ejecución del Presupuesto	Estado de Resultados
Statement of changes in net assets/equity	Demonstração das Mutações do Patrimônio Líquido (DMPL)	Estado de Evolución del Patrimonio Neto	-	-
Cash flow statement	Demonstração dos Fluxos de Caixa (DFC)	-	Flujo de Cajá	-
-	Balanço Orçamentário (BO)	Estado de Origen y Aplicación de Fondos	Origen y Aplicación de Fondos	Fuentes Y Usos de Fondos
-	Balanço Financeiro (BF)	Anexos relacionados con Bienes de Uso	Estado Consolidado de Ahorro, Inversión y Financiamiento	Rendiciones de Cuentas de los Incisos
	Demonstração do Resultado Econômico (DRE)	Anexos relacionados con los Patrimonios Netos de entidades del Sector Público Nacional	El Estado actualizado del Crédito y la Deuda Pública	Ejecución Presupuestaria
-	-	Aportes a Organismos Internacionales	-	-

In accordance with MCASP, the Brazilian government entities shall prepare BP, DVP, DMPL and DFC, that are statements equivalent to those set out in IPSAS: Statement of financial position, Statement of financial performance, Statement of changes in net assets/equity e Cash flow statement. Additionally, as seen above, other three statements are contemplated: the BO, the BF and DRE.

Argentina also elaborates the same statements established by IPSAS, except the cash flow statement, which is not explicitly in the legislation. It is noticed that further reports are elaborated: *Anexos relacionados con Bienes de Uso, Anexos relacionados con los Patrimonios Netos de entidades del Sector Público Nacional e Aportes a Organismos Internacionales*. According to Radebaugh, Gray and Black (2006, p. 197) the statement of changes in financial position is becoming increasingly recognized as a relevant part of the consolidated financial statements and provides na analysis of the sources and uses of funds accruing to the corporation during period. Therefore, this statement is considered important by authors of international accounting.

Uruguay prepares the *Estados de Situación del Tesoro* and the *Estado de Resultados*, which equates respectively to the Statement of financial position and Statement of financial performance. A Statement of changes in net assets/equity and the Cash flow statement are not forecasted, nor elaborated. Further, Uruguay issues two different reports: *Rendiciones de Cuentas de los Incisos* and *Ejecución Presupuestaria*.

Finally, Paraguay demand the same statements contained in IPSAS, except the Statement of changes in net assets / equity. It is noteworthy that the cash flow statement is explicitly foreseen in the law and duly issued by the country. It is also available the *Estado Consolidado de Ahorro, Inversión y Financiamiento e El Estado actualizado del Crédito y la Deuda Pública*. Although Paraguay is not listed by IFAC, only one IPSAS previous statement is not issued, matching Argentina’s situation, which is listed by IFAC.

Given the above, it is deduced that among the MERCOSUL countries, from the government reporting point of view, Brazil is the closest country to the IPSAS. Argentina and Paraguay are in the same position because they do not produce just one of the financial statements established by the IPSAS, and Uruguay is the only country that does not prepare two statements of IPSAS.

The data analysis allows inferring that issued government financial reports by MERCOSUL countries member are not fully in accordance to IPSAS.

4.2 Plan of Accounts, Recognition, Measurement and Relevant Aspects

4.2.1 Plan of Accounts

In the standard-setters of IPSAS, there is no explicit guidance about plan of accounts structure to be adopted by countries in process of convergence, but the understanding is that the harmonization process naturally demands that each country establishes an internal plan of accounts structure that allows the governmental entities to conduct uniform records.

In Brazil, for example, the plan of accounts applied to the Public Sector - PCASP is covered in Part IV of MCASP, and has the following structure for account classes: two balance sheet accounts, two of results, two of planning and budgeting control and two for control of potential acts:

Table 7 – Account Classes in Brazil

Balance Sheet	1. <i>Ativo</i>	2. <i>Passivo e Patrimônio Líquido</i>
Results	3. <i>Variação Patrimonial Diminutiva</i>	4. <i>Variação Patrimonial Aumentativa</i>

Planning and Budgeting Control	5. <i>Controle da Aprovação do Planejamento e Orçamento</i>	6. <i>Controle da Execução do Planejamento e Orçamento</i>
Control of Potential Acts	7. <i>Controles Devedores</i>	8. <i>Controles Credores</i>

The other countries do not explicitly separate classes of accounts in legislation. By analyzing the countries reporting concerned, a general convergence was observed on the plan of accounts used by each country, noting only non relevant differences. These non relevant differences were observed in brief accounts of Paraguay's cash flow. These differences exist as a result of local peculiarities in each country, which, mainly by political influences, define their plan of accounts according to their needs. In general, all four countries do not distune from presented accounts. However, future researches may contribute specifically analyzing and correlating the plan of accounts in these countries.

In general, the statement's plan account has the same pattern. It is relevant to remember the IPSAS does not establish a rigid structure of accounts to be observed, but only presents accounts that should be disclosed by all government reports (IPSAS 01).

4.2.2 Recognition, Measurement and Relevant Aspects

By addressing timeliness, to provide information on a timely basis it may often be necessary to report before all aspects of a transaction are known, thus impairing reliability. In achieving a balance between relevance and reliability, the overriding consideration is how best to satisfy the decision-making needs of users (IPSAS 1).

About reliability, the IPSAS 1 set up that reliable information is free from material error and bias, and can be depended on by users to represent faithfully that which it purports to represent or could reasonably be expected to represent.

On consistency of presentation, the IPSAS 1 also provides that the presentation and classification of items in the financial statements shall be retained from one period to the next. However, it defines two exceptions: when it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in IPSAS 3; or when an IPSAS requires a change in presentation.

The analyzed countries presented issues related to all these aspects. All countries in question present monthly and annual reports, document which consolidates all the financial requirements, along temporal evolution, considering previous periods. All countries have a body responsible for the reliability of information in general. Thus, in relation to timeliness, consistency and reliability, the four countries were in general aspects, factors that influences the practice required by IPSAS, however further research is needed on each of the aspects analyzed.

The new procedures and financial statements drawn up by IPSAS are clearly enough. In case of doubt, the IFAC provides consulting and advisory specific body for it.

As to the financial statements, the countries must first provide legislation and prepare financial statements that necessarily IPSAS 1 provides. If the country wants to develop other financial statements or any further report, there are no restrictions, because it is a local issue.

Regarding procedures, all the analyzed countries need to adapt to IPSAS in general, particularly IPSAS 17 - Property, Plant and Equipment, IPSAS 19 - Provisions, Contingent Liabilities, and Contingent Assets IPSAS 29 - Financial Instruments: Recognition and Measurement, which are special standards that most of countries have difficulty to adopt.

Paraguay needs firstly to adapt general rules overall because it is the only country that still is not listed by the IFAC.

An outlook shows that the convergence process is already occurring and likely to intensify in coming years, funded mainly by the hard work of IFAC. Several challenges for effective international convergence still need to be addressed, such as the different languages and cultures, the achievement of nations that have not even accounting practices and encouraging countries that argue the high cost of implementation of international convergence, which forget that the benefit- cost offsets. Another significant challenge relates to some accounting Aspects of government, because unfortunately some countries are adverse of accounting convergence, arguing the autonomy's undermines of countries in general. Therefore, issues like this, which involve cultural aspects, are barriers to be overcome by the process of accounting standards convergence.

5 CONCLUSION

Considering the recent changes in International Public Accounting in order to converge accounting standards to international accounting standards based on IPSAS, this study aimed to analyze the financial reports of governmental MERCOSUL member countries face the ongoing convergence of international accounting standards applied to the Public Sector, through comparative study of the governmental accounting reports in Brazil, Argentina, Uruguay and Paraguay. It was considered local differences as well as the possible influences arising from the economic bloc, the comparability of reports from these countries and the challenges of comparing reports between countries belonging to different economic blocs.

Based on IPSAS 1, a complete set of financial statements comprises (a) a statement of financial position; (b) a statement of financial performance; (c) a statement of changes in net assets/equity and (d) a cash flow statement.

Through a comparative study, we conclude that the financial reports issued by the government MERCOSUL member countries have not fully comply with IPSAS. Brazil is the country that most closely matches the standards of IPSAS, however, Argentina and Paraguay did not produce only one of the financial forecasted by the IPSAS and Uruguay is the only country that does not prepare two statements that are establish by IPSAS.

Among the relevant issues identified by the data analysis, it was found that the government financial reports issued by MERCOSUL countries member are in accordance to IPSAS. Too much has yet to be standardized and performed by those countries to achieve international convergence desired by IPSAS.

Future studies are needed to further analyze the difference between norm and reality, and to emphasize the procedures in the countries concerned to qualitative and quantitative characteristics. Whereas the international convergence process is a slow process, the public sector researchers must be aware of IPSASB regulation and the existence of advances in public accounting in all the countries around the world.

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