

# **IMPLEMENTATION OF INTERNATIONAL STANDARD “GOVERNMENT FINANCE STATISTICS” IN PRACTICE OF DEVELOPING COUNTRIES (UKRAINE as an example)**

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## **Abstract:**

Government finance statistics (GFS) are international standard and a key to fiscal analysis. It plays an important role both in developing and monitoring financial programs and economic policies.

Ukraine at least initially compiled only a small part of the GFS system. Implementation of the fully integrated GFS will take some time and will need to progress at a rate determined by the differing needs and circumstances of the Ukraine. Ukraine will need to revise its underlying accounting system to reflect the accrual accounting principles and revised classifications of the GFS system.

The following problems of implementation of international standard of government finance statistics in practice of Ukraine will be considered in the article:

1. Analysis of accordance of national classifications to international(GFS).
2. Problems of accounting of nonfinancial assets of the general government sector.
3. Problems revise underlying accounting system to reflect the accrual accounting principles(from cash method).

In Ukraine for compiling both the noted balance of GFS and accounts of the general state administration sector within the framework of SNA, reports on implementation State and local budgets of Ukraine, and also budgets of pension fund, Social Insurance Fund from the temporal loss of capacity, Social Insurance Fund from industrial accidents and professional diseases, Fund of obligatory state social security in case of unemployment are used. However their application is complicated by the presence of specific methodological problems.

1. Inconsistency in accounting systems in GFS of Ukraine, Pension fund and other social security funds. Due to the different approaches in the primary accounting transactions of budget institutions, pension and other social insurance funds there are inconsistent classifications of profits and expenses in reports of budgets execution. Also in balances there are different classifications of financial assets that do not meet international requirements. This prevents drafting of GFS of Ukraine on common principles.

2. Estimation of flows and stocks. Their cost should be assessed by amounts for which goods, assets (excluding funds), services, labor or capital actually provided can be exchanged or bartered for cash. This cost is called the current market price or cost. Cost flows should be estimated at the prices on the date of their reflection in accounting. The cost of inventories should be measured at the prices on the date of compiling the balance sheet.

Cost flows denominated in foreign currency converted into national currency at the existed exchange rate. Inventories are transferred and converted at the exchange rate on the date of balance sheet. The average of the buy and sale should use. Extent in local currency purchase or sale of loans denominated in foreign currency may differ from the size of the next payment of money by changing the exchange rate for the period that passed between those transactions. Both operations must be valued at current market value at the date of their actual performance, and holding profit or losses resulting from exchange rate must be accounted for that period or periods in which they were received.

3. No account transactions on an accrual basis. In applying accrual accounting in the

flows appears at the time of creation, conversion, exchange, transfer or extinction of economic value. In other words, the results of economic events are accounted for that period when they occur, regardless of whether the money received or paid, or they belonged to the receipt or payment. In general a moment in which that action take place is a moment of transfer of property right on goods, services, the obligation to pay taxes, establish requirements for social assistance payments or other establishment of absolute requirements.

Using the accrual method the flow is accounted for when the economic benefits associated with this transaction is sent to the appropriate unit or from it. It also accounted when it is probable that this unit will benefit in the future, and the cost of operations in monetary value can be estimated accurately. Taxes and other compulsory transfers are accounted for when there are activities or transactions that lead to requirements of public authorities to pay taxes or other payments. This time does not necessarily coincide with the moment of taxation.

In the existing system of GFS Ukraine operations in the primary accounting and reporting compounded on cash basis, ie at the time of providing an operation although it may not reflect the actual state transfers, social insurance funds, implementation of certain social benefits and so on. Examples include value added tax(VAT), import duty and inheritance tax and gift, etc., as well as contributions to social insurance are displayed at the time of payment.

4. The discrepancy between economic classification proposed GFS IMF and codes of economic classification (EC) GFS Ukraine.

Structure and classification of expenditures EC Ukraine have some similarity in title, but there are significant differences in coverage costs, attributing many operations in various articles of the classifications, vague interpretation of some important economic transactions.

In particular, GFS IMF provides basic difference between current and capital transactions, subsidies and capital transfers, transactions that are the costs and transactions with non-financial and financial assets, salary and social welfare, salary and

use of goods and services transactions in cash kind.

#### 5. Differences in coverage between the operations and recommendations GFS IMF and GFS Ukraine.

The differences in coverage of transactions, is due to ambiguous definition of general state administration sector. Practically in GFS Ukraine to general state administration sector attributed to institutional units that receive funds from the budget. However, according to the criteria GFS IMF , not all recipients of funds can be attributed to items of the sector. In particular, for those institutional units that finance their costs in part by the state budget and partly from realization of goods and services must be determined whether these units are market or non-market producers, for which the concept should be used economically significant prices.

Great value in this context is the question of identification units, which are public corporations. Lack of a comprehensive register of public sector institutional units complicates analysis GFS Ukraine. Ukraine at least initially compiled only a small part of the GFS system.

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It is recognized that the implementation of the fully integrated GFS system will take some time and will need to progress at a pace determined by the differing needs and circumstances of Ukraine involved. In particular, Ukraine will need to revise their underlying accounting systems to reflect the accrual accounting principles and revised classifications of the GFS system. Although the GFS system is described in standard accounting terms, it is important to remember that it is a statistical reporting system that

might differ in important ways from the underlying financial accounting system from which most of the GFS statistics will be derived.

Nonetheless, it is likely that Ukraine will follow a similar path as they implement the system. For example, a possible first step on the migration path could be Ukraine would adopt the revised classification structure of the Statement of Government Operations or Statement of Sources and Uses of Cash and adjust their existing cash-based statistics to allow for known deficiencies, such as by incorporating information on revenue or expense arrears. Another step might be the assembly of balance sheet information on financial assets and liabilities that would enable estimates to be made of the other economic flows of the system as they relate to these financial items. A more difficult step is likely to be the collection of a complete set of information about the stocks of nonfinancial assets held at a given time and their valuation at current market prices. Finally, a fully developed accrual accounting system could be introduced that provides for complete balance sheets to be prepared.

## **Rèsumé**

*Problèmes conformant accomplissement international standard statistique gouvernementales finances à pratique Ukraine sont se considérer dans article:*

- 1. Analyse adéquate nationale classements contre international(GFS).*
- 2. Problèmes comptable comptabilité non financier assets commune gouvernementale aire.*
- 3. Problèmes revise couche dans armature système accounting, que parer épargne, accounting principes(de caisse armature).*