



cutting through complexity™

Impact of Accrual based Accounting

Investors and Creditors

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Mark Jerome

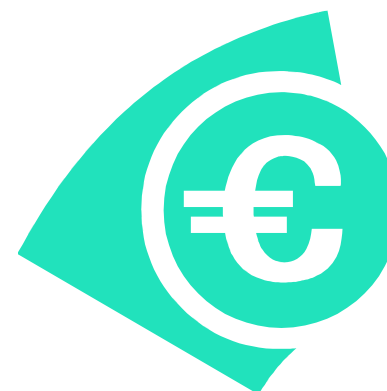
Partner KPMG Lao

◆ **What does private sector expect of the public sector?**

◆ **Variety of relationships**

- **Tax payers**
- **User of services**
- **Customers**
- **Creditors**
- **Investors**

Expectations vary with relationship



Cash basis accounting

◆ How have expectations been managed?

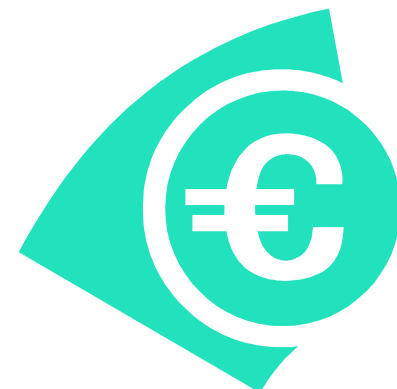
◆ Cash basis accounting

- Limited information

- Money in and out



◆ Supplementary information needed



Accrual basis accounting

- ◆ More information
- ◆ Is it enough?
- ◆ Is it understood?



Private vs. Public

◆ Basis of private sector

- Profit
 - EPS
 - EBIT

◆ Public sector is not profit making

- Delivers goods and services

◆ Different skills needed to interpret financial statements

◆ What is the goal of traffic police?

- **Maximise revenue from fines?**
- **Minimise costs of bad driving?**
- **Minimise number of accidents?**
- **Minimise severity of accidents?**

Income – private sector



Income – public sector

Income
Taxes and other
transfers

Costs
Provision of services

Private sector

- ◆ Generate income or reduce costs

Public sector

- ◆ Public goods – libraries or parks
- ◆ Heritage assets

- ◆ **Sustainability of activities**
- ◆ **Going concern**

- ◆ **Private and public sectors are different**

- ◆ **Requirements to understand public sector financial statements**
 - Training
 - Additional information



Presenter's contact details

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