

Multidimensional Chart of Accounts: The Portuguese Experience

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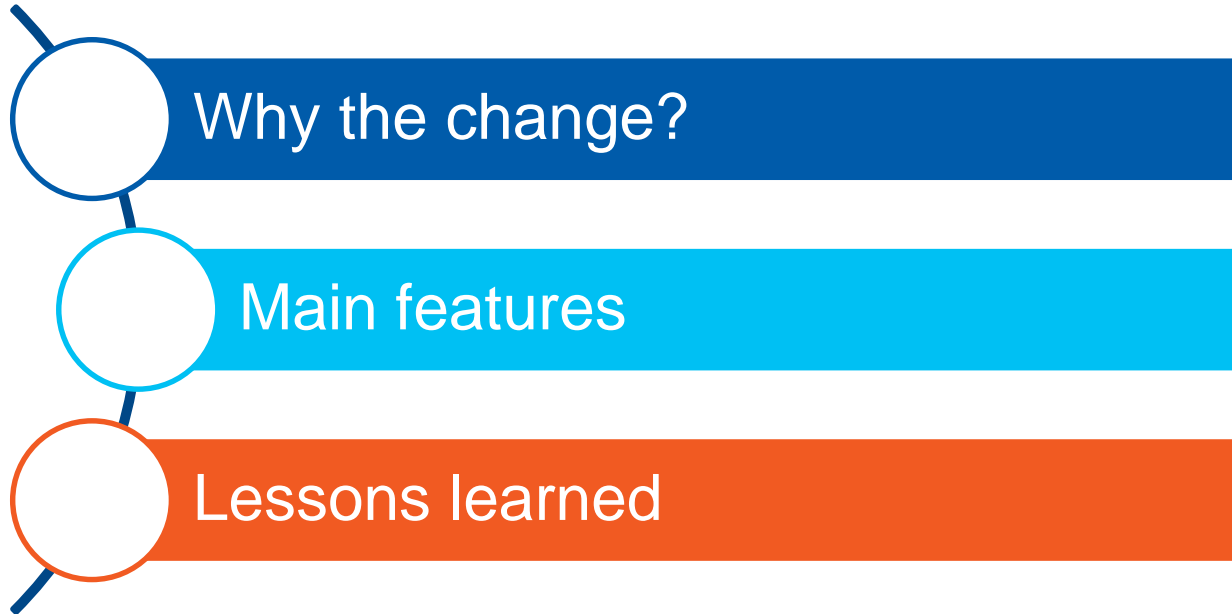
Pulsar Financial Reporting Community of Practice

(4th FINCOP Workshop)

June 3-4, 2019

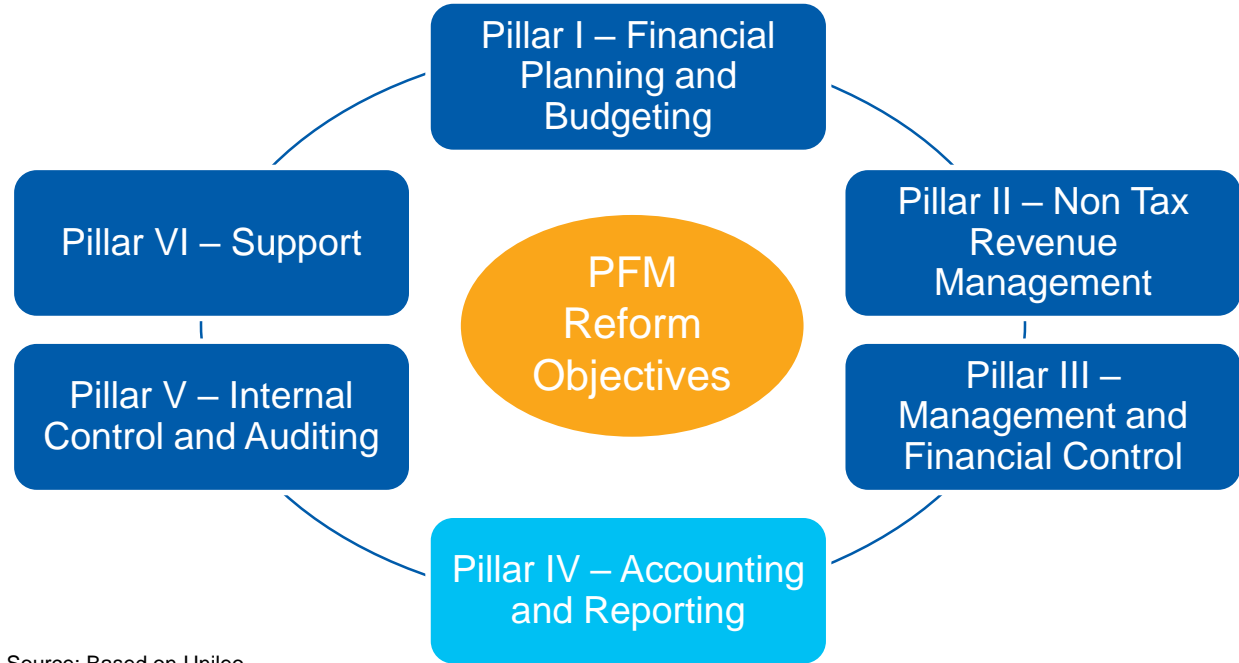
Winterthur, Switzerland

Outline



Why the change?

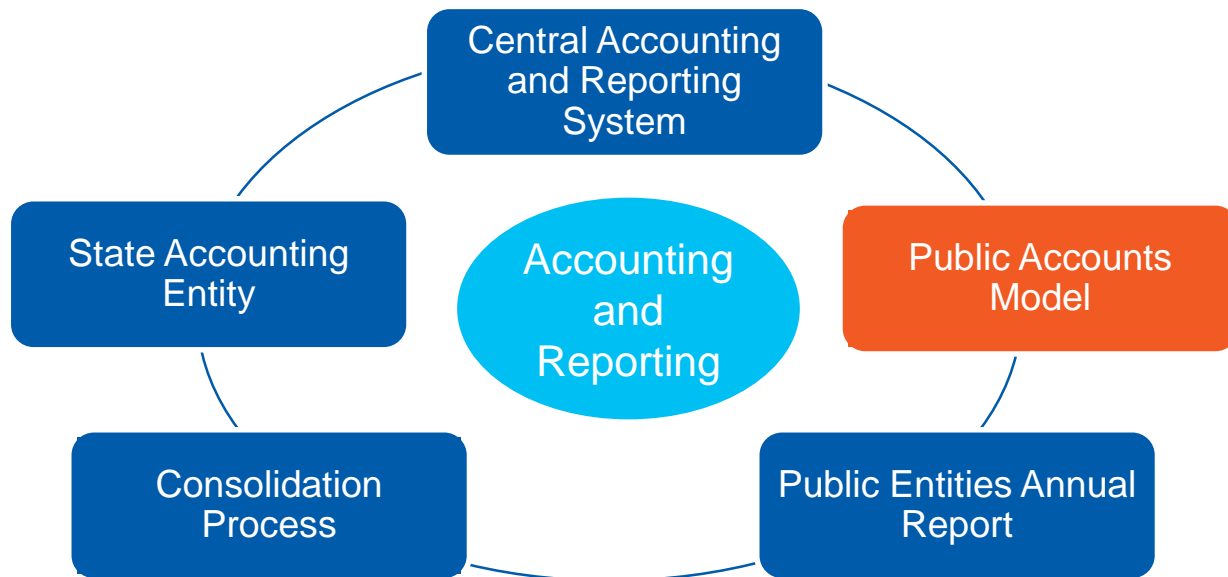
- Whole system PFM reform underway for **several years** now



Source: Based on Unileo

Why the change to a Multidimensional Chart of Accounts (MCA)

- Accounting and Reporting Implementation Projects



Source: Based on Unileo

Why the change to a Multidimensional Chart of Accounts (MCA)

- **Need for a new Public Accounts Model**

Fragmentation of chart of accounts used by entities inside of General Government Sector (S.13)

- IFRS, SNC, Public Sector Accounting, Not-for profits, Municipalities, Health, Social Security, Education and Budget

Inconsistent criteria for recognition and measurement for the same transactions

- Fair value, historical cost, net selling price, value in use, replacement cost, market value

Inconsistent charts of accounts for budget and financial reporting

- Difficulties in reconciling all chart of accounts; budget cash basis VS IPSAS accrual basis

Different terminology for the same transactions

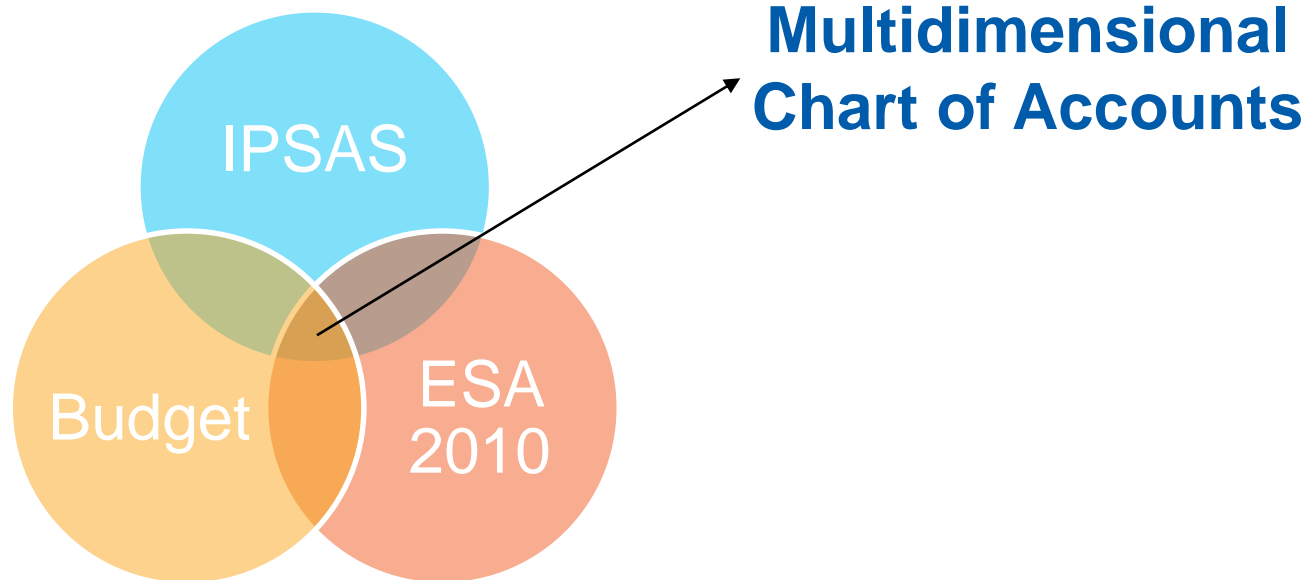
Different data source for compiling national accounts

Why the change to a Multidimensional Chart of Accounts (MCA)

- Objectives for a new **Public Accounts Model**

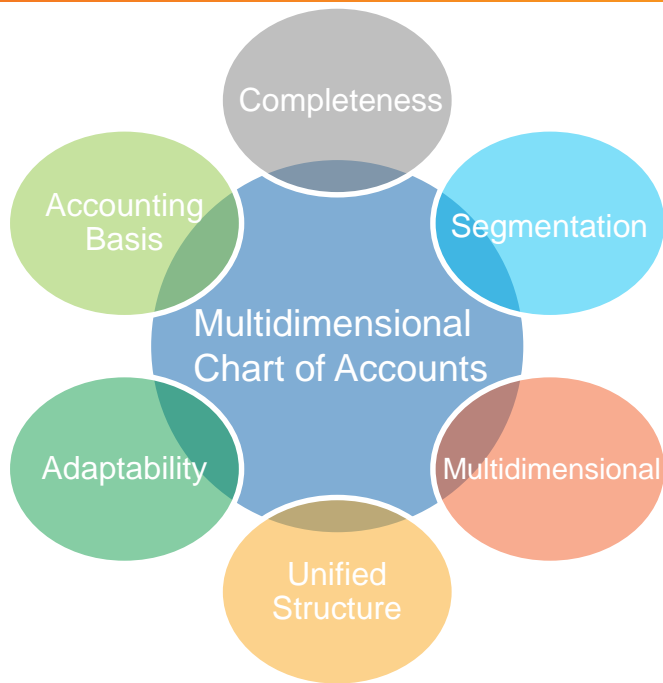


Main features of the Multidimensional Chart of Accounts



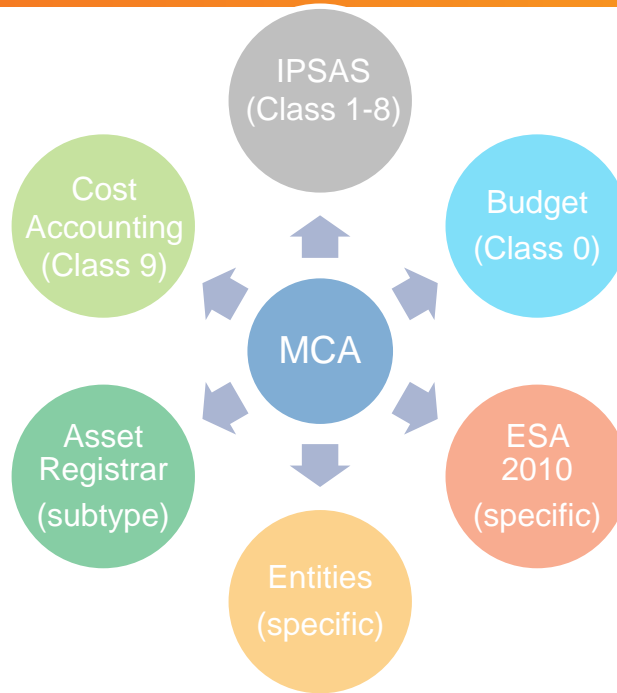
Main features of the Multidimensional Chart of Accounts

- Principles



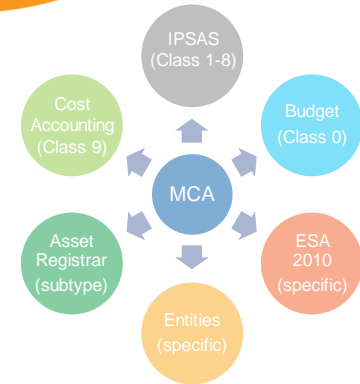
Main features of the Multidimensional Chart of Accounts

- Codification



Main features of the Multidimensional Chart of Accounts

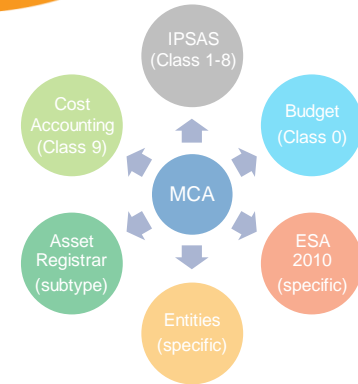
IPSAS	Budget	ESA 2010
Class 1 – Net financial means	Current revenue (R1-R7)	Production and output (P)
Class 2 – Accounts payable and accounts receivable	Capital revenue (R8-R13)	Distributive transactions (D)
Class 3 – Inventories and biological assets	Current expense (D1-D6)	Financial transactions (F)
Class 4 – Investments	Capital expense (D7-D11)	Other changes in assets and liabilities (K/AF)
Class 5 – Net assets/equity, reserves and accumulated results		Produced non-financial assets (AN.1)
Class 6 – Expense		Non-produced non-financial assets (AN.2)
Class 7 – Revenue		Financial assets and liabilities (AF)
Class 8 – Results		



Main features of the Multidimensional Chart of Accounts

State Accounting Entity

- 1 – Central Government
- 2 – Social security
- 3 – Regional Government (islands)
- 4 – Local Government
- 5 – Other public entities
- 6 – Public corporations
- 7 – Private sector
- 8 – Rest of the world



Lessons learned

Legislative process: Time consuming technical work

- Multidisciplinary teamwork (MoF, Statistics Portugal, Bank of Portugal, etc.)

Reporting process: Improved reliability of data

- Local Systems must report under the same framework to Central Accounting and Reporting System

Implementation process: Various types of challenges

- Lack of human and technical capacity has made the implementation process difficult



Thank you!

www.ipsasb.org
