



Unidade de Implementação
da Lei de Enquadramento Orçamental

19th Annual Meeting of OECD Senior Financial
Management and Reporting Officials

Chart of Accounts

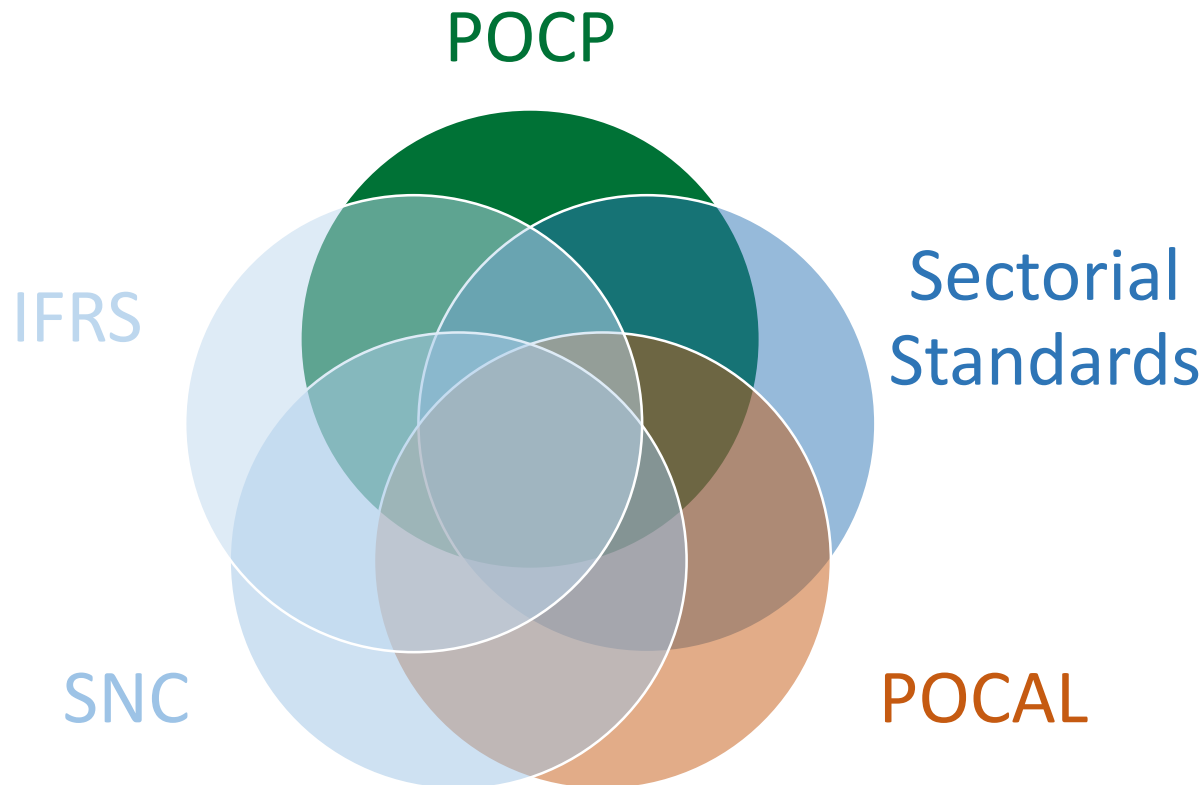
An Instrument to Address Different
Information Needs

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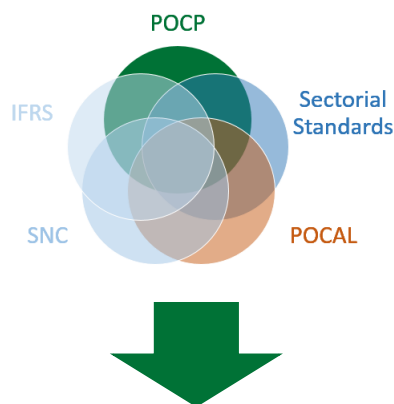
Paris, 5 March 2019

The need for change

- ❖ The accounting standards for the public sector in Portugal was **outdated, fragmented** and **inconsistent**



The need for change



- ❖ An **integrated, complete** and **comprehensive** view of the general government's finances (consolidated financial information for forecast and for accountability purposes), it's not possible;
- ❖ The available **information is dispersed by several systems**, with different periodicity, which **compromises the quality, credibility and timeliness** of the financial information supporting the decision-making process;
- ❖ There is not an integrated view of the **costs and the results** of public policies (essential for an effective program budgeting implementation);

Two Pillars

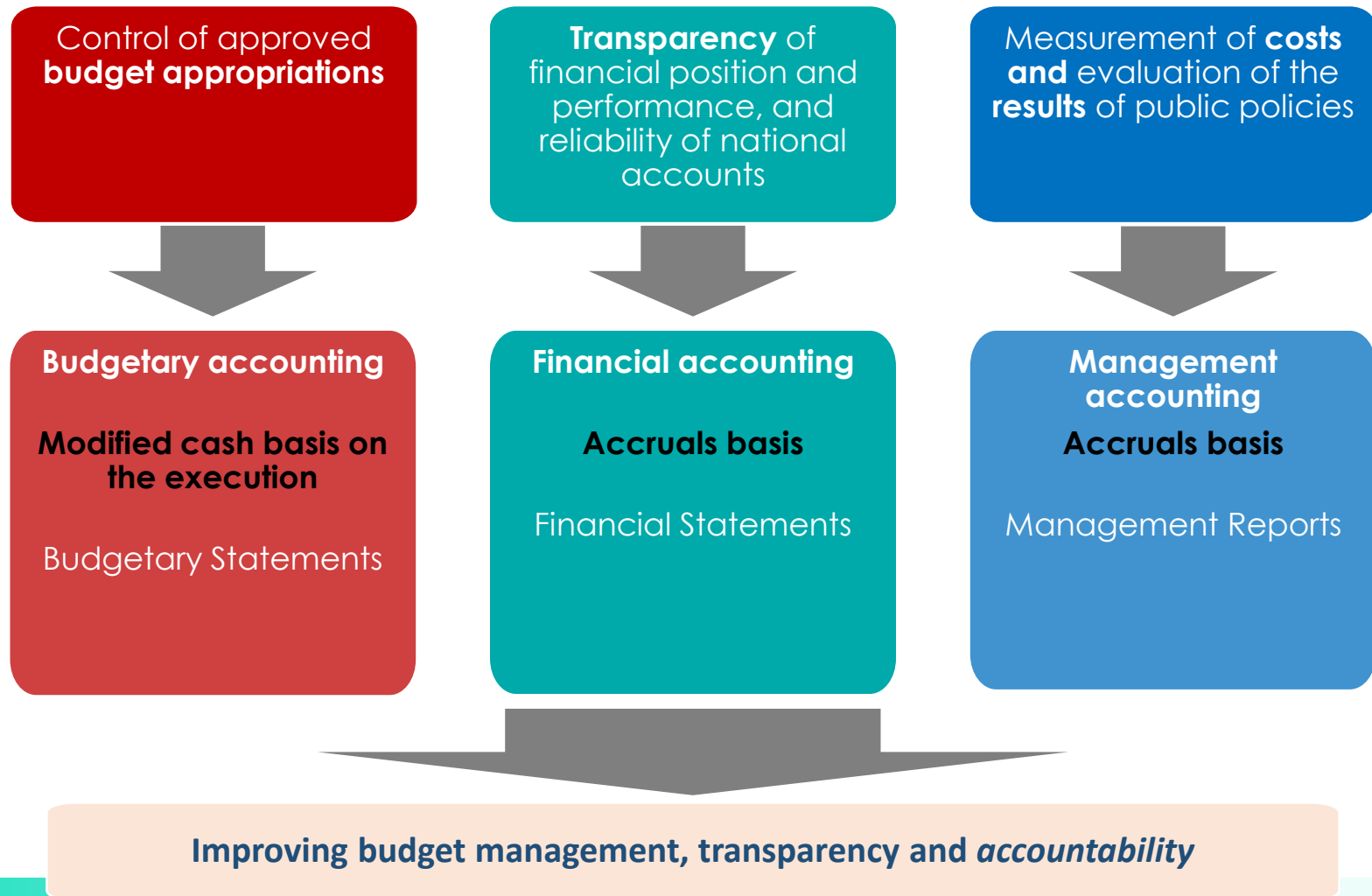
1 - Budget Framework Law
approved by Law No.151/2015,
September 11

2 - Accounting standards (SNC-AP)
approved by Decree Law
No.192/2015, September 11

Three Key Elements

1. Applying the new **accounting standards** (SNC-AP)
2. Filling the gaps in the accounts through the new **State Accounting Entity** (SAE), such as debt, cash, fixed assets and tax revenues
3. Broadening the accounting coverage to **encompass all public entities**, and **consolidating** them into a central government financial statement

SNC-AP – Public accounting subsystems



SNC-AP – Public accounting subsystems

Budgetary accounting

- Budgetary accounting standard without IPSAS as reference
- One class of accounts (class 0) and budget classifiers
- Accounting for accounts receivables and payables (and all phases of revenue and expense cycles)

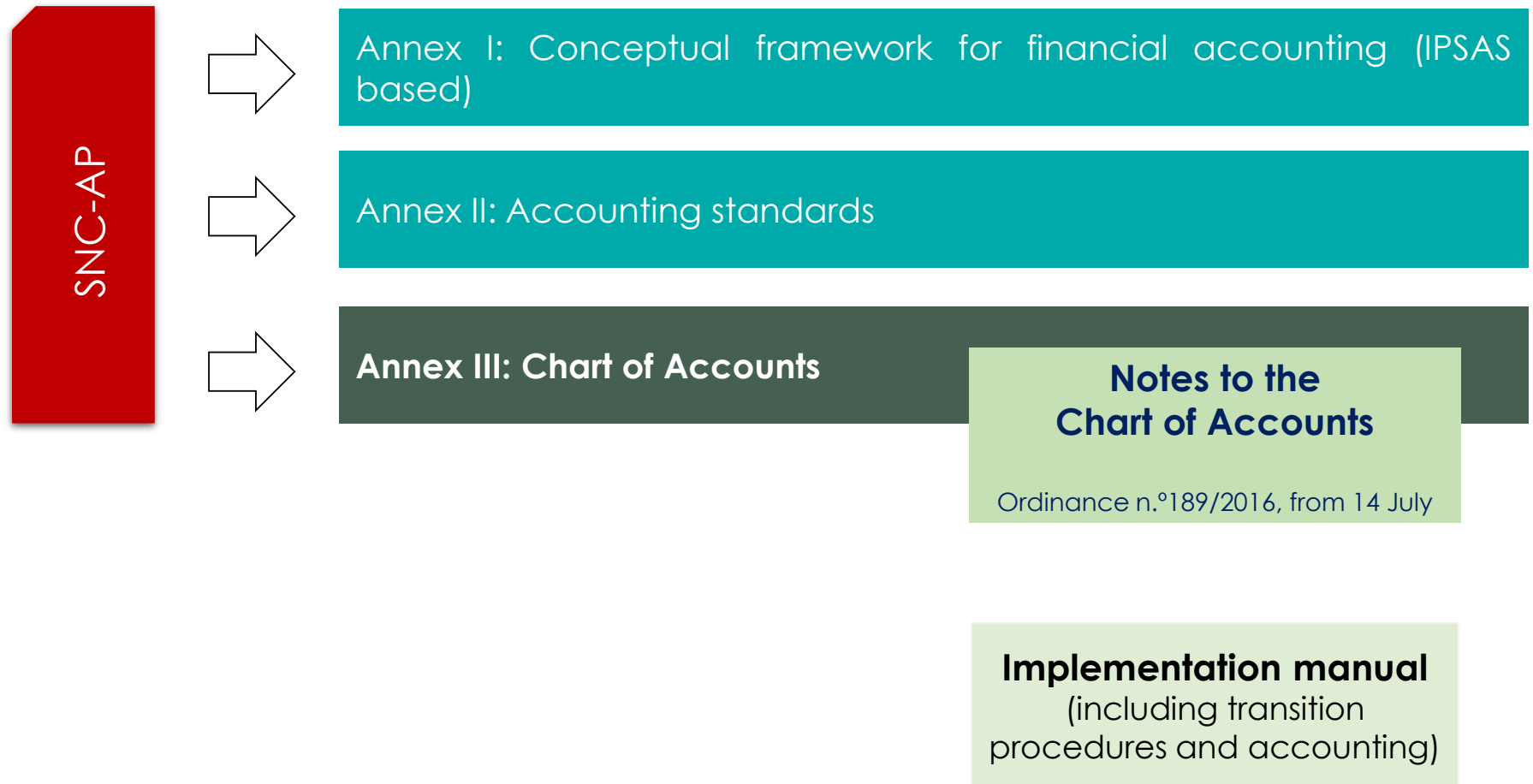
Financial accounting

- The Conceptual Framework (Aligned with the IPSASB CF)
- 25 public accounting standards, most of them are based on IPSAS
- Chart of accounts with correspondence to national account classification codes

Management accounting

- Management accounting standard without IPSAS as reference
- Possibility of integration with the performance budgeting model (Activity Based Costing)

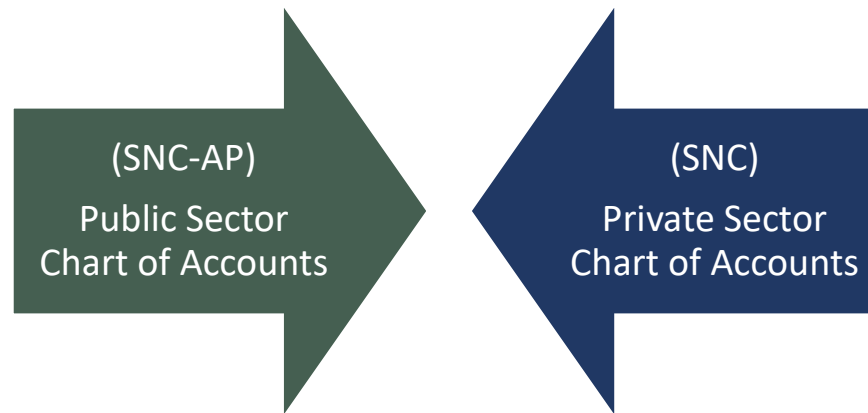
SNC-AP – Structure



Multidimensional Chart of Accounts – Scope



Multidimensional Chart of Accounts - Structure



8 classes of accounts for financial accounting

- 1 - Cash and cash equivalents
- 2 - Receivables and payables
- 3 - Inventories and biological assets
- 4 – Investments
- 5 – Net worth, reserves and retained earnings
- 6 – Expenditure
- 7 – Income
- 8 – Net earnings (profit/loss)

Multidimensional Chart of Accounts - Structure



SNC-AP CoA

What's new?

- It covers all entities subject to the SNC-AP
- It includes **accounts for specific operations of the Public Sector.**
 - 20 - Receivables and payables - Debtors and creditors for transfers, subsidies and concessionary loans
 - 213 – Taxpayers
 - 420 - Investment properties - Public domain assets
 - 430 - Fixed assets - Public domain assets, historical, artistic and cultural heritage
 - 60 - Expenditure - Transfers and subsidies granted
 - 70 – Income - Taxes, contributions and fees
 - (....)

Multidimensional Chart of Accounts - Structure

SNC-AP CoA

What's new?

- It provides specific levels of disaggregation to **meet sectorial needs**, ensuring the homogeneity of the main accounts, for example:
 - 72 Services and concessions
 - 7201 Specific services - Health sector
 - 7202 Services specific - Education sector
 - 7203 Specific services - Local authorities
 - (...)
- **Class 0 (zero)** - Enables monitoring all phases of revenue and expense cycles - Budgetary Accounting. The Class 0 trial balance (registered using double entry) is an important tool to support the verification of the content of the budget statements.

Multidimensional Chart of Accounts - Structure

SNC-AP CoA

What's new?

- A table of **correspondence** between the **financial** codes of **accounts** and the main **ESA2010 accounts**;

Chart of Accounts Codes	Description	ESA2010 Codes	Description
11	Cash	AF.21	Currency
251	Loans	AF.4	Loans
37	Biological assets	AN.1221	Work-in-progress on cultivated biological assets
4303	Infrastructures	AN.112	Other buildings and structures
434	Transport equipment	AN.113	Machinery and equipment
604	Capital transfers granted	D.9p	Capital transfers, payable
70102	Direct taxes - Corporate income tax	D.51	Taxes on income

Multidimensional Chart of Accounts

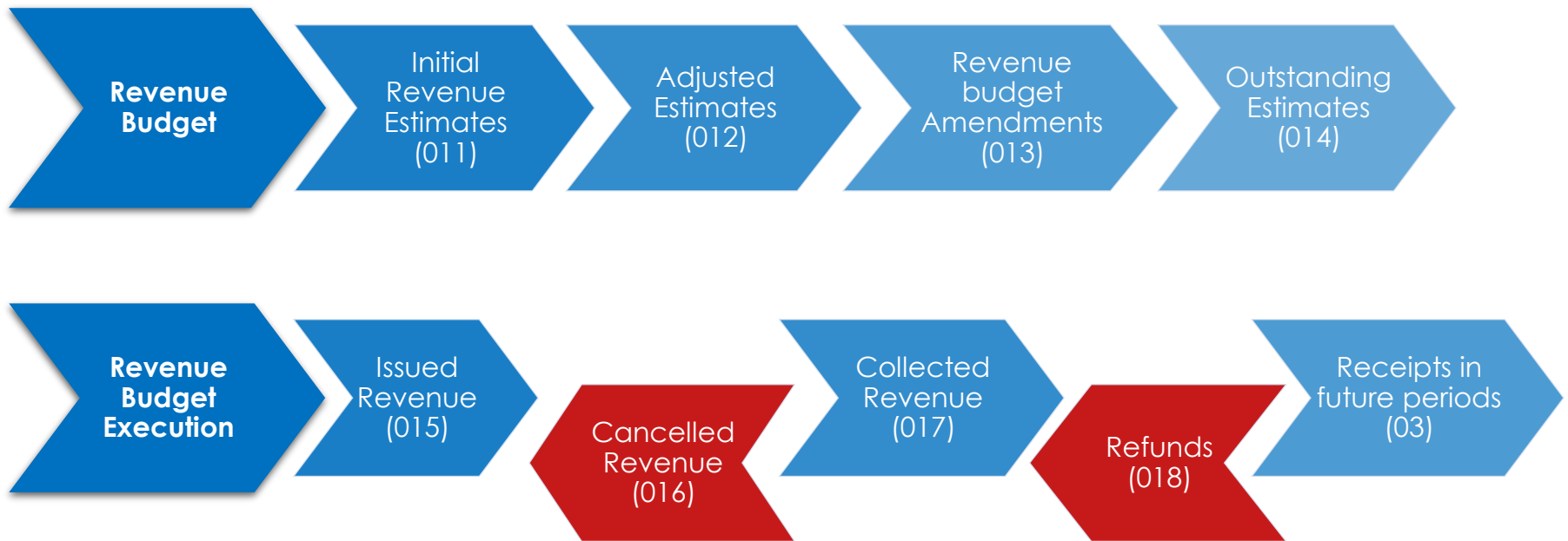


SNC-AP CoA

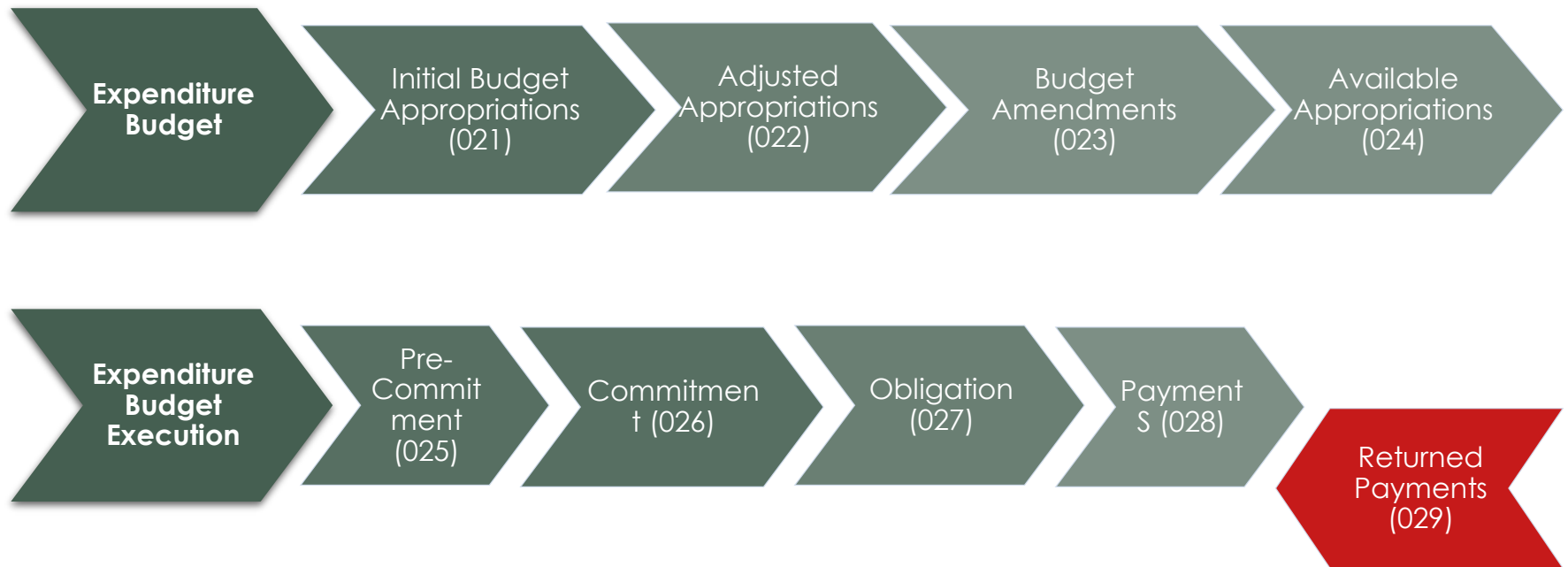
Management responsibility

- The **standard-setting body** (CNC) is **responsible** for the permanent updating of the **Multidimensional Chart of Accounts (PCM)**, namely the creation of new accounts, ensuring that the PCM version is updated on its website.
- Those updates made to the Multidimensional Chart of Accounts are immediately reflected in the **Central Chart of Accounts of the Ministry of Finance (PCC-MF)**. The management of this plan **is a responsibility of UniLEO**, which includes the disaggregation of PCM accounts.
- At the **entities** level, their own **chart of accounts** can be disaggregated according to their specific needs, but it **must be compliant with the Central Chart of Accounts requirements**.

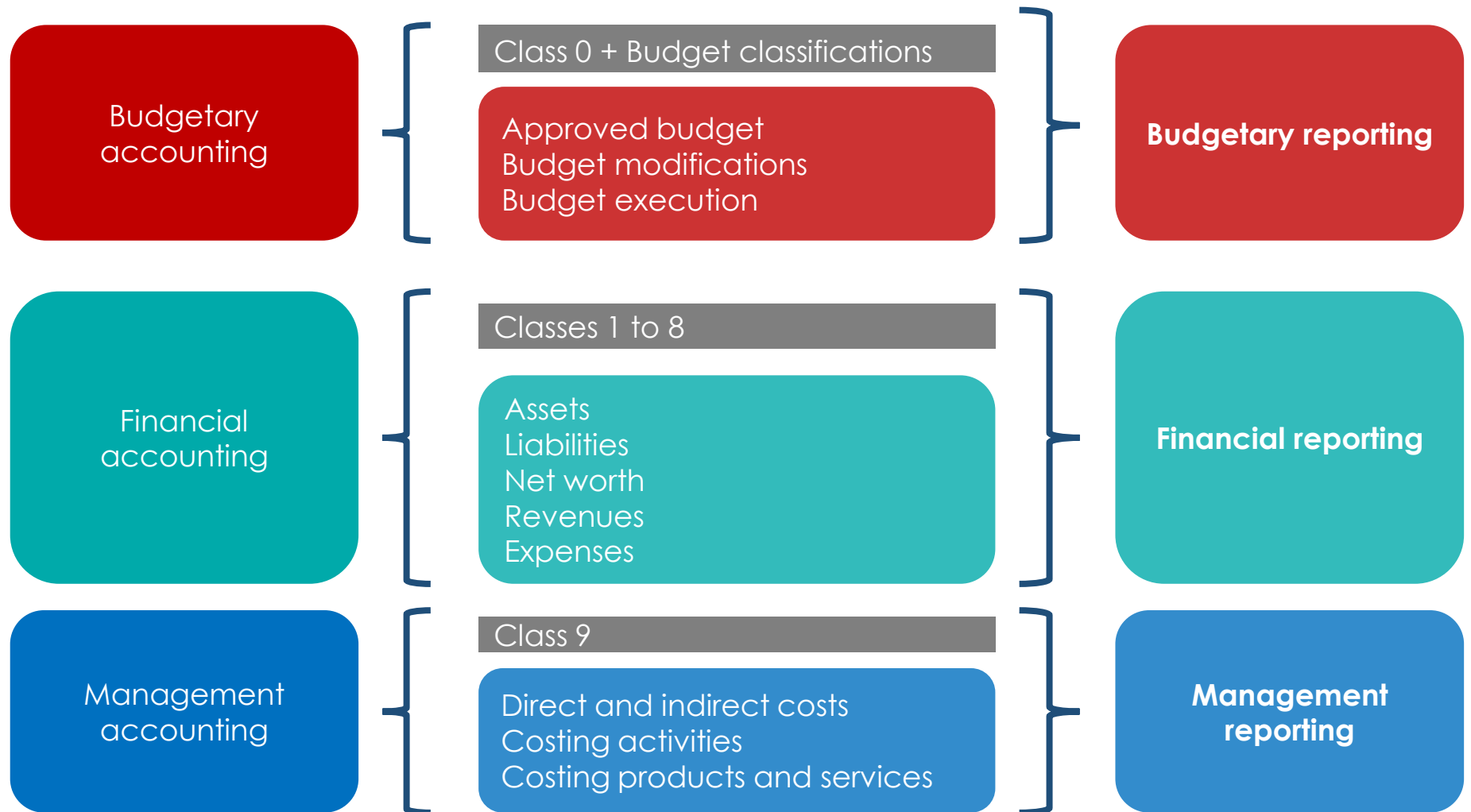
Class 0 – Budgetary accounting – Revenue Cycle



Class 0 – Budgetary accounting – Expenditure Cycle



Recap on Multidimensional Chart of Accounts





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