Chart of Accounts

An Instrument to Address Different Information Needs

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- The accounting standards for the public sector in Portugal was **outdated, fragmented and inconsistent**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

Control of approved budget appropriations

Budgetary accounting
Modified cash basis on the execution
Budgetary Statements

Transparency of financial position and performance, and reliability of national accounts

Financial accounting
Accruals basis
Financial Statements

Measurement of costs and evaluation of the results of public policies

Management accounting
Accruals basis
Management Reports

Improving budget management, transparency and accountability
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

- Annex I: Conceptual framework for financial accounting (IPSAS based)
- Annex II: Accounting standards
- Annex III: Chart of Accounts

Notes to the Chart of Accounts
Ordinance n.º189/2016, from 14 July

Implementation manual
(including transition procedures and accounting)
Multidimensional Chart of Accounts – Scope

- Legal
- Budgetary
- Financial
- Government finance statistics
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

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

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

What’s new?

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

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

- 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

- Revenue Budget
  - Initial Revenue Estimates (011)
  - Adjusted Estimates (012)
  - Revenue budget Amendments (013)
  - Outstanding Estimates (014)

- Revenue Budget Execution
  - Issued Revenue (015)
  - Cancelled Revenue (016)
  - Collected Revenue (017)
  - Refunds (018)
  - Receipts in future periods (03)
Class 0 – Budgetary accounting – Expenditure Cycle

- Expenditure Budget
  - Initial Budget Appropriations (021)
  - Adjusted Appropriations (022)
  - Budget Amendments (023)
  - Available Appropriations (024)

- Expenditure Budget Execution
  - Pre-Commitment (025)
  - Commitment (026)
  - Obligation (027)
  - Payment (028)
  - Returned Payments (029)
Recap on Multidimensional Chart of Accounts

Budgetary accounting
- Class 0 + Budget classifications
  - Approved budget
  - Budget modifications
  - Budget execution

Budgetary reporting

Financial accounting
- Classes 1 to 8
  - Assets
  - Liabilities
  - Net worth
  - Revenues
  - Expenses

Financial reporting

Management accounting
- Class 9
  - Direct and indirect costs
  - Costing activities
  - Costing products and services

Management reporting
Visit our webpage [www.unileo.gov.pt](http://www.unileo.gov.pt)