Transformations in Government accounting Sector and Accountability of Governmental Accounting

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ABSTRACT

During the last years of 20th century the issuance and publication of statement No. 34 of the U.S. Governmental Accounting Standards Board (GASB), the result of which was to provide a new model of financial accounting and reporting for state and local governments. New accounting models of such governments, which are analyzed in this paper, realized potentials for operational accountability of accounting systems and governmental financial reporting in addition to enhancement of financial accountability.

INTRODUCTION

During recent decades, conceptual bases of developed countries’ governmental financial accounting and reporting have changed considerably. Such countries began 21st century under conditions where new financial accounting and reporting systems were designed and implemented, or will be implemented, commensurate with characteristics of this century. New conceptual bases of governmental accounting, which are the results of 20 years of steady studies and efforts of developed countries, consider accountability as an integral part of governmental financial accounting and reporting systems, paying more attention to it with special emphasis. For this reason, objectives of governmental financial accounting and reporting systems, paying more attention to it with special emphasis. For this reason, objectives of governmental financial reporting have been formulated by observing environmental features of governmental – and business – type activities as well as users’ needs based on accountability.

The U.S., U.K., Australia, New Zealand, Canada are among those countries which, during recent decades, did sufficient studies and research into governmental accounting and, bases on their results, made necessary changes into their own practiced governmental financial accounting and reporting. For example, GASB, which replaced National Council of Governmental Accounting (NCGA) in 1984, founded the first conceptual framework based on accountability in the U.S. by approving and notifying conceptual statement No.1 titled “objectives of financial reporting”. After GASB, Federal Accounting standards Advisory Board (FASAB), which was established in 1990 consisting of representatives from financial tribunal, treasury, and management and budget organization, provided the most complete conceptual framework based on accountability by publishing conceptual statement No. 1. Coincident with studies done in the field of governmental accounting conceptual bases, approval of fundamental concept laws and regulations including chief Financial Officers Act, 1990, Government Performance and Results Acts, 1993, and Government Management Improvement Act, 1994, all contrived approval of GASB statement No. 34 in order to revolutionize financial accounting and reporting of
state and local governments by implementing that statement practically. The author believes that changes in
developed countries’ public sector accounting in 3 recent decades have been made largely under the influence of
financial and operational accountability concept; and analysis of conceptual bases governing issuance of
statement No. 34 and demonstration of key characteristics of new model of financial accounting and reporting
resulting from that statement reveal the salient role this concept played in making fundamental governmental
accounting changes. For this reason, this paper tries to introduce important aspects of new accounting systems
of local governments subject to that statement and to discuss and examine conceptual bases behind it.

Approval course of statement 34:

Prior to issuance of statement 34, American state and local governments’ financial accounting and reporting
systems had been designed on the basis of conceptual framework of subject of statement concept 1, 12-fold
principles, and more than 30 standard statements approved by GASB. In January 1997, said board provided a
scheme for improvement of state and local governments’ financial accounting and reporting systems.

The scheme in question, which was formulated based on 2 different approaches to financial reporting, was
published in relation to specialized comments of experts. The first approach paid attention to entity-wide level
of reporting units completely while placing emphasis on the measurement of economic resources flows and
application of full accrual basis. Based on that approach, state or local government was accepted as reporting
unit and it was required to report depreciation of capital assets including underlying ones and to prepare separate
and complementary reports titled “Management analytical reports on state/ local governments”.

The second approach selected fund-based level of reporting and, continuously, emphasized on the
measurement of financial resource flows as well as use of modified accrual basis for governmental-type
activities and on the measurement of economic resource flows as well as use of full accrual basis for business
activities. This approach made no significant changes into state and local governments’ financial accounting and
reporting systems while paying high attention to maintaining of existing system structure.

Within 2 years of proposed scheme issuance, GASB received some 398 letters of recommendation from
audit institutions and 74 written comments from specialized natural persons in addition to holding 6 general
conferences. On the basis of expert comments received, GASB concluded that proposed scheme along with the
first approach enjoys more acceptance among specialists so the Board put the scheme on its agenda as a basis
for designing new model of governmental financial reporting. Finally in June 1999, new model of governmental
financial reporting approved by GASB was informed through a detailed statement containing 166 clauses along
with its annexes under No. 34.

Statement 34, which was composed based on accountability-based conceptual framework subject of
statement 1 approved by the same Board, explains in details features of American state/ local government’s
financial accounting and reporting systems, which are in process of implementation at the beginning of tired
millennium, A. D.

Statement 34 and accountability:

Approval and notification of GASB statement 34 is considered a major step in fundamentally changing of
state/ local governments’ financial accounting and reporting systems and its complete implementation can result
in substantial reconsideration of financial information deliverable by existing accounting systems while
providing new financial information.

Mentioned statement was composed on the basis of public accountability concept and in the framework of
financial reporting objectives subject of GASB statement 1 approved in 1987[ Clause 156 of GASB statement 1
explains accountability concept as follows:

Accountability requires a government to explain to their citizens and give rational reasons for increasing
public financial resources as well as objectives they are used for. Accountability concept is based on the idea
that citizens have the rights to know and to receive facts directly publicly and/ or through their representatives.
Financial reporting plays a considerable role in the fulfillment of the government’s public accountability within
a democratic society].

The aim of this statement is to increase accountability capacity and to enhance the levels of
comprehensibility and usefulness of state/local governments’ financial reports provided to citizens, legal and
regulatory organs, investors and creditors. Some objectives of financial reporting subject of GASB statement 1
could be met by information contained in existing systems’ financial reports; however, realization of others
required making fundamental change into the structure and manner of financial reports’ provision for external
purposes, which contrived approval and publication of standard statement 34 that was composed on the basis of
sufficient studies and investigations.

Approval and notification of statement 34 has been regarded a part of continuous efforts made to improve
governmental financial reporting in the framework of GASB statement concept 1 with aim of providing an
appropriate financial reporting model. Emphasizing on basic concepts and objectives of financial reporting
subject of statement 1, GASB believes that complete implementation of substances of standard statement 1
results in enhancement of level of state/local government’s accountability by providing useful information to a broader range of users compared to previous reporting model.

Since fundamental concepts and objective of governmental financial reporting were the basis of composing statement 34 with the main aim of realizing mentioned concepts and objectives, examination of theoretical reasons given by GASB for public accountability and its importance to and effects on issuance of this statement is necessary to understand key features of statement 34 correctly. For this purpose, initially, it seems that the role of public accountability concept and its importance to and effects on issuance of this statement are necessary to understand key features of statement 34 currently. For this purpose, at first, the role of public accountability concept including financial and operational accountabilities in designing and implementing new model of financial accounting and reporting is described and, next, key aspects of statement 34 are discussed.

Theoretical reasons for placing emphasis on accountability:

As emphasized in GASB statement concept 1, accountability is the cornerstone of governmental financial reporting and is regarded an integral part of all objectives of governmental financial accounting and reporting which relates to accountability and is considered an important tool to fulfill this responsibility. Accountability requires provision of (non-)financial information citizens use to oblige the government to be accountable for its actions and activities. Therefore, the main aim of governmental financial reporting is to prepare financial information useful for fulfilling government’s accountability, on one hand, and for evaluating this responsibility and social, political, and economic decisions by citizens, on the other.

To fulfill accountability duty is not an easy task due to the nature and diversity of governmental activities, some of which are financial, so provision of information in order to fulfill duty of accountability for such activities is possible through financial reporting while, for other activities of the government, sufficient information provision is impossible through traditional financial reporting. For this reason, in its statement 1, GASB determined minimum limit, not maximum one, of accountability through governmental financial reporting.

The Board believes that a government needs to provide and include information in annual financial reports so that, by using it, citizens make sure that laws, regulations, and legal limitations on acquisition and utilization of public financial resource are observed. Traditionally, financial statements have emphasized on provision of such information; and to continue that is necessary to fulfill some part of accountability responsibility.

During the process of approval of statement 34, GASB concluded again that provision of information related to financial accountability should take place as before through financial statements of governmental-type activities. In this regard, GASB gave following reasons:

A) Financial reporting to fulfill accountability for governmental-type activities was developed in response to continuous demands for control and accountability for acquisition and utilization of public financial resources. The Board believes that this basic aim is still important to users. Most citizens, investors, and creditors place emphasis on exercising strong controls over acquisition, increase, and utilization of financial resources to meet set objectives.

B) The Board underlined importance of public budget as a tool to express public policies, financial goals, control, and to evaluate performance in statement concept 1 (clauses 19 and 20) and usefulness of funds structure and usage of fund accounting as a controlling tool and a means to direct and control use of resources in conformity with predetermined laws, regulations, and legal restrictions (clauses 21 and 22). Based on such emphases, the Board approved one of objectives of governmental financial reporting as follows and provided it for in clause 177 of statement 1: financial reporting must show whether resources were acquired and utilized according to legally approved budget and whether, to do that, related laws and regulations and legal requirements were observed. On the basis of a survey done during the project of new financial reporting model, the Board reached the conclusion that funds structure and emphasis on accountability for governmental funds are one of important tools to meet above aim for governments and users of their financial statements.

C) Based on the results of studies done by Jones et al., on users’ needs (1985) and by Wilson on financial reports (1990), GASB came to the conclusion that financial report users were still highly interested in information about current financial resource flows, matching between performance and approved budget and fund-based financial reporting. Based on those studies, the Board was persuaded that most users were interested in accountability for governmental funds; and state/local governments supported such information preparation.

D) Given above detailed reasons, the Board specified that traditional focus of governmental fund financial statements on financial accountability needed to be continued as before. Governmental-type activities need to be reported based on funds (basic funds, etc) emphasizing on the measurement of financial resource flows and on the use of modified accrual accounting basis. In any case, in order to meet users’ needs for long-term financial information, comprehensive governmental financial statements need to include operational accountability information, provision of which not only ensures continuation of financial accountability information flow, but also makes possible having access to information on cost prices of services from of governmental-type activities similar to services from business-type activities.
By giving following detailed reasons, GASB believes that, traditionally, financial statements of business-type activities and of some trust ones have emphasized on operational accountability.

A) Governments were established to deliver services. Citizens allow legal representatives and regulatory organs to acquire and use financial and capital assets in order to meet above objectives. Such organs as well as citizens including tax payers and other financial resource providers, service beneficiaries, and mass media should be informed of how these resources and products/services produced are used. Mentioned groups also need to be informed of resources available to the future uses and their sufficiency in maintaining and/or increasing the level of current services and supplying liabilities.

B) Operational accountability potentially encompasses concept of public resource agency which does not merely mean to preserve and protect resources including financial and capital ones and/or to match their uses with laws and regulations (financial accountability), but to use resources optimally and efficiently in order to meet approved objectives and to fulfill obligation the government undertook.

C) Traditionally, financial statements of business – type and some trust activities have emphasized on provision of operational accountability information similar to that existing in business activities of private sectors. Regardless of profit motivation, operational aim of governmental business activities is – similar to that of for-profit institutions – to provide services cost prices of which are received from their users.

Business activities charge their services’ price by using methods used by private sectors, largely based on their economic prices including whole financial and capital resources utilized during the period of services production and on the need for those prices recovery in direction of maintenance of activities’ financial resources and continuation of operations into future.

D) Due to extant similarities, business-type activities’ financial statements traditionally have emphasized on operational accountability and are similar to those of private sector enterprises in terms of contents, measurement criteria, and representation moods. In both institutions, important measurement criterion of operational efficiency is obtained by comparing revenues from services and costs incurred by their production and reporting their difference (net profit or loss), useful information for evaluation ability to continue service production and to fulfill obligation is provided by balance sheet which includes all assets, debts, and equity.

GASB believes that information on operational accountability needs to be prepared on governmental-type activities, giving some reasons as follows:

A) Focusing financial statements of governmental-type activities on financial accountability meets to some extent obligation caused by financial resource agency. To gather information on comparison of real costs of current period with credits approved for the same period, moods of acquisition of needed financial resources and matching inflow/out flow of current financial resources with budgetary rules and other legal requirements as well as on whether input of financial resources in current period was sufficient to supply output of them in the same period is among information being of remarkable importance to financially managing governmental-type activities in short term. At the same time, citizens, their legal representatives, independent regulatory organs, investors, and creditors need information about expected mid- and long-term effects of past decisions on the government’s financial status and conditions. Without this information, user groups are not able to evaluate expected effects of current period activities on the amount of resources demanded in the future and on the ability of government to continue providing services and fulfilling liabilities.

B) Information on operational accountability includes:

- Cost price of services produced and delivered in current period;
- Has government acquired sufficient revenues to supply services’ cost price in current period?;
- Did government transfer some part of delivered services cost price of current period to the next fiscal period and/or did it use accumulated financial resources to supply it? In other words, were inter-period equity observed?
- Despite difficulty with measurement, how much information is there about operations such as determination of economic saving and efficiency of services delivered and excess of interests over cost price of such services (plans’ effectsives and results)?

C) Objectives of financial reporting stated in GASB statement concept 1 provides for provision of such information, which include all governmental activities including business, non-business, and trust ones. The fact that governmental-type activities are largely funded by tax and non-exchange revenues does not hamper acceptance of this economic fact that financial health and objectives’ realization of organizations depend on recovery of cost price of services delivered.

D) With information on operational accountability, all people involved in decision-making process will be at a better position to present their assessments of amount of services deliverable through available financial resources, of the manner of resource allocation, and of effects of this period’s decisions on amount of financial resources demanded in the future. Decision-makers can better evaluate whether a service is delivered more economically and effectively by the government or by contract – party private sector.

E) Operation price is one of the most pivotal elements of information not being provided through reporting models based on financial accountability for governmental-type activities. Interests of the government’s plans...
and services cannot be measured by financial factors. In addition, to assess what creates interests is a subjective matter. Such cases vary depending on the needs and values of individuals and groups participating in decision-making process, which change over time. In any case, operation costs can be measured and reported objectively in financial statements. With information on cost price, decision-makers get a basis for evaluation costs-benefits of plans and services; this helps them evaluate benefits of deliverable services and executable plans themselves. Information on operation costs represents a uniform basis for evaluating results of government operations in order to answer this question: where revenues sufficient to fund costs? Or how do they compare similar governments? Operation results, in turn, are regarded on important factor in assessing the government’s financial status and conditions.

**Characteristics of new model of government financial accounting and reporting:**

Based on reasons given by GASB, some of which were outlined, statement 34 was issued in order to enhance the level of accountability and, in particular, to fulfill American state/ local government’s operational accountability. Bringing about fundamental changes into financial accounting and reporting systems of state/ local governments (Such as municipalities), this statement enjoys following features, a brief description is provided for each one.

1- A Report complementing management discussions and analyses:

Replacing former letter of management, this report is among essential complementary information, containing reasonable analysis of government financial status based on the contents of reporting unit’s financial statement information. This report must be formulated in a simple and understandable form, be placed prior to basic financial statements, and create conditions for management to depict financial status of reporting unit by providing following necessary information:

- A) Analysis of financial statements
- B) Comparison of current and past fiscal years’ financial statements at level of government as main reporting group.
- C) Analysis of general conditions of financial status helps users determine whether it got worse or better.
- D) Analysis of important changes in financial resources’ balance (funds).
- E) Analysis of comparison of initial budget, adjusted budget, and real results (budget performance).
- F) Description of long-term general debts.
- G) Analysis of underlying assets.
- H) Providing a list of known facts, decisions, and conditions influencing financial status.

2- Integrated financial reporting at government level:

One of important features of new financial accounting and reporting systems of state/ local governments under GASB standard statement 34 is integrated financial reporting at the levels of state or local governments.

This type of reporting is important because, in previous systems, fund was the basis of local governments’ reporting, which was always criticized by governmental finance experts who believed that fund-based financial reporting showed status and results of governments’ financial operations in accordance with financial resources and/ or independent activities which were not able to provide a whole picture of status and results of government-wide financial operations, with government being the main reporting unit.

In other words, financial statements formulated at fund level is effective in directing financial resource flows toward approved objectives and plays a considerable role in the fulfillment of financial accountability governing each of financial and accounting unit but their combined financial statements do not show status and results of financial operations at governmental level. In order to remove this drawback, standard statement 34 required new basic financial statements which, for the first time, integrates status and results of fund financial operations used by governmental-type activities, on one hand, and those of business-type ones, on the other, and reports them on 2 separate columns under headings of “Net assets list” and ‘Activities’ bills”. Although formulation of financial statements in question requires making adjustments like omission of between-funds financial activities and omission-addition of some information, but figures included are largely resulting from integration of fund financial statements used by governmental-and business-type activities reflected on 2 separate columns under the title of activities in question.

Advocates of reporting at governmental level believe that provision of integrated financial statements enhances financial and operational accountability significantly. The reason in that it is easier for report users to comprehend financial status and to measure inter period equity through governments’ comprehensive and integrated financial statements. Financial statements needed by financial reporting have been provided according to GASB standard statement 34 in table 1.

As we can observe, government comprehensive financial statements used for financial reporting at the governmental level consist of 2 basic bills: net assets bill reporting the status of whole assets including current and capital ones and whole debts including current and long-term ones and net assets separately for activity
types (governmental and business); and bill of activities reflecting revenues, expenditures, and changes in net assets separately for activity types and according to plans. Fund financial statements used by both governmental-and-business-type activities are still formulated with no changes and with information contents as prior to issuance of statement 34.

Table 1: Minimum items necessary to fairly representing fund financial statements under GASB statement 34.

<table>
<thead>
<tr>
<th>Trust funds</th>
<th>Capital funds</th>
<th>Governmental funds</th>
<th>Comprehensive government financial statements</th>
</tr>
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<tbody>
<tr>
<td>Net trust assets bill</td>
<td>Net assets bill or balance sheet (optional)</td>
<td>Balance sheet</td>
<td>Net assets bill separately for governmental</td>
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<td></td>
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<td>- and business – type activities – 3 classes</td>
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<td></td>
<td>of net assets</td>
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<tr>
<td></td>
<td>Bill of revenues, costs, and changes of net assets</td>
<td>Bill of revenues and expenditures and bill of excess changes</td>
<td>Bill of activities in net cost price format –</td>
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<td></td>
<td></td>
<td></td>
<td>program – based general costs – program –</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>based general revenues</td>
</tr>
<tr>
<td>Bill of changes in net trust assets</td>
<td>Cash flow bill</td>
<td>Budgetary comparison bill (optional)</td>
<td>No need for comprehensive government</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>cash flow bill</td>
</tr>
</tbody>
</table>

Notes attached to financial statements of budgetary comparisons
Information on structural status
Other required information

Measurement criteria and accounting bases:
As stated earlier, prior to implementation of statement 34, measurement criterion of “financial resource flows” and accounting basis of “accrual modified” had been used in governmental funds accounting, which covered governmental-type activities, and criterion of “economic resources flows” and basis of “full accrual” had been used in capital funds accounting. New reporting model under standard statement 34 provides that while maintaining previous conditions of fund level reporting; only criterion of flow of economic resources and basis of full accrual need to be used for formulating comprehensive and integrated financial statements at governmental level. Governmental finance managers association defines measurement criteria as follows:

a) Which assets and debts are reflected by balance sheet?
b) Does the bill of operations reflect information on current finance flows (revenues and expenditures?) or economic resource flows (revenues and costs)?

General view is that measurement criterion of finance flows uses modified accrual accounting basis and, as a result, charges capital assets on expenditure accounts while emphasizing on financial accountability in short term. On the contrary, measurement criterion of economic resource flows uses full accrual basis and records and depreciates capital assets while emphasizing on short-and long-term operational accountability. In other words, finance flow measurement criterion is a political view which can be summed up in approved budget-based decision-making environments, while economic resource measurement criterion benefits managerial environments. Placing emphasis on long-term periods and on use of accrual accounting basis to formulate government comprehensive financial statements increases operational accountability and takes inter period equity in to account through ensuring that revenues and costs are recorded for respective fiscal period.

Undoubtedly, shifting from modified accrual basis and finance flow criterion to full accrual basis and economic resource criterion for governmental-type activities has created other substantial changes into reflecting capital assets and public long-term debts and, in general, into informational contents of basic financial statements at governmental level, the most important of which are as follows:

a) Identification of revenues:
To shift from modified accrual to full accrual basis for making government comprehensive financial statements means that identification and record of revenues no longer depend on meeting “collectability” condition. Thus, identification of revenues in governmental funds accounting still depends on meeting 2 necessary and sufficient conditions of “measurability” and “collectability” due to using modified accrual basis; however, in the view of financial reporting at governmental level, which is performed on full accrual basis, collectability requirement is excluded from identification of revenues related to governmental-type activities. To realize this task and to implement full accrual basis in formulating governmental financial statements, at the end of fiscal year, some modifications should be made in rates of identified revenues of governmental funds which were reflected in fund revenues-costs bills using modified accrual basis.

b) Identification of costs:
Although governmental funds accounting identified expenditures, instead of costs, on accrual basis upon being created, due to using criterion of finance flow measurement, capital assets were regarded as outflow of financial resources upon purchasing and charged on expenditures accounts. Based on this approach, capital
assets purchased by governmental funds are identified upon acquisition (not utilization) time being charged on fund expenditure accounts and, for this reason, depreciation of such assets is not identified and calculated as fiscal period expenses. This is because that using criterion of finance flows in accounting emphasizes on inflow/outflow of financial resources, which is not recorded due to the fact that assets depreciation does not result in financial resources’ inflow/outflow. In new approach of statement 34 based on using economic resource flows criterion in formulating integrated financial statements at governmental level, expenses are identified and included in governmental activity bills at the time of bearing based on consumption, not on acquisition, therefore, depreciation of capital assets is regarded an economic resources’ outflow, being identified and recorded.

Although former method of acquisition of capital assets still continues in funds accounting, by making some modifications for excluding capital expenditures and calculating and adding depreciation of capital assets at the end of fiscal year, costs of governmental-type activities reflected in bills of governmental activities obtained by integrating costs and expenditures of governmental funds will be corrected. In this way, governmental activity bills, which include 2 separate columns titled “governmental-type activities” and “business-type activities”, indicate expenses of government operations on the basis of economic financial resources approach.

c) Reporting capital assets and general long-term debts:

As mentioned previously, economic resource flows is the measurement criterion for formulating government comprehensive financial statements. In this approach, capital assets and long-term debts should be reported in a bill named net asset bills. Prior to implementation of statement 34, such items had been reflected in combined balance sheet in 2 separate account groups called “general fixed asset account group” and “general long-term debt account group” on the basis of finance flows approach, from which reporting capital assets and general long-term debts was excluded after implementation of mentioned statement.

Application of economic resource flows criterion of measurement and full accrual accounting basis in governmental financial reporting has caused all capital assets including underlying assets to be reflected and depreciated in net asset bill under the title of capital assets (except for those underlying assets depreciation of which is optional). Under rules of statement 34, capital assets are included in net asset bills at real cost price and/or, necessarily, at estimated price. These rules include all capital assets which have been acquired and/or basically repaired or renewed since 30 June 1980. General long-term debts created by construction or acquisition of capital assets and other cases are reported under the same title in net asset bills. Prior to implementation of the statement, such debts had been included, instead of debt, in governmental fund financial statements titled “other financial resources” and original debts had been recorded and reported simultaneously in general long-term debt account group.

Governmental integrated financial statements, which are formulated by integrating items inserted in fund financial statements, require some modifications to the figures extracted from such statements, which are beyond the scope of this paper. Since reflection of capital assets of governmental-type activities on respective column of net asset bills, on one bane, and inclusion of annual depreciation costs of such assets on governmental-type activities in respective bills, on the other, enhance levels of financial and operational accountability and inter period equity measurement, potential of new financial accounting and reporting system has increased significantly in view point of public accountability.

So it can be concluded that changes into identification and reflection of revenues, costs, capital assets and long-term debts within state/local government’s new financial accounting and reporting systems are largely due to changes made in measurement criterion and accounting basis used by integrated financial reporting at governmental level. Table 2 shows accounting basis and measurement criterion used by discussed governments’ financial accounting and reporting systems before and after implementation of statement 34.

<table>
<thead>
<tr>
<th>Table 2: Measurement criterion and accounting basis before and after implementation of GASB statement 34.</th>
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<tr>
<td>Financial Reporting of Governmental Activities</td>
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<tr>
<td>Before implementation of statement 34:</td>
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<tr>
<td>Accounting basis</td>
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<tr>
<td>Measurement criterion</td>
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</tbody>
</table>

After implementation of statement 34:

| Accounting basis | Modified accrual | Full accrual | Full accrual | Full accrual |
| Measurement criterion | Finance flow | Flow of economic resources | Economic resources | Economic resources |

4) Funds structure:

Some brief changes into funds structure have been predicted in statement 34. One independent account
titled “permanent fund account” was added to the section of governmental funds, which had been active in trust funds group under heading of “usable trust funds”. Function of this independent account include to keep accounts and to report status and results of financial operations of cash or assets whose original investment and its resulting profits can be consumed and whose finances can be consumed in direction of objectives and interests of governments. In other words, finances of this independent account are consumed by governmental sources. Some titles of funds have also changed in trust funds group. In this group, undependable endowment fund changed into investment purpose funds and expendable endowment funds changed into specific use source titles. New funds structure is given in table 3.

<table>
<thead>
<tr>
<th>Table 3: New funds structure according to GASB statement 34.</th>
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<tr>
<td>Public fund</td>
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<tr>
<td>Private fund</td>
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<tr>
<td>Cash fund</td>
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<td>Capital projects</td>
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<tr>
<td>Debt redemption fund</td>
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<tr>
<td>Permanent funds</td>
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</tbody>
</table>

5- Net asset bills:
As stated earlier, under statement 34, state/local governments are required to make a government-wide bill titled “net asset bill” (government setting as a reporting unit) in addition to formulating balance sheet for governmental, capital, and trust funds. This bill can be formulated by 2 following approaches:

Net Assets = Debts – Assets: Net asset approach
Net Assets + Debts = Assets: Balance sheet approach

Based on economic resource flows approach, whole assets and debts are reported in net asset bills and classified as current and non-current, that is, assets with useful life more than 1 fiscal year and debts with due date more than 1 fiscal year are regarded as non-current items and others are regarded as current items. Since information to be included in net asset bills must contain governmental-and business-type activities, financial information on current assets and debts included in governmental fund balance sheet is integrated and activities between them are omitted and the result is reflected as current assets and current debts in net asset bills. Information on capital assets and long-term debts is extracted from specific books provided for keeping it appropriately and is included as complementary information with respective titles on the column of governmental-type activities in the targeted bills in order for net asset bills contain financial information on all assets and debts (including current and non-current ones).

Information on assets/debts and net assets of business-type activities is extracted from capital fund balance sheet (including profit-making fund and internal services and procurements fund) and is included on the column of business-type activities of net asset bills after being integrated. It is noteworthy that figures included in capital fund balance sheet provide information needed by business-type activity column of net asset bills after omitting in between activities due to using economic resource flows approach to formulate it. Difference between assets and debts included in bills discussed are reflected under title of net assets and in 3 parts as follows:
A) Investment in capital assets with deduction of related long-term debts.
B) Net assets limited to be consumed for given cases
C) Net assets not limited to be consumed for given cases
The sum under section A indicates resources consumed to purchase, construct, and or acquire capital assets, therefore, this amount of net assets is not available for new uses, the sum included in section B is not usable for public (general) uses due to its consumption limitations, although it is among available resources. And the sum included in section C indicated that part of net assets which is available to new and general uses.

6- Bill of activities:
As one of basic financial statements of reporting at governmental level, bills of government activities are formulated by integrating figures included in bills of revenues, expenditures, and changes into excess capital and governmental funds. Unlike revenue-cost bills of governmental fund which are composed according to modified accrual basis and financial resource flow criterion of measurement, these bills need to be formulated according to full accrual basis and economic resource flows criterion of measurement. In other words, in order to formulate governmental activity bills, it is necessary to use figures included in revenue-expenditure bill of governmental fund and integrate amounts of revenues and expenditures reflected while modifying them because of the shifts from financial to economic resource flows measurement criterion. To do this, capital expenditures, which are included as consumed resources on the expense account due to using criterion of financial resource flows, must be excluded and, instead of them, annual depreciation of whole depreciable capital assets needs to be included as period expenses. Making such modification is not necessary for figures extracted from revenue-cost bills of capital fund participating in business activities. In any case, after making necessary modifications
and excluding in between activities, figures extracted from governmental funds are integrated and, then, included on governmental-type activity column of bills of governmental activities; and the same procedure is carried out on capital fund and the result is reflected on business-type activity column. Based on approach of programs’ net costs, activity bills are formulated in such a manner that revenues and costs of any programs are compared and the results which are net costs or revenues are included on a specific column. To formulate bills of activity in accordance with programs and comparison of their costs with their revenues determines how much public revenues like taxes and tolls have been expended and/ or how much they were added to as a result of programs’ implementation while resulting in emphasis on accountability from executive levels to program levels. Ultimate result of this approach may transfer responsibilities to administrative managerial levels from political executive ones and facilitate transfer of accountability to lower levels of organizational structure.

Conclusions:
Most experts believe that governmental accounting is one of main tools for governments to fulfill their financial and operational accountability while citizens and their legal representatives, as rights owners, use the same tool to evaluate officials’ accountability. For this reason, coincident with the rise in the levels of accountability and citizens’ demands for balancing official power of governments, as an instrument to do this important task, governmental accounting has changed significantly, especially in developed countries, during 2 recent decades. In sum, today’s complex world no longer needs governmental accounting, but it needs accounting for governance.

Among remarkable transformations of governmental accounting which occurred at the beginning of the third millennium A.D. is the issuance and implementation of GASB statement 34 which took place for realization and enhancement of financial and, in particular, operational accountability of American state/local governments’ financial accounting and reporting systems. In other words, GASB published statement 34 in direction of one of important objectives of financial accounting and reporting systems. In other words, GASB published statement 34 in direction of one of important objectives of financial accounting and reporting in its statement concept 1 so that is can reinforce financial accountability of said government’s financial accounting and reporting systems in additions to making operational accountability of the systems realized.

New financial accounting and reporting model of statement 34 realized potentials and capacities of operational accountability of state/local government’s financial accounting and reporting systems by changing accounting basis and measurement criterion of governmental-type activities from “modified accrual” and “financial resource flows” into “full accrual” and “economical resource flows” and formulating financial reports at governmental level including “net asset bills” and “bills of activities” and reflecting real period revenues and costs. And (non)current assets/debts of business-type activities in mentioned bills.

Although completely implementation of substances of statement 34 and its new model of financial accounting and reporting is difficult and considerably costly for local governments, many believe that benefits resulting from implementation of the statement and its corrective outcomes outweigh the costs incurred.

REFERENCES