



FIS INFO

September 2001



Full Accrual Accounting

With the implementation of the Financial Information Strategy (FIS) on April 1, 2001, the Government of Canada moved from a modified accrual basis of accounting to full accrual accounting for financial and management reporting purposes.

What are the defining characteristics of full accrual accounting?

- Expenses are recorded in the period when the goods or services are consumed.
- Revenues are recorded in the period when they are earned.
- The multi-year benefits of some assets are recognized by being expensed over the time they are expected to be used, as opposed to only at the time of their acquisition.

How will full accrual accounting affect departmental reporting?

A department's or agency's finance organization will provide a full set of financial statements. For example:

- The Statement of Operations will show the revenues earned and the expenses incurred for a specific accounting period. The difference between the revenues and expenses is the net financial result of operations for that period.
- The Statement of Cash Flow will show departmental cash flows. This statement will focus on sources and uses of cash.
- The Statement of Financial Position will report on the departmental assets and liabilities at the end of the accounting period.

As departmental systems mature, departments and agencies will be in a

position to generate financial statements at various levels such as business lines, sectors, branches and divisions.

Why the change to full accrual accounting?

Full accrual accounting is not just another methodology for calculating the Government's financial position and operational results. It is an informational tool for results-oriented managers.

The recent shift to results-based management has made it necessary for managers to have a wider range of information. Full accrual accounting, by matching program delivery results with the resources used to achieve them, provides managers with better information for decision-making.

This improved information will benefit not only the individual departments and agencies, but also Parliamentarians and, ultimately, all Canadians.

In recognizing full accrual accounting as the best accounting practice for the public sector, the Government of Canada is following the precedent of many other countries, notably Australia, the United Kingdom, and New Zealand.

For more information, contact your departmental financial advisor or visit the Treasury Board Secretariat Website at <http://www.tbs-sct.gc.ca/fin/fis-sif/>.