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FULL ACCRUAL ACCOUNTING

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FULL ACCRUAL ACCOUNTING

BACKGROUND: MODERN PUBLIC SECTOR MANAGEMENT REFORMS

The conversion of the federal government's accounting method to full accrual basis is the culmination of a long process of incremental financial management reform. For almost 40 years, there has been a common call for improved financial information to support government decision-making, strengthen accountability and enhance transparency for Parliament and the general public.

In the mid-1990s, the government announced a set of initiatives – Program Review and the Expenditure Management System – aimed at improving the efficiency and cost effectiveness of federal programs and services. To operate in this new environment, government managers and parliamentarians alike would require more reliable financial and non-financial information to help them scrutinize and assess the efficiency and cost effectiveness of ongoing program activities. In response to this requirement, the 1995 Budget announced that government accounting systems and practices would move towards full accrual basis to enable government to report the true cost of programs and improve accountability.(1) This announcement provided additional impetus to complete the federal Financial Information Strategy (first announced in 1989) by the 1 April 2001 deadline.

In a 1997 report entitled *Accounting for Results,* the federal government announced a new framework for public sector management. The framework's integrating principle is achieving results and reporting them clearly to officials, parliamentarians and the public. In the past, governments had focused their attention on resource inputs (what they spend), activities (what they do) and outputs (what they produce). While important, such

(1) Office of the Auditor General of Canada, September 1998 Report, Chapter 18, "The Financial Information Strategy: A Key Ingredient in Getting Government Right," Ottawa, 1998.

information is insufficient to support management focused on outcomes (results achieved). To support the new management framework, the Financial Information Strategy focused on upgrading financial reporting systems, policies and practices in order to provide more complete information on program costs and activities. By integrating financial and non-financial performance information, such as linking costs with actual or anticipated results, this new capacity was intended to enable government decision-makers to better allocate resources in response to changing needs and government priorities.(2)

As of 1 April 2001, all federal departments and agencies had implemented the information systems to support accrual accounting. However, accounting policies and management practices were still in the process of being updated. In the 2001 Budget, the federal government announced its decision to delay for at least one year the presentation of its consolidated financial statements, the *Public Accounts of Canada*, on full accrual basis. The delay would enable significant accounting balances, such as tangible capital assets, environmental liabilities, Aboriginal claims and the accrual of tax revenues, to be reviewed and audited.(3) On 18 February 2003, the government announced that it would implement full accrual accounting as the standard for its 2002-2003 Public Accounts, replacing the modified accrual standard it had been using since the mid-1980s.(4)

BASIC ACCOUNTING CONCEPTS(5)

Cash basis and accrual basis form the two extremes of a continuum of possible methods of accounting and budgeting. Governments, with their dependence on tax revenues, have traditionally gravitated, at least initially, towards the cash basis as a foundation of their financial reporting and budgeting systems.

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(2) Treasury Board Secretariat, *Results for Canadians: A Management Framework for the Government of Canada*, Ottawa, 2000.

(3) Department of Finance Canada, *The Budget Plan 2001*, Ottawa, 10 December 2001.

(4) Department of Finance Canada, *The Budget Plan 2003*, Ottawa, 18 February 2003, pp. 177-179.

(5) Henry Dauderis, Albert Slavin and Isaac N. Reynolds, *Basic Accounting*, Holt, Rinehart and Winston of Canada, Toronto, 1975, pp. 87-88.

A. Cash Basis

Using the cash basis method of accounting, revenue is recognized when cash is received and expenditures are recognized when cash is disbursed; the matching of cash receipts and cash disbursements serves to determine operating results during an accounting period. This method of accounting is simple in application, but in most cases, it does not fully match all the expenses incurred to the revenues generated in a given period.(6) For example, the purchase of capital equipment or a building is not depreciated over time, but is fully expensed at the moment of purchase.

B. Modified Accrual Basis

After several decades of evolution, the federal government's financial management system settled by the mid-1980s into a hybrid method of accounting, called modified accrual accounting, which combined elements of cash and accrual bases. Using this method, government revenues were recognized when received (cash basis) and expenditures were recognized when incurred (accrual basis). The use of such a hybrid method reflected the government's preoccupation with cash – having sufficient funds to pay its debts on time.

Using the modified accrual basis, the federal government continued to treat tangible real assets (buildings, land, equipment, etc.) as expenditures in the year they were purchased. Also treated as expenditures were accounts receivable, inventories, gold reserves, undistributed profits and investments in Crown corporations, and heritage assets (e.g., historical buildings and monuments, archaeological sites, museums, gallery and archival collections).

C. Full Accrual Basis

Accrual accounting recognizes financial transactions when they occur, rather than recording them when cash is received or disbursed. The accrual method is founded on the matching principle that measures all the revenues earned during a given period together with all the expenses incurred from earning that income. In other words, revenues are recorded in the period in which they were generated; expenses are recognized by measuring the goods and

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(6) *Ibid.*

services consumed to generate those revenues; and the multi-year benefits associated with long-lived assets are matched to the time(s) when they are expected to be used.

The accrual method provides a better measurement of net income, because it matches expenses incurred with revenues earned for the period, and it reflects revenues in the period to which they belong – that is, the period in which they were earned. Net income is thus clearly shown as the difference between revenues earned and the expenses incurred in generating those revenues – the difference between the results obtained and the efforts expended to achieve those results. Since full accrual accounting provides more complete and useful information, most businesses use this form of accounting to support their decision-making and financial reporting.

To illustrate the difference between cash and accrual methods of determining net income, see the example of the ABC consulting company, below. The company performed work during the month of August for which it charged $1,000. It received two payments for its services: $600 on 15 August and $400 on 10 September. Wages and salaries (the only expense) of $550 were paid on 31 August. No work was performed during September.

	Cash Basis		**Accrual Basis**	
	August	**September**	**August**	**September**
Revenue	$600	$400	$1,000	$0
Expenditure	$550	$0	$550	$0
Net Income	$50	$400	$450	$0

Using the cash basis, revenues are recorded in the months when cash is received, and expenditures are recorded in the month when cash disbursements occurred. Thus, the net income for August stood at $50 and for September at $400, even though no work was done during the latter month. The accrual basis, after adjustments are made, matches all revenues in the period when they were earned, August, against all expenditures incurred to earn that revenue. The net income now stands at $450 for August and $0 for September, reflecting the fact that all the work was done in August and none during September.

Moving to full accrual accounting will change the federal government's financial reporting in three important areas.(7)

(7) Department of Finance Canada (2003), pp. 280-281.

1. Non-Financial (Capital) Assets

Using modified accrual accounting, the value of federal capital assets, such as buildings, vehicles and equipment, was not shown on the government's balance sheet. The purchase price of a capital asset was fully expensed in the year of purchase, and therefore the transaction had an immediate impact on the annual budgetary balance. Using the full accrual method, these capital purchases are now recorded as assets on the government's balance sheet. The annual cost of owning the asset is reported as the estimated annual depreciation in the value of the capital asset, plus cash outlays for operation and maintenance.

2. Tax Revenues

Using modified accrual accounting, tax revenues were recorded on a cash basis in the year in which they were received. Refunds were charged against revenues in the year in which they were paid. Using full accrual accounting, tax receipts and refunds are generally recorded in the year in which the taxable activity took place. Accordingly, a receivable account is established for taxes still owing to the government, and a payable account is established for tax refunds owing to taxpayers.

3. Liabilities

Using full accrual accounting, a more comprehensive list of liabilities is included in the balance sheet. The government now shows: the estimated cost of environmental clean-ups in areas of federal jurisdiction; the value of liabilities related to Aboriginal claims, to the extent payment is likely and estimable; and increased liabilities for post-employment benefits for federal employees, including workers' compensation, veterans' disability costs, and federal employee retirement benefits such as health and dental care.

EXPECTED BENEFITS FROM MOVING TO FULL ACCRUAL ACCOUNTING

The presentation of more complete information in the Public Accounts is expected to enable legislators to hold government more accountable for the stewardship of public resources and the full disclosure of the cost of its programs. It should also improve the government's ability to meet its short-term and long-term financial obligations.

- The government's balance sheet provides a more comprehensive picture of federal assets and liabilities.

- The annual budgetary balance better reflects the impact of economic events during the fiscal year. In particular, year-to-year changes in recorded tax revenues more accurately reflect year-to-year changes in the tax base and tax rates, as these changes are not affected by lags in tax collection and the payment of refunds.

- The annual budgetary balance better reflects the impact of government decisions during the fiscal year. In particular, government decisions that cause an increase (or decrease) in federal liabilities for post-employment or retirement benefits are recorded in the year in which the decision was made. Under modified accrual accounting, the full cost of some of those decisions would not be shown in the government's financial statements until all of the resulting cash payments were made many years later.(8)

For government managers and decision-makers, it is also expected that the conversion to full accrual accounting will provide better support to resource allocation and risk assessment decisions in departments and agencies.

- Since all assets (financial and non-financial) are recorded in departments' financial accounts, managers will become more alert and informed about the management of assets under their control, and the need to consider such issues as maintenance requirements, replacement policies, the identification and disposal of excess assets, risks such as loss caused by theft or damage, and the full impact of assets on service delivery.

- Because existing and potential liabilities are recognized, managers will focus more attention on the management of liabilities under their control, and become more aware of their responsibility for those liabilities and the need to develop plans for managing them, including identifying the impact of existing liabilities on future resources.

- With all operational costs being recorded in departmental accounts, managers will become more aware of the complete picture of their financial performance (all costs and revenues). Managers will then be more inclined to consider all those costs in making decisions, such as the evaluation of the cost-effectiveness of in-house delivery versus contracting out of services, the appropriateness of a cost-recovery policy, or the amount to charge other departments for services provided.(9)

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(8) Department of Finance Canada (2003).

(9) Office of the Auditor General of Canada, December 2002 Report, Chapter 5, "Financial Management and Control in the Government of Canada," Ottawa, December 2002, p. 25.

OUTSTANDING ISSUES

A. The Accrual of Tax Revenues

Given that tax revenues represent the bulk of the government's revenues, one of the major challenges of moving towards full accrual accounting is how to properly accrue tax revenues. Using the accrual basis of accounting entails recognizing the effects of transactions and other events in the period during which they occur, regardless of the timing of associated tax receipts. This means that tax revenues are now recorded in the period during which they were earned. Also, tax receipts and refunds are generally recorded in the year in which the taxable activity took place, not when cash payments occurred. Accordingly, a receivable account is established for taxes still owing to the government, and a payable account is established for tax refunds owing to taxpayers.

For personal income taxes, assessment data following the processing of the previous year's tax return are used to adjust the current fiscal year cash figures. This means that cash received at the end of April-May (taxes paid on filing), net of refunds processed to date, is recast to the previous fiscal year.

For corporate income taxes, and excise taxes and duties, cash received is used as a proxy for the accrual. Appropriate adjustments are made to link revenue received to the period in which it was earned.

B. Moving the Supply Process to Full Accrual Basis

Despite the new approach to financial reporting, the federal government has yet to announce any plans to convert to full accrual basis the appropriations, the process by which Parliament controls and allocates monies to be made available to departments and agencies.

According to the Office of the Auditor General, "the likelihood of encouraging departmental planning, managing and reporting to focus on resources consumed [as opposed to resources acquired] to achieve results will significantly increase if supply moves to a full accrual basis and ministers, deputy ministers and government managers are held to account on this new basis."(10) Moving appropriations to full accrual basis would complete the accountability cycle of financial reporting, budgeting and the supply process. Accrual-based supply would also

(10) Office of the Auditor General of Canada (1998).

benefit Parliament's oversight responsibilities by providing parliamentarians with consistently prepared information that helps to link plans and supply with results achieved.[11]

There are concerns that applying the full accrual approach only to financial reporting, and not incorporating it into the supply process, will mean that financial reporting becomes merely an accounting exercise and the expected benefits of moving to full accrual basis may not be fully realized.[12] The budget and appropriations documents are key management tools in the public sector, since accountability is based on implementing the budget as approved by the legislature. If the budget and associated appropriations are accounted on a cash basis, ministers and departmental staff will likely continue to plan and manage on a cash basis.

On the other hand, there are also concerns that moving the budget and appropriations process to full accrual basis may undermine budget discipline. According to some analysts, the political decision to spend money should be matched with the time when it is reported in the budget, and only cash-based accounting provides for that. A full accrual-based appropriations process emphasizes reporting on resources consumed, rather than resources acquired. If major capital projects, for example, could be voted on with only the commensurate depreciation expense being reported, expenditures for such projects might increase. Another concern is the resistance of legislatures to adopting full accrual-based budget and appropriations systems. Their reluctance stems often from the sheer complexity of accrual-based supply documents. In this context, it is noteworthy that the countries that have adopted accrual budgeting generally have a relatively weak role for the legislature in the budget process.[13]

The federal government has undertaken research and held initial consultations with departments and agencies on the issue of moving budgeting and the appropriations process to a full accrual basis. Given the complexity of this question, the government has stated that it is not ready to establish a definitive position on the matter, nor is it prepared to commit itself to a specific deadline for implementation. Nonetheless, the government has maintained its interest in investigating the full ramifications of adopting full accrual-based budgeting and appropriations.[14]

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(11) *Ibid.*

(12) Organisation for Economic Co-operation and Development (OECD), *Accrual Accounting and Budgeting: Key Issues and Recent Developments*, Paris, May 2002, p. 2.

(13) OECD (2002).

(14) Office of the Auditor General (2002).

C. Progress in Implementing Full Accrual Accounting

In a recent report,[15] the Auditor General of Canada found that accrual accounting was being implemented in departments and agencies, but more progress was needed in the areas of financial management and control, especially with regard to internal control systems. Departments were experiencing problems with the quality of the financial information, specifically in the areas of data processing, security of access, monitoring controls and the integration of the new financial systems and processes.

Departmental self-assessments, performed as part of preparing for modernizing the comptrollership function of government, have also revealed a number of deficiencies in key areas of exercising effective stewardship over resources and in the ability to combine or integrate financial and performance information for decision-making. There are concerns that the current financial management reform initiatives are losing momentum, reducing the likelihood of achieving the full benefits of accrual accounting. The report urged that central agencies provide more leadership and support in fostering an environment that takes full advantage of these financial management reforms and that departments increase the representation of professional accountants in senior financial positions.

D. Costs of Adopting and Operating Accrual Accounting Systems[16]

The costs of introducing accrual accounting include the costs of identifying and valuing assets, establishing accounting systems, developing accounting policies, and training. Some, such as the cost of purchasing computer systems, are easily identified; others are less so. The costs will also be influenced by the nature of the accounting system; for example, if the system is intended to collect information for both internal and external reporting, it will obviously be more expensive.

The Treasury Board Secretariat estimated that between 1995 and 2001, the project costs associated with implementing new financial systems and moving to full accrual accounting totalled $635 million. This estimate, however, excludes costs incurred before 1995 and ignores the potentially significant costs of maintaining and upgrading the financial systems over their useful lives.[17]

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(15) *Ibid.*

(16) International Federation of Accountants, *Guidelines for Governmental Financial Reporting*, New York, 1998.

(17) Office of the Auditor General of Canada, 2001 Report, Chapter 1, “Financial Information Strategy: Infrastructure Readiness,” Ottawa, 2001, p. 12. Please note that the Auditor General could not conclude about the reasonableness of the estimate, given concerns about the completeness and accuracy of the information.

Adoption of full accrual accounting will also require a higher level of training and accounting skills in order to operate accrual accounting systems, rather than cash-based systems. This will result in increased personnel costs.

E. Other Public Sector Accounting Issues(18)

Particularly challenging will be the reporting treatment accorded to certain types of assets and liabilities found only in the public sector, such as heritage, military, and infrastructure assets and social insurance programs.

The method of valuing assets will also require clarification. Will the traditional historical cost method be applied in valuing assets, or will more complicated methods be used?

CONCLUSION

The federal government's financial management and control systems and processes continue to evolve, reflecting changing priorities and needs. In recent years, in response to a growing interest in improving control over public expenditures and enhancing stewardship of resources, the federal government has been loosening central controls and allowing departments and agencies greater freedom in managing their activities to provide more cost-effective and efficient delivery of programs and services to the general public.

The relaxation of central controls and the focus on results requires departments to: enhance their capacity to measure, evaluate and report on key aspects of their programs and their performance in core areas; hold managers accountable for achieving results; ensure unbiased analysis of performance; produce information on program costs; link these costs to actual or expected results; and learn to manage risk effectively. To do all this requires financial management systems, policies, procedures and practices capable of producing richer and more detailed financial and non-financial information to support and enhance departments' and agencies' ability to deliver results. This context explains the recent move by the federal government to convert government accounting to full accrual basis.

The government has implemented new financial systems and accounting policies, but it is still too early to assess departments' and agencies' success in using this new information to improve their management and stewardship of assets and resources under their control. Many challenges remain to be overcome before the full benefits of federal financial reform are realized.

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(18) OECD (2002).

APPENDIX 1

CALCULATION OF NET DEBT AND FEDERAL DEBT (ACCUMULATED DEFICIT) UNDER MODIFIED ACCRUAL ACCOUNTING AND FULL ACCRUAL ACCOUNTING

- Under *modified accrual accounting*, the concepts of net debt and federal debt (accumulated deficits) are equivalent:

Net Debt = Federal Debt (Accumulated Deficit) = Financial Assets – Liabilities

- Under *full accrual accounting*, non-financial assets are now considered, and the concepts of net debt and accumulated deficits are no longer one and the same:

Net Debt ≠ Federal Debt (Accumulated Deficit)
Net Debt = Financial Assets – Liabilities.
Federal Debt (Accumulated Deficit) = Net Debt – Non-financial Assets
Federal Debt (Accumulated Deficit) = (Financial Assets – Liabilities) – Non-financial Assets

Source: Department of Finance Canada, *The Budget Plan 2003*.

APPENDIX 2

IMPACT OF FULL ACCRUAL ACCOUNTING ON THE GOVERNMENT'S FINANCIAL STATEMENTS[1]

IMPACT ON THE GOVERNMENT'S BALANCE SHEET

From the standpoint of the presentation of financial information, the impact of changing from the modified accrual basis to full accrual basis results mainly in changes to the government's balance sheet:

1. Tax revenues and other financial assets: tax revenues are reported in the year in which they are earned rather than when the cash is received. Tax receivables (assets), net of adjustments for doubtful accounts, are recorded on the balance sheet as determined by the underlying economic activity and supporting tax assessment information. Also included is the value of the government's holdings in its enterprise Crown corporations. The value of tax receivables and holdings was estimated to increase total assets by $45.9 billion at 31 March 2002.

2. Capital assets, inventories and prepayments: the costs of buildings, equipment, other capital assets and inventories are recorded as assets on the balance sheet when purchased and expensed (e.g., after being adjusted for depreciation), as they are used over time. Before the move to full accrual accounting, these assets were fully expensed when purchased. Other new non-financial assets now recognized include inventories and prepayments. The net effect of these new adjustments was an estimated rise of $53.8 billion in asset value at 31 March 2002.

3. Environmental liabilities, Aboriginal claims and other liabilities: the estimated cost of cleaning up contamination on federal sites will now be recorded as a liability and an expense when the contamination occurs or is discovered, rather than when the clean-up occurs. All Aboriginal claims will be recorded as liabilities and expensed when they are determined likely to happen and estimable. Currently, they are recorded as liabilities at a later point in time. Also included will be post-employment benefits and tax refunds payable by the federal government. The net impact of the recognition of these new accrual adjustments was to increase liabilities by a total $71.0 billion at 31 March 2002.

4. As the increase in the value of assets was greater than the rise in liabilities, the federal debt (i.e., total financial and non-financial assets net of total liabilities, or $45.9 billion + $53.8 billion – $71.0 billion = $28.7 billion) stood at $507.7 billion at 31 March 2002, using full accrual accounting. This figure is $28.7 billion lower than the corresponding figure calculated using the modified accrual basis of accounting.

5. Net debt, which excludes non-financial assets, was estimated at $563 billion at 31 March 2002, compared to $536 billion using the modified accrual basis. This increase occurred because the value of the financial liabilities that were added to the balance sheet in shifting to full accrual was greater than the value of the additional financial assets. (See the tables below.)

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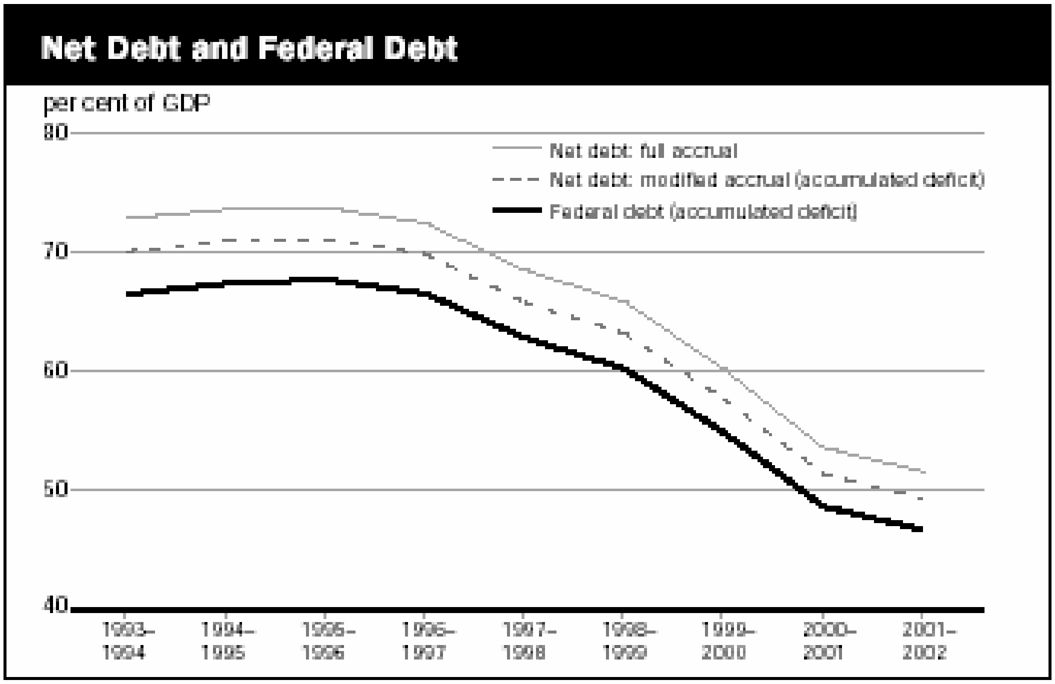
(1) Source: Department of Finance Canada, *The Budget Plan 2003*.

Table A6.1
Statement of Assets and Liabilities: March 31, 2002[1]

	Modified accrual	Impact of moving to full accrual: Accrual impact	Reclassi-fication	Net impact	Full accrual
	(millions of dollars)				
Liabilities					
Accounts payable and accrued liabilities	28,786	11,690	-6,388	5,302	34,088
Tax refunds payable		30,363	3,005	33,368	33,368
Interest and matured debt	7,817				7,817
Allowance for loan guarantees and borrowings of Crown corporations	4,076				4,076
Total	40,679	42,053	-3,383	38,670	79,349
Interest-bearing debt					
Unmatured debt	442,271				442,271
Pension and other liabilities					
Public sector pensions	126,921				126,921
Other employee/veterans' future benefits		27,782	3,383	31,165	31,165
Due to Canada Pension Plan	6,770				6,770
Other liabilities	7,469	1,171		1,171	8,640
Total	141,160	28,953	3,383	32,336	173,496
Total interest-bearing debt	583,431	28,953	3,383	32,336	615,767
Total liabilities	**624,110**	**71,006**	**0**	**71,006**	**695,116**
Financial assets					
Cash and accounts receivable					
Cash	13,467	-2,107		-2,107	11,360
Tax receivable	285	44,120		44,120	44,405
Other receivables	3,077				3,077
Total	16,829	42,013		42,013	58,842
Foreign exchange accounts	52,046				52,046
Loans, investments and advances					
Enterprise Crown corporations and other government business enterprises	9,192	3,885	610	4,495	13,687
National governments	7,342				7,342
Other loans, investments and advances	11,283		-1,370	-1,370	9,913
Less allowance for valuation	9,071		610	610	9,681
Total	18,746	3,885	-1,370	2,515	21,261
Total financial assets	**87,621**	**45,898**	**-1,370**	**44,528**	**132,149**
Net debt (excluding non-financial assets)	**536,489**	**25,108**	**1,370**	**26,478**	**562,967**
Non-financial assets					
Tangible capital assets		41,616	1,370	42,986	42,986
Inventories		11,033		11,033	11,033
Prepayments		1,198		1,198	1,198
Total		53,847	1,370	55,217	55,217
Federal debt (accumulated deficit)	536,489	-28,739	0	-28,739	507,750

[1] Unaudited. These numbers will be audited as part of the audit of the 2002-03 financial statements. It is not expected that the final results will be materially different from those in Table A6.1 and in the other tables.

Source: Department of Finance Canada, *The Budget Plan 2003*.

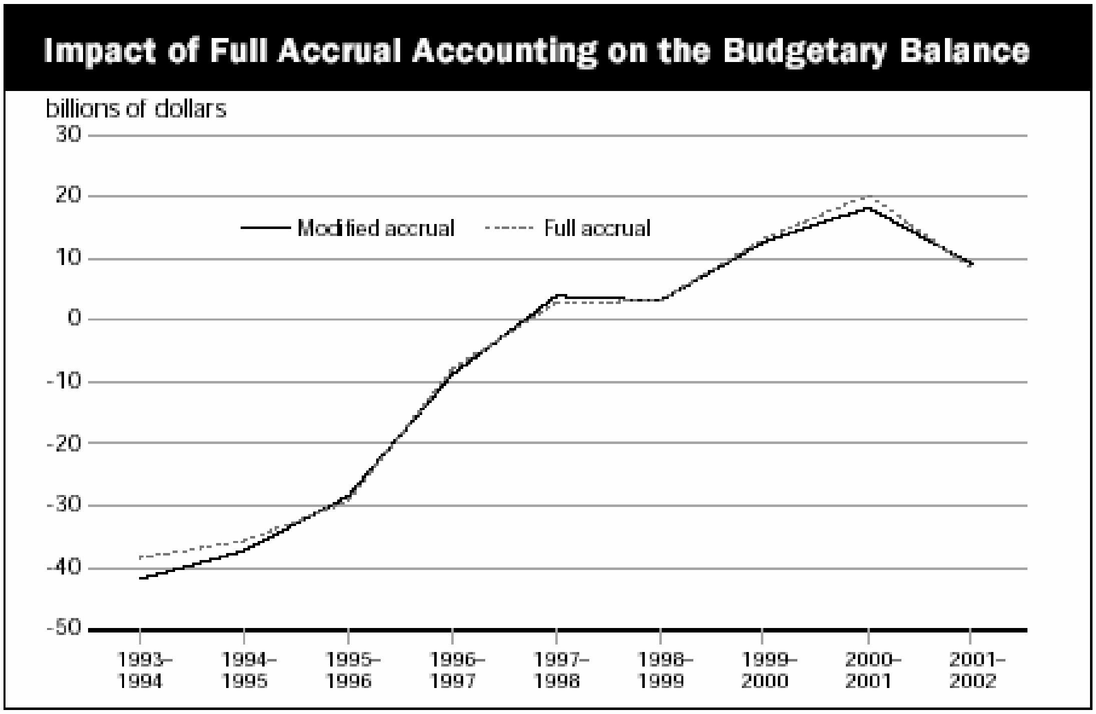


Source: Department of Finance Canada, *The Budget Plan 2003*.

In moving to full accrual accounting, adjustments and reclassifications were made to some assets and liabilities. The sum effect of these reclassifications is that the net debt as calculated using full accrual accounting has a higher value than the net debt as calculated using modified accrual accounting.

IMPACT ON THE ANNUAL BUDGETARY BALANCE

With the move to full accrual accounting, the budgetary surplus for 2001-2002 was readjusted to $8.2 billion, $0.7 billion less than the balance estimated using the modified accrual basis.



Source: Department of Finance Canada, *The Budget Plan 2003*.

Most of the impact of the accounting reforms fell on the estimated value of: personal income taxes (-$3.3 billion), resulting from a one-time rise in capital gains; corporate income taxes (+$0.6 billion); other income taxes (-$1.2 billion), reflecting reclassification of revenues between other income taxes and personal income taxes; and non-tax revenues (+$2.0 billion), primarily reflecting the inclusion of interest and penalties on income tax owing. Total revenues were readjusted downward by $1.6 billion, to $171.7 billion.

On the spending side, most of the impact of moving to full accrual fell on the estimated value of program spending (-$2.4 billion) and public debt charges (+$1.5 billion), resulting in a slight decline in estimated total spending of about $870 million, to $163.5 billion.

Table A6.2

Impact of Full Accrual Accounting: 2001-02[1]

	Modified accrual	Impact of moving to full accrual: Accrual impact	Reclassi-fication	Net impact	Full accrual
	(millions of dollars)				
Revenues					
Tax revenues					
Personal income tax	83,790	-2,372	-882	-3,254	80,536
Corporate income tax	24,013	708	-156	552	24,565
Other income tax	3,035	76	-1,306	-1,230	1,805
Total	110,838	-1,588	-2,344	-3,932	106,906
Employment insurance premiums	17,980	-320		-320	17,660
Excise taxes and duties					
Goods and services tax	24,909	637	-112	525	25,434
Energy taxes	4,758	90		90	4,848
Customs import duties	3,018	57		57	3,075
Other excise taxes and duties	3,953				3,953
Total	36,638	784	-112	672	37,310
Tax revenues	165,456	-1,124	-2,456	-3,580	161,876
Non-tax revenues					
Return on investments	5,892				5,892
Other non-tax revenues	1,967	263	1,722	1,985	3,952
Total	7,859	263	1,722	1,985	9,844
Total revenues	173,315	-861	-734	-1,595	171,720
Total spending					
Major transfers to persons					
Elderly benefits	25,365	9	-734	-725	24,631
Employment insurance benefits	13,748	-22		-22	13,726
Total	39,113	-13	-734	-747	38,357
Major transfers to other levels of government	26,616				26,616
Direct program spending	60,944	-1,653		-1,653	59,291
Total program spending	126,673	-1,666	-734	-2,400	124,273
Public debt charges	37,735	1,532		1,532	39,267
Total spending	164,408	-134	-734	-868	163,540
Budgetary surplus	8,907	-727	0	-727	8,181

[1] Unaudited.

Source: Department of Finance Canada, *The Budget Plan 2003*.

APPENDIX 3

IMPACT OF ACCOUNTING POLICY CHANGES: SUMMARY

Accounting Policy Changes	Net Debt	Accumulated Deficit
Capital Assets	No Change	Decrease
Tax Receivables	Decrease	Decrease
Tax Refunds Payable	Increase	Increase
Prepayments	No Change	Decrease
Environmental Liabilities	Increase	Increase
Aboriginal Liabilities	Increase	Increase

Source: Department of Finance Canada, Backgrounder, "Implementation of Full Accrual Accounting in the Federal Government's Financial Statements," 5 September 2003.