

III. Arguments For and Against Accrual Accounting

1. Introduction

Part II of this report described the trend—at least among developed countries—towards adoption of accrual budgeting and accounting. This part considers the factors influencing this trend. In addition to this introduction, it comprises the following sections. Section 2 describes the reasons given for government adoption of accrual budgeting and accounting. Section 3 examines arguments against accrual accounting and Section 4 concludes.

2. Arguments in Favor of Accrual Accounting

This section describes the arguments put forward in support of government adoption of accrual accounting. It is based on information from a variety of sources, including ADB, OECD and IMF publications.¹⁶ For reasons already described, governments differ from private sector organizations. In particular, aggregate (whole-of-government) accounting information is used for different purposes from organization-level information (e.g., a government ministry). As such, the first subsection examines accrual accounting at the aggregate level and the second subsection takes the organization-level perspective.

¹⁶ Primary sources:

- Diamond, Jack. 2002. Performance Budgeting: Is Accrual Accounting Required? Working Paper WP/02/240. Washington, DC: IMF.
- IFAC. 1996. *Perspectives on Accrual Accounting*. Occasional Paper 3. New York: Public Sector Committee.
- IMF. 2002. *Government Finance Statistics 2001 Companion Material*. Washington, DC.
- IMF. 2001. *Manual on Fiscal Transparency*. Washington, DC: Fiscal Affairs Department.
- Mellor, Thuy. 1996. Why Governments Should Produce Balance Sheets. *Australian Journal of Public Administration*. 55(1). March. pp. 78-81.
- OECD. 2002. *Accrual Accounting and Budgeting: Key Issues and Recent Developments*. PUMA/SBO (2002)10. Paris.
- Schiavo-Campo, Salvatore and Daniel Tommasi (eds.). 1999. *Managing Government Expenditure*. Manila: ADB.
- World Bank. 1998. *Public Expenditure Management Handbook*. Washington, DC.

At the Aggregate (whole-of-government) Level

The definition of the aggregate government entity differs between countries and depends on their constitutional and public sector management arrangements. For instance, the United Kingdom (UK) consolidates local government information into their government financial statements, whereas the United States (US) does not. This particular issue (the reporting entity) is described further in Appendix 2.

Among other things, aggregate government financial information should support judgments and decisions on the¹⁷

- effect of government decisions on *aggregate demand*—for instance, how are changes in the composition of government spending likely to affect overall economic activity, in the short, medium and long run?
- *accountability* of executive government—for instance, to what extent has government delivered on its stated intentions?
- *sustainability* of fiscal policies—for instance, are tax reductions sustainable in the long run (in comparison to changes in net asset / debt levels)?

The remainder of this subsection examines the usefulness of accrual-based information against these objectives.

Aggregate demand: measuring the effects of government activities

SNA 1993 provides instructions on preparing macroeconomic statistics, particularly national accounts (see page 8). The publishers of SNA (EU, IMF, OECD, UN and World Bank) contend that SNA favors accrual accounting over cash accounting because (i) the timing of accrual accounting is fully consistent with the way SNA defines economic activities and other flows; and (ii) accrual accounting can be applied to non-monetary flows.¹⁸

The IMF presents similar arguments in favor of the accrualization of GFS. For example, under cash accounting, the interest paid on a zero-coupon bond would not be recorded until the bond matures, which could be many years after the expense was incurred (see Box 3).¹⁹

¹⁷ Based on papers prepared by the New Zealand Treasury when considering whether government budgets should be accrual-based (New Zealand Treasury. 1993. Reports of the Fiscal Indicators Working Party. Unpublished documents).

¹⁸ UN. 1993. *System of National Accounts (SNA) Manual*. New York. paras. 3.92–3.96.

¹⁹ IMF. 2001. *Government Finance Statistics Manual*. paras 3.47–3.53. Washington, DC.

Box 3. Cash and Accrual Treatment of a Zero-Coupon Bond

Consider a 5-year, \$1,000,000, zero-coupon treasury bond that is sold for \$700,000. The following example illustrates the differences in treatment between cash accounting and accrual accounting (the interest expense calculation is based on a yield-to-maturity of 7.394%).

	Year					Total	
	0	1	2	3	4		5
Cash Basis							
Cash Flows	700	0	0	0	0	-1000	-300
Accrual Basis							
Operating Statement: Interest expense	0	52	56	60	64	68	300
Balance Sheet: Outstanding liability	700	752	808	868	932	0 *	

* Obligation is fully paid in year 5, thereby eliminating the outstanding liability.

Furthermore, the IMF contends that separating current and capital transactions is useful for analyzing the economic impacts of fiscal policy. By providing information on depreciation and asset valuation changes, accrual information allows better judgments to be made on the quality of government investments and the sustainability of fiscal policy. It also removes the conflicting treatment of sales of financial equity and physical assets.²⁰

Financial information as a basis for government accountability

Government accountability arrangements differ markedly among countries depending, among other things, on electoral arrangements, political institutions and the degree of decentralization. However, these differences are generally not important when considering the appropriateness of fiscal information as a basis for accountability.

More comprehensive. The IMF considers the accrual basis superior “because all resource flows are recorded, including internal transactions, in-kind transactions and other economic flows. This comprehensive recording permits the integration of flows with changes in the balance sheet.” In any case, accrual reports also provide a cash flow statement. Conversely, cash-based accounts normally do not differentiate between expenses and acquisitions of nonfinancial assets (such as buildings). Under the accrual basis, acquisitions of nonfinancial assets are recorded separately.²¹

²⁰ IMF. 2001. *Manual on Fiscal Transparency*. Washington, DC: Fiscal Affairs Department.

²¹ IMF. 2001. *Government Finance Statistics Manual*. Washington, DC. paras 3.47-3.53.

Simpler and easier to understand. Cash accounts generally comprise a single income and expenditure statement—in contrast to the multiple statements and notes provided by accrual information. In practice, cash-based government financial statements tend to be idiosyncratic and difficult to understand and interpret. Conversely, accrual financial statements are familiar to a wide range of people (e.g., businesspeople, financial journalists and credit rating agencies).²²

“...prior to the New Zealand reforms, ... [government] financial statements and budgetary documents ... could not be easily understood even by accountants and financial experts in the private sector ... The [adoption of accrual accounting] changed this dramatically.”²³

Lower borrowing costs. Credit rating agencies are familiar with accrual information through their private sector activities. There is evidence from the US that “states that use accrual information borrow at better terms than those states that use solely cash information.”²⁴

Harder to manipulate. Both cash and accrual information can be manipulated, but many non-technical people believe cash accounts to be less prone to manipulation than accrual information.

Accrual information can be manipulated by (i) selecting favorable accounting policies; (ii) making favorable assumptions, for instance on discount rates; and (iii) managing accruals. Cash information can also be massaged by: (i) selecting favorable accounting policies; (ii) changing payment and receipt dates; (iii) changing the reporting entity; and (iv) classifying current items as capital items or vice versa (for instance, privatization proceeds might be shown as revenue).²⁵

In the absence of independent cash-focused accounting principles, cash information is more easily manipulated than accrual informa-

²² Ball, I., T. Dale, W. D. Eggers and J. Sacco. 1999. *Reforming Financial Management in the Public Sector: Lessons US Officials Can Learn From New Zealand*. Policy Study No. 258. Los Angeles: Reason Public Policy Institute. Reason Foundation.

²³ Campos, J. E. & Pradhan, S. 1997. Evaluating public expenditure management systems: an experimental methodology with an application to the Australia and New Zealand reforms. *Journal of Policy Analysis and Management*, 16(3), 423-445. p. 432

²⁴ Brumby, Jim in Schiavo-Campo, Salvatore and Daniel Tommasi (eds.). 1999. *Managing Government Expenditure*. Manila: ADB. p. 360.

²⁵ For further information on creative cash accounting practices, see: Diamond, Jack. 2002. *Performance Budgeting: Is Accrual Accounting Required?* Working Paper WP/02/240. Washington, DC: IMF.

tion.²⁶ For instance, the 1992 Maastricht Treaty, together with the Stability and Growth Pact, set the basis for the European Economic and Monetary Union (EMU). Several European countries manipulated their cash-based fiscal information in order to achieve the fiscal targets set out in these agreements. To combat these practices, the European System of Accounts (ESA 95) mandated accrual-based accounting standards.²⁷

More comparable and consistent. The IMF contends that accrual information improves understanding of the underlying fiscal position by removing year-to-year variability caused by the timing of cash receipts and payments (particularly capital payments).²⁸

The revised GFS and the major macroeconomic statistical systems (SNA, balance of payments, and monetary and financial statistics) use the accrual basis.²⁹ Consequently, preparing government financial statements and forecasts on the accrual basis improves the accuracy of national accounts and economic forecasts (see Box 4).

Box 4. SNA Accounting Basis

“A choice has to be made, recognizing (a) the needs of macroeconomic analysis, (b) microeconomic views, and (c) commonly available sources. Often, in this respect, a distinction is drawn between recording flows on a cash basis, due-for-payment basis and accrual basis. The System recommends recording on an accrual basis throughout.”

Para. 3.91. SNA 1993 Manual

SNA = System of National Accounts.

Financial information on the sustainability of fiscal policies

Financial markets and credit rating agencies are particularly interested in the sustainability of financing and expenditure policies. The IMF contends that accrual financial statements provide a richer set of information for analyzing the sustainability of fiscal policy and the quality of fiscal decision-making.³⁰

²⁶ Behaviors of the US government in response to Gramm-Rudman-Hollings incentives and those of European governments regarding Maastricht criteria, belie the common belief that cash information is less manipulable than accrual information. For a fuller discussion, see Easterly, W. 1999. *When Is Fiscal Adjustment an Illusion?* Paper 2109, World Bank Country Economics Department. Washington, DC: World Bank.

²⁷ Buti, Marco and Gabriele Giudice. 2002. *Maastricht's Fiscal Rules at Ten: An Assessment*. European Commission.

²⁸ IMF. 2001. *Manual on Fiscal Transparency*. Washington, DC: Fiscal Affairs Department.

²⁹ IMF. 2001. *Government Finance Statistics Manual*. Washington, DC. paras 3.47–3.53.

³⁰ IMF. 2001. *Manual on Fiscal Transparency*. Washington, DC: Fiscal Affairs Department.

Includes liability disclosures. Governments generally have significant liabilities other than public debt (borrowings). An important example is the future obligation to pay civil service pensions. These obligations are typically underfunded, but—under accrual accounting—the unfunded liability is usually shown on the balance sheet as a liability. Other liabilities include accounts payable, accrued interest and accrued salaries and wages, transfer payments payable, environmental liabilities, and obligations under accident compensation schemes. Under accrual accounting, additional disclosures are made in supplementary notes. These include information on contingent liabilities and on commitments.³¹

Information is provided for considering intergenerational fairness. Intergenerational fairness is important in fiscal policy—it reflects the degree to which the government today is paying the costs of services today, as opposed to shifting costs to other periods. Accrual accounting provides a longer-term perspective for judging policy impacts. For example, without accrual accounting, decisions on pensions that create pension liabilities may not fully consider the impact of the liabilities on future budgets.

Basis for identifying payment arrears. Payment arrears arise when an obligatory payment is not made by its due-for-payment date. All arrears are automatically included in accrual-based statistics. However, additional analysis is required to prepare an analysis of total accounts payable that is in arrears.³²

Information for managing liquidity. Managing liquidity is crucial to government operations. It is not necessary to use the cash basis to meet this need. Cash flow information is provided by the accrual basis. It may also be difficult to assess solvency and future cash flows with the cash basis because arrears information is missing.³³

Better information for decision making. Fiscal strategy refers to the direction and objectives of fiscal policy and the management of revenue and expenditure flows, assets and liabilities. Under the cash basis, fiscal strategy focuses on short-term revenues and expenditures (i.e., 1–3 years). Under the accrual basis, assets and liabilities are given the same attention as debt in terms of targets, risk analysis and contribution to economic policy objectives.

³¹ *Ibid.*

³² IMF. 2001. *Government Finance Statistics Manual*. Washington, DC. paras 3.47–3.53.

³³ *Ibid.*

Box 5 illustrates the difficulty of determining fiscal strategy solely based on cash information. In the Croatian case, relying only on cash information might lead policymakers to tighten fiscal policy through, for instance, reductions in health programs. Contrast this with the US situation. These examples demonstrate that developing countries should be careful in taking decisions based on incomplete information (i.e., on cash information only).

Box 5. Accrual and Cash Information is Complementary

A Comparatively Higher Cash Deficit (Croatia)

“Some of the data published by the MOF may give a false impression of fiscal developments. Since the fiscal accounts continue to be presented on a cash basis, the figures suggest that the deficit rose in 2000 and continued to rise in 2001. But this increase actually reflects the repayment of arrears (i.e., payment of obligations accrued in earlier years). In accrual terms ... the fiscal deficit has in fact been decreasing. In 2002, the cash presentation should not differ substantially from the accrual presentation since the bulk of arrears has been repaid.”

— Croatian National Bank (2002)³⁴

A Comparatively Higher Accrual Deficit (US)

“Accrual based financial reporting is critical to gaining a comprehensive understanding of the US Government’s operations. For fiscal year 2001, our results were an accrual-based deficit of \$515 billion in contrast to a \$127 billion [cash] surplus reported last fall. The primary difference between the accrual deficit and the [cash] surplus is the recognition of expanded military retiree health benefit costs provided by the National Defense Authorization Act, which was signed into law on October 30, 2000, and other actuarial expenses. In fact, these expenses caused the government’s future obligations to its military and civilian retirees to exceed the federal debt held by the public. As with other future obligations of the federal government, only accrual-based financial reporting provides this information in context to the public.”

— US Secretary of the Treasury (2002)³⁵

MOF = Ministry of Finance.

At the Agency (Organization) Level

This section describes the arguments presented in favor of accrual accounting at the agency level.³⁶

³⁴ Kraft, Evan and Tihomir Stucka. 2002. *Fiscal Consolidation, External Competitiveness and Monetary Policy: A Reply to the WIIW*. May. Zagreb: Croatian National Bank. p. 1.

³⁵ US Government. 2002. *2001 Financial Report of the United States Government*. Washington, DC. p. 1.

³⁶ Primary source: Ball, I., T. Dale, W. D. Eggers and J. Sacco. 1999. *Reforming Financial Management in the Public Sector: Lessons US Officials Can Learn From New Zealand*. Policy Study No. 258. Los Angeles: Reason Public Policy Institute. Reason Foundation.

Better accountability basis. Accrual accounting is intended to provide information to owners and lenders. The information contained in accrual-based reports is useful both for accountability and decision-making. Financial reports prepared on an accrual basis allow users to assess accountability for all resources the entity controls and how those resources are used.

Provides information for managing resources. Cash accounts exclude most assets and liabilities. Complete records of assets and liabilities are maintained under accrual accounting. This facilitates better asset management, including better maintenance, more appropriate replacement policies, identification and disposal of surplus assets, and better management of risks (such as loss due to theft or damage). Identifying assets and recognizing depreciation helps managers to understand the impact of using fixed assets to deliver services, and encourages them to consider alternative ways of managing costs and delivering services.

Concentrating on cash payments alone may result in an unnoticed deterioration in fixed assets. If major pieces of equipment are becoming obsolete, or long-term liabilities are accumulating, owners and lenders want to know now, not when the equipment is sold or scrapped, or when liabilities come due.

Identifies payment arrears. In contrast to cash information, accrual information provides a basis for identifying payment arrears.

Supports better liquidity management. The richer suite of information provided under the accrual basis, including cash information, represents a sound foundation for managing liquidity.

Provides a basis for pricing products and services. Government is interested in obtaining good quality of goods and services at the best competitive price. Although nonfinancial measures are generally necessary to measure quality, accrual accounting provides information on which to compare price. By contrast, cash accounting is inadequate for pricing because some elements of resource usage (e.g., depreciation) are not fully allocated to costs. Where a government agency is competing to provide goods or services, all costs should be allocated to the goods or services, otherwise prices may be understated and taxpayers will unknowingly subsidize public providers of goods or services. Subsidies or hidden costs make the public provider's price artificially low, which means taxpayers do not get as good a deal as they could with fair competition, and private suppliers may be driven out of the market. Accrual

accounting lets virtually all costs be allocated to an output. Cash accounting does not.

A cash-based system does not provide information about total costs of government activities. Only an accrual-based operating statement provides information on the total costs of resources used to deliver government services, which is essential information for government decision makers.³⁷

Reduces opportunities for fraud and corruption. The integrated asset management nature of accrual accounting provides greatly enhanced asset stewardship. For instance, it improves control over donor-provided assets. Furthermore, cash-based systems are more easily manipulated than accrual-based systems.

3. Opposing Views

While generally recognizing that the accrual accounting basis is superior to the cash basis, opponents tend to raise concerns about implementation difficulties. But, at the extreme, some commentators appear to oppose private sector use of accrual accounting (see Box 6). This section attempts to present the arguments against the use of accrual accounting in government.

³⁷ Mellor, Thuy. 1996. Why Governments Should Produce Balance Sheets. *Australian Journal of Public Administration*. 55(1). March. pp. 78-81.

Box 6. Professor Schick's Views on Enron and Accrual Accounting

One of the most vociferous opponents of accrual accounting is Allen Schick, a US political scientist. In May 2002, he made the following presentation:

“Shifting the [Government] Budget to the Accrual Basis
would not avert an Enron Fiasco³⁸”

- Enron reports its finances on the accrual (GAAP) basis.
- The accrual basis does not remedy the “Off-Balance Sheet” problem.
- The accrual basis entails numerous, often complex, assumptions about future events.
- These assumptions are subject to judgment and manipulation.
- The assumptions often dominate the relationship between firms and outside auditors.
- It is more difficult for ordinary people (taxpayers, media, etc.) to understand accruals than cash flows.
- Analysts often rely on cash flows to assess a firm's performance and condition.”

However, as a non-accountant, Professor Schick is unaware that (i) Enron took advantage of gaps in country accounting standards to avoid consolidating special purpose entities—this failing was due to accounting standards, not accrual accounting; and (ii) accrual financial statements include cash flow information.

GAAP = generally accepted accounting principles.

Few countries have implemented accrual accounting

To varying extents, most OECD member countries have implemented accrual accounting in the past decade (see Table 2 on page 12). But, only four OECD member countries appropriate resources on the accrual basis (Australia, Finland, Iceland and New Zealand). Others, including Canada and UK, also intend to introduce accrual appropriations. Implementing accrual appropriations generally requires fundamental legal changes. Therefore, widespread adoption is likely to take a longer period (see Box 7).

Box 7. Accrual Appropriations

“Extending accruals to budgeting is controversial. Much of that controversy arises from the government administration itself and Parliaments. Before this change is contemplated, a significant amount of time needs to be invested in educating and consulting with government managers and other interested groups, like parliamentarians. In those countries that have adopted accruals, the change has been linked to other public management reforms. Accrual accounting places a premium on confidence in audits and a willingness to accept fluctuations in valuations. Practice in Australia and New Zealand has shown that the use of accruals in the budget has led to a better realization of future unfunded liabilities, better infrastructure management and a more efficient budget reallocation process.”³⁹

³⁸ Schick, Allen. 2002. Fiscal Rules and Fiscal Risks. Presentation at the World Bank Training Course. 21 May.

³⁹ Matheson, Alex. 2002. Better Public Sector Governance: The Rationale for Budgeting and Accounting Reform in Western Nations. *OECD Journal on Budgeting*. Vol 2(1). December. pp. 44–45.

Implementation is difficult and expensive

Some aspects of accrual accounting implementations are more difficult than cash implementations. For example, it is difficult for a government organization to know the full amount of tax revenue that it is likely to receive at a given time.

Moreover, implementing and operating an accrual accounting system can be expensive. However, although millions of organizations use accrual accounting, few use cash accounting. Variations in cash accounting methods between countries further limit the availability of computerized accounting information systems. Indeed, many countries develop their own computer systems to support cash accounting, rather than rely on proven commercial accounting systems (with accrual accounting capability).

In any case, whether a government uses cash or accrual accounting, qualified accounting personnel must manage the system.

Ongoing operation is difficult and expensive

Arguments are made that clerical staff can operate cash-based accounting systems with minimal input from qualified accountants, whereas accrual-based systems require trained accountants, particularly during implementation. However, actual experience does not necessarily support this contention.⁴⁰

Given that the private sector uses accrual accounting, recruitment and training of accounting staff is easier under accrual accounting. Moreover, accrual systems (generally) require fewer personnel to operate them.

The adoption of accrual accounting removes a barrier preventing access of private sector trained financial managers to many public sector financial management jobs. Adoption of accruals means that the public sector can attract properly trained accountants who can put their skills to use. This is important for creating sources of innovation and for removing the monopoly on the knowledge of public agencies' financial conditions from those with limited general financial skills but who have institutional knowledge.⁴¹

⁴⁰ *Ibid.*

⁴¹ Brumby, Jim and Marco Cangiano. 2001. Public Expenditure Management Reform and Fiscal Consolidation in OECD Countries. Paper presented at the Fifth International Conference Institutions in Transition organized by the Slovenian Institute of Macroeconomic Analysis and Development in Otočec, Slovenia, 13–14 July.

Indeed, an accrual accounting environment may support retention of skilled accountants—for instance, the Fiji Islands’ public sector accountants supported introducing accrual accounting as a measure to enhance retention of skilled accountants in the public sector.⁴²

Emphasis should be on getting the basics right first

There is a view that countries should get the basics right before attempting more advanced reforms, such as accrual accounting. This reflects experience with developing countries whereby extensive, and usually unsuccessful, efforts have been made to strengthen basic record keeping and cash accounting over the past 2 decades.⁴³

Accrual accounts are less objective and more difficult to understand

Some argue that accrual accounting is less objective than cash accounting. Under cash accounting, money is either in the bank or it is not. Critics contend that decision makers, policymakers, credit rating agencies, the media and the public struggle to understand the richer suite of information presented in accrual-based financial statements.

4. Conclusion

Table 3 attempts to summarize the comparative usefulness of accrual and cash accounting in government.

Table 3. Summary Comparison of Cash and Accrual Accounting

Criteria	Cash Accounting	Accrual Accounting
Ease of understanding	Simpler, but unfamiliar	Greater complexity, but familiar to more people
Ease of manipulation	Relatively easy to manipulate, but the issuance of the Cash Basis IPSAS is a big step forward.	Ease of manipulation depends upon accounting and auditing standards.
Comprehensiveness	Cash information only	Includes cash information together with other information
Usefulness for managing liquidity	Provides only basic information	Provides cash information and commitment information (e.g., payment arrears)

⁴² Ministry of Finance and National Planning Survey reported in: ADB. 2002. *Diagnostic Study of Accounting and Auditing Practices in the Fiji Islands*. Manila. p. 82.

⁴³ World Bank. 1998. *Public Expenditure Management Handbook*. Washington, DC. p. 8.

Criteria	Cash Accounting	Accrual Accounting
Non-financial asset management	No information provided	Provides information on asset use
Comparability	Countries use a range of cash accounting bases, policies are generally not explained well Not consistent with GFS and SNA	Countries use different accrual accounting standards Consistent with GFS and SNA
Measuring sustainability of fiscal policy / considering intergenerational equity	Very limited usefulness	Useful, but needs to be supplemented with additional information (e.g., demographic profiles)
Credibility	Limited	Credit rating agencies, lenders and the media are more familiar with accrual financial statements Can lead to lower borrowing costs
Basis for determining fiscal strategy	Limited	Good, in conjunction with cash information
Accountability	Limited	Provides information on accountability for resources (e.g., fixed assets)
Basis for product/ service pricing	Limited	Good
Disincentives for fraud and corruption	Limited	Better than cash, but depends on the internal control environment (among other things)
Implementation	Information system costs can be higher (because of customization and limited availability)	Although information system costs may be lower, additional efforts are required to identify and value assets (among other things)
Ongoing operation	Ongoing information system costs can be higher because the systems are generally customized Cash accounting systems generally require more personnel to operate them. However, fewer qualified accountants are necessary	Ongoing operation of systems is more sustainable because (i) it is easier to attract and retain skilled staff; and (ii) subsidiary records are integrated (e.g., payables, receivables and asset registers)

Appendix 3 presents a cost-benefit analysis of New Zealand's implementation of accrual accounting. Based on conservative assumptions, and excluding most benefits, the analysis calculates an internal rate of return (IRR) of +7% for the implementation.

In summary, evidence suggests that:

- At the aggregate level, accrual-based fiscal indicators provide better information about the sustainability of fiscal policies (for instance, the effects of pension policies on a government's balance sheet are disclosed) and provide a stronger basis for government accountability (accrual accounting information can not be manipulated as easily as cash-based information). Furthermore, accrual-based fiscal indicators arguably provide a better measure of the effects of government policies on aggregate demand; and
- At the organization level, accrual-based financial statements provide better measures of organizational efficiency and effectiveness. Accrual-based financial information also reduces opportunities for fraud and corruption, particularly as regards stewardship of assets.

This part reviewed accrual budgeting and accounting from a developed country-perspective. In a DMC setting, the identified benefits might not be realized, because of, for instance, implementation constraints.