

This accounting policy paper is based on IPSAS 24 Presentation of Budget Information in Financial Statements, as adopted by the Treasury of the Republic of Cyprus.

Presentation of Budget Information in Financial Statements

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1. INTRODUCTION

1.1 INFORMATION TO BE PRESENTED

Budget related information to be presented in the financial statements

- Statement of Comparison of Budget and Actual Amounts.
- Reconciliation of actual amounts on a comparable basis and actual amounts in the financial statements.

1.2 OBJECTIVES

The objective of this accounting policy is to require a comparison of budget amounts and the actual amounts arising from execution of the budget to be included in the financial statements for entities that are required to, or elect to, make publicly available their approved budget(s), and for which they are, therefore, held publicly accountable. This accounting policy also requires disclosure of an explanation of the reasons for material differences between the budget and actual amounts.

The aim of this policy is to provide technical accounting guidance for the preparation of financial statements, so as to enable the financial statements to give a true and fair view. The aforementioned policy is prepared following guidance from all relevant International Public Sector Accounting Standards (IPSASs).

1.3 SCOPE

This accounting policy shall be applied to public sector entities which are required or elect to make their approved budget(s) publicly available.

2. DEFINITIONS

Accounting basis means the accrual or cash basis of accounting as defined in the accrual basis IPSASs and the cash basis IPSASs.

Annual budget means an approved budget for one year. It does not include published forward estimates or projections for periods beyond the budget period.

Appropriation is an authorisation granted by a legislative body to allocate funds for purposes specified by the legislature or similar authority.

Approved budget means the expenditure authority derived from laws, appropriation bills, government ordinances, and other decisions related to the anticipated revenue or receipts for the budgetary period.

Budgetary basis means the accrual, cash or other basis of accounting adopted in the budget that has been approved by the legislative body.

Comparable basis means the actual amounts presented on the same accounting basis, same classification basis, for the same entities, and for the same period as the approved budget.

Final budget is the original budget, adjusted for all reserves, carry-over amounts, transfers, allocations, supplemental appropriations, and other authorised legislative or similar authority changes applicable to the budget period.

Multi-year budget is an approved budget for more than one year. It does not include published forward estimates or projections for periods beyond the budget period.

Original budget is the initial approved budget for the budget period. It may include individual appropriated amounts carried over from prior years by Law.

Any other terms defined in other accounting policies that have been adopted by the government of the Republic of Cyprus, have the meaning presented in those accounting policies.

3. PRESENTATION OF BUDGET AND ACTUAL AMOUNTS

3.1 PRESENTATION AND DISCLOSURE

The entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts as a separate additional financial statement. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- a) The original and final budget amounts;
- b) The actual amounts on a comparable basis; and
- c) By way of a note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where approved budgets are only made publicly available for some of the entities or activities included in the financial statements, the above presentation and disclosure requirements apply only to the entities or activities reflected in the approved budget.

The comparison between budget and actual amounts shall be presented in a separate “Statement of Comparison of Budget and Actual Amounts” as indicatively shown in **Appendix 1**.

The financial statements shall clarify that the budget and the accounting bases differ, and that the Statement of Comparison of Budget and Actual Amounts is prepared on the budget basis. All comparisons of budget and actual amounts shall be presented on a comparable basis to the budget.

The information presented in the Statement of Comparison of Budget and Actual Amounts shall meet the qualitative characteristics that make the information provided useful to users. The four principal qualitative characteristics are:

- Understandability
- Relevance
- Reliability
- Comparability.

In determining the level of aggregation that will be applied, the entity shall take into consideration the qualitative characteristics of financial reporting. These are explained in

detail in the accounting policy for the Presentation of Financial Statements (paragraph 2.1.2).

3.2 CHANGES FROM ORIGINAL TO FINAL BUDGET

The entity shall present an explanation of whether changes between the original and final budget are a consequence of reallocations within the budget, or of other factors:

- a) By way of a note disclosure in the financial statements; or
- b) In a report issued before, at the same time, or in conjunction with the financial statements, and shall include a cross reference to the report in the notes to the financial statements.

4. RECONCILIATION OF ACTUAL AMOUNTS ON A COMPARABLE BASIS AND ACTUAL AMOUNTS IN THE FINANCIAL STATEMENTS

Where the financial statements and the budget are not prepared on a comparable basis, the actual amounts presented on a comparable basis to the budget shall be reconciled to the actual amounts of:

- a) net cash flows from operating activities,
- b) net cash flows from investing activities, and
- c) net cash flows from financing activities

presented in the financial statements in accordance with the accounting policy regarding the Presentation of Financial Statements, identifying separately any basis, timing and entity differences.

The disclosure of comparative information in respect of the previous period in accordance with the requirements of this accounting policy is not required.

5. DISCLOSURE

1. The entity shall explain in the notes to the financial statements the budgetary basis (e.g. cash or accrual basis) and classification basis (e.g. by economic nature or function) adopted in the approved budget, as indicatively shown in **Appendix 2**.

2. The entity shall disclose in the notes to the financial statements the period of the approved budget, as indicatively shown in **Appendix 2**.
3. The entity shall identify in the notes to the financial statements the entities included in the approved budget, as indicatively shown in **Appendix 2**.
4. The reconciliation of actual amounts on a comparable basis and actual amounts in the financial statements (paragraph 4) shall be disclosed in the notes to the financial statements, as indicatively shown in **Appendix 2**.

6. TRANSITIONAL PROVISIONS

No transitional exemptions are provided on the adoption of IPSAS 24 “Presentation on Budget Information in Financial Statements”.

7. EFFECTIVE DATE

This rule shall be effective for annual financial statements covering periods beginning on or after 1 January 2020.

8. REFERENCES

This accounting policy is based on the following IPSAS standards:

IPSAS 24 Presentation on Budget Information in Financial Statements

IPSAS 33 First – time Adoption of Accrual Basis IPSASs

The Applicability of IPSASs

9. APPENDICES

APPENDIX 1: INDICATIVE STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

For the year ended 31 December 20XX

Budget on Cash Basis¹

(Classification of Payments by Economic Nature)

(in thousands of Euros)	Budgeted Amounts		Actual Amounts on Comparable Basis	Difference: Final Budget and Actual
	Original	Final		
RECEIPTS				
Taxation	X	X	X	X
Aid Agreements	X	X	X	X
International Agencies	X	X	X	X
Other Grants and Aid	X	X	X	X
Proceeds: Borrowing	X	X	X	X
Proceeds: Disposal of plant and equipment	X	X	X	X
Trading Activities	X	X	X	X
Other Receipts	X	X	X	X
Total Receipts	X	X	X	X
PAYMENTS				
Wages, salaries and employee benefits	(X)	(X)	(X)	(X)
Social benefits	(X)	(X)	(X)	(X)
Grants and other transfer payments	(X)	(X)	(X)	(X)
Supplies and Consumables used	(X)	(X)	(X)	(X)
Other expenses	(X)	(X)	(X)	(X)
Finance costs	(X)	(X)	(X)	(X)
Total Payments	(X)	(X)	(X)	(X)
NET RECEIPTS/ (PAYMENTS)	X	X	X	X

¹ The budget and the accounting basis is different. This Statement of Comparison of Budget and Actual Amounts is prepared on the budget basis.

APPENDIX 2: EXTRACT OF NOTE DISCLOSURES (INDICATIVE)

1. The budget is approved on a cash basis by economic nature classification. The approved budget covers the fiscal period from 1 January 20XX to 31 December 20XX, and includes all entities within the general government sector. The general government sector includes all entities identified as government departments in note xx (prepared in accordance with the accounting policy of Consolidated Financial Statements).
2. The original budget was approved by legislative action on (*date*), and a supplemental appropriation of XXX for disaster relief support was approved by legislative action on (*date*) due to the earthquake in the Southern Region on (*date*). The original budget objectives and policies and subsequent revisions are explained more fully in the Annual Report issued in conjunction with the financial statements.
3. The excess of actual expenditure over the final budget of ...% (...% over the original budget) in Wages, salaries and employee benefits was due to There were no other material differences between the final approved budget and the actual amounts.
4. The budget and the accounting bases differ. The financial statements for the whole-of-government are prepared on the accrual basis, using a classification based on the nature of expenses in the statement of financial performance. The financial statements are consolidated statements that include all controlled entities, including commercial public sector entities, for the fiscal period from 1 January 20XX to 31 December 20XX. The financial statements differ from the budget which is approved on the cash basis and which deals only with the general government sector, which excludes commercial public sector entities and certain other non-market government entities and activities.
5. The amounts in the financial statements were recast from the accrual basis to the cash basis, and reclassified to be on the same basis as the final approved budget. In addition, adjustments to amounts in the financial statements for timing differences associated with the continuing appropriation and differences in the entities covered (commercial public sector entities) were made to express the actual amounts on a comparable basis to the final approved budget. The amount of these adjustments is identified in the following table.

6. A reconciliation between the actual amounts on a comparable basis as presented in the Statement of Comparison of Budget and Actual Amounts and the actual amounts in the Statement of Cash Flows for the year ended 31 December 20XX is presented below. The financial statements and budget documents are prepared for the same period. There is an entity difference: the budget is prepared for the general government sector, and the financial statements consolidate all entities controlled by the government. There is also a basis difference: the budget is prepared on a cash basis and the financial statements on the accrual basis.

	<u>Operating</u>	<u>Financing</u>	<u>Investing</u>	<u>Total</u>
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	X	X	X	X
Basis Differences	X	X	X	X
Timing Differences	-	-	-	-
Entity Differences	X	X	X	X
Actual Amount in the Statement of Cash Flows	X	X	X	X