

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

IPSAS Project Team
(by Christina Paradisioti)
The Treasury of the Republic of Cyprus

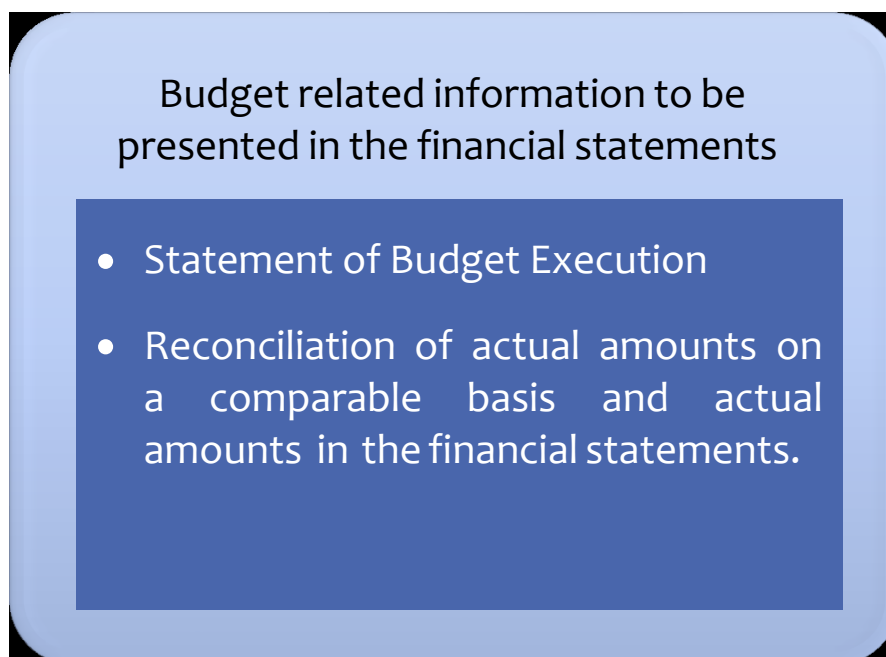
Date: 10 January 2018

TABLE OF CONTENTS

1. INTRODUCTION	2
1.1 Information to be Presented	2
1.2 Objectives	2
1.3 Scope.....	3
2. DEFINITIONS	3
3. PRESENTATION OF BUDGET AND ACTUAL AMOUNTS	4
3.1 Presentation and Disclosure	4
3.2 Changes from Original to Final Budget	5
4. RECONCILIATION OF ACTUAL AMOUNTS ON A COMPARABLE BASIS AND ACTUAL AMOUNTS IN THE FINANCIAL STATEMENTS	5
5. DISCLOSURE.....	5
6. TRANSITIONAL PROVISIONS.....	6
7. EFFECTIVE DATE.....	6
8. REFERENCES	6
9. APPENDICES.....	7
Appendix 1: Statement of Comparison of Budget and Actual Amounts.....	7
Appendix 2: Extract of Note Disclosures	8

1. INTRODUCTION

1.1 INFORMATION TO BE PRESENTED



Budget related information to be presented in the financial statements

- Statement of Budget Execution
- 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 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 2023.

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 Budget Execution

For the year ended 31 December 20XX Budget on
Cash Basis

	Approved Budget		Budget Execution	Difference between Approved Budget and Budget Execution
	Initial	Final		
	€	€	€	€
RECEIPTS				
Taxes				
Social contributions				
Grants				
Other income				
Receipts relating to assets				
Income from Borrowings				
Foreign exchange gains and other gains				
Pension contributions				
Total receipts				
PAYMENTS				
Staff costs				
Operating expenses				
Grants				
Social contributions				
Other expenses				
Capital expenditure				
Interest payable and Bank Charges				
Loan repayments				
Foreign Exchange Losses and Other Losses				
Unforeseeable expenses and reserve				
Total payments				
NET RECEIPTS/ (PAYMENTS)				

APPENDIX 2: EXTRACT OF NOTE DISCLOSURES (INDICATIVE)

The budget execution statement includes the initial and final budget amounts and the actual amounts received or paid on a cash basis (budget execution) compared to the budget. The amounts of the budget, presented in the statement by economic nature, consist of the amounts of revenues and expenditures for the year concerning the Central Government, as approved and voted by the House of Representatives through the Budget of 2022 Law of 2021 (XX (II) / 2021), including the approved supplementary budgets.

The Financial Report, which is issued and published together with these financial statements by the Treasury of the Republic, includes explanations of the significant differences between:

- the initial and final budget; and
- the final budget and the budget execution (actual amounts on a cash basis).

The annual state budget is prepared on a cash basis depending on the financial nature of the activities, i.e. all receipts that are expected to flow in and all payments that are expected to be paid in cash are presented in a statement.

The financial statements of the Central Government are prepared on the accrual basis. As a result, differences arise between the budget execution amounts and the actual amounts presented in the separate financial statements of the Central Government. These differences are classified as timing differences, differences due to the different basis of accounting followed and differences in the entities that are included. Timing differences are adjustments for time differences relating to continuing appropriations. Reconciliation of these differences is presented in note XX.

Note XX: Reconciliation of budget execution as presented in the Statement of Budget Execution and the amounts presented in the Statement of Cash Flows.

	Net cash flows 20XX			
	From operating activities €	From investing activities €	From financing activities €	Total €
Comparative actual amounts in the Statement of Budget Execution				
Basis differences				
Timing differences				
Entity differences				
Actual amounts in Cash Flow Statement				