

FMM 03.3 Accounting Basis

3.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA)

3.2 Standards and Support Documentation

- IPSAS – Financial Reporting Under Cash Basis of Accounting

3.3 Minimum Responsibilities

The Finance department head is responsible for defining the form and content of financial statements and therefore, responsible for providing guidance and oversight on the basis of accounting across agencies ensure consistency and compliance with PFMA and IPSAS requirements.

Departmental heads are to ensure that financial transactions are recorded and reported using the government's basis of accounting.

Heads of Finance are to ensure that there is an accurate accounting records in accordance with the government's basis of accounting and comply with instructions issued through the Finance Instructions and Finance Management Manual. Heads of Finance are also responsible for preparing financial statements that reflect the government's financial activities and position.

Auditors are to review financial statements to verify adherence to the government's basis of accounting and provide recommendations for improvements in financial reporting practices.

3.4 Mandated Policy

1. The Government of PNG adopts the IPSAS Financial Reporting Under the Cash Basis of Accounting Refer to the FMM Volume 4 FMM 04.3.

This accounting method records financial activities by recognising revenue when under government control (receipted) and expenditures when obligations are paid.

The Government of PNG will transition to accrual and will therefore elect to also provide additional disclosures in the notes and these elected disclosures are specified in FMM Volume 4.

3.4.1 Revenue Recognition

2. Revenues are recognised when they are collected and receipted, therefore both measurable and available to finance expenditures of the current period.

When revenue is receipted, it is recorded against the relevant chart account code for that category of revenue in IFMS or the alternative approved accounting system.

3.4.2 Expenditure Recognition

3. Expenditure is recognised when paid including when the cheque is raised in the accounting system regardless of whether it is presented or unpresented by the recipient.
4. A commitment is recognised when approved by the Section 32 delegate against an appropriation as expense incurred (claims processed) whether it has left the bank account or not. A political commitment is not the same as a financial commitment and elected officials do not have Section 32 delegations to make a commitment.

Expenditures will also be disclosed in the notes for:

- Obligations related to contracts or agreements executed for which there is work progressed but not paid – as a commitment provision at the fiscal year-end under the warrant and appropriation which the obligation relates to.
- Long-term liabilities like loans or lease payments recognised when due even if not paid and recorded as a liability at the fiscal year-end either as a commitment or contingent liability.
- Costs related to superannuation that are recognised as they accrue, even if payment will occur in future fiscal years.
- Multi-year funding arrangements are disclosed in financial reports, ensuring transparency of future liabilities.

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