



**Comparative International Governmental Accounting
Research (CIGAR)**

2018 Workshop:

“Accounting for Budgeting and Fiscal Responsibility”

**BOOK OF ABSTRACTS
CIGAR 2018 WORKSHOP ZAGREB**

Faculty of Economics and Business (FEB), University of Zagreb, Croatia

Workshop: July 5-6, 2018



**University of Zagreb
Faculty of
Economics & Business**



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FOREWORD

This book contains abstracts presented at the Comparative International Governmental Accounting Research (CIGAR) 2018 Workshop held in Zagreb (Croatia), July 5-6, 2018. The Workshop is organized by the Faculty of Economics and Business, University of Zagreb. The theme of the Workshop is "Accounting for Budgeting and Fiscal Responsibility". Accounting and financial reporting is aimed at providing objective, neutral and actual up to date information about the performance of government units, the allocation of trusted resources and the creation of obligations. The development of accounting and financial reporting is focused on exploring the benefits and opportunities of applying the accrual accounting basis, the implementation of which is inspired by the work of IPSASB and through publications of the EU Commission which, considering the application of IPSAS or EPSAS, has been working on converging and equalizing accounting and financial reporting of EU member states. The fact is that a large number of countries have, in various ways and with various dynamics, started or considered full or partial accrual accounting basis introduction into their national public sector (government) accounting systems. However, the question that arises regards the usefulness and usability of accounting information and financial statements by all levels of public management (public officials) and political structures. There is a gap between the production of accounting information and the use of accounting information (i.e. between accountants and accounting information users). Several issues arise: the problem of modest application, the gap between expected (prescribed, declared) and real (actual) practice, and the resistance (reluctance) to accounting information application and usage. The question is whether the accountants can understand and respond to the demands of information users, and vice versa, can information users be better acquainted with the nature and quality of accounting information. Such a situation is due to various reasons, and can be sought in the political, social, educational and cultural features of individual countries and environments. Approaches taken in the implementation of accounting and financial reporting reforms are different, of varying dynamics and intensity (proven by examples of countries that already implemented or have been implementing reforms). Emphasis put on the usefulness of accounting information focuses the research towards examining practical approaches and towards finding best solutions for recording budget processes in accounting and financial reporting.

2018 CIGAR Workshop welcomed papers exploring the following indicative topics:

- *The role of accounting and financial reporting in budgeting and public spending decision-making;*
- *The extent to which accounting and financial reporting is integrated into the public sector financial management processes (i.e. accountable and sustainable decision-making of public management and political structures);*
- *Consideration of the duality of reporting: whether reports on budget execution are given more (higher) priority over financial reporting or is it vice versa, and what are the*

approaches to adjusting the accounting basis and budget basis (budget being often on a cash basis);

- *Research on whether accounting information and financial reports are useful for assessing fiscal responsibility and sustainability in public spending and in managing public resources (i.e. public sector asset management activities);*
- *Research on the usefulness of accounting information and financial statements by state audit in performing regularity, compliance and performance audit;*
- *Exploring the constraints and obstacles in the application of the accrual accounting basis in government accounting systems with regard to political, social, educational and cultural characteristics of individual countries;*
- *Comparative research on the development of public sector (governmental) accounting in the EU countries with the aim of identifying similarities and differences and the aim of harmonizing and converging in finding common/mutual solutions;*
- *Research on managerial accounting and internal reporting methodology as well as the level of using such a methodology by public management, with a special emphasis on certain general government subsectors (i.e. health care and higher education sectors);*
- *Research on the use of nonfinancial information and about the development of alternative forms of reporting - the future of integrated reporting;*
- *Critical and empirically informed assessments of how the term 'fiscal responsibility' has been populated in public sectors with meaning and action using accounting inscriptions that may – or may not – have been beyond the reasonable power that can be expected of the accounting craft;*
- *Research on trajectories propagated for public sector accounting changes in emerging economies and how changes are articulated;*
- *Exploring the role of international financial institutions in facilitating public sector accounting reforms in emerging economies;*
- *Research on lessons that can be learnt from experiences of emerging and developing economies to instigate public sector accounting reforms.*

We would like to express a very special thanks to the invited speakers: Professor Andreas Bergmann, ZHAW School of Management and Law (Switzerland), Professor Eugenio Caperchione, Università degli Studi di Modena e Reggio Emilia (Italy), chairman of the CIGAR Board, Ivana Jakir – Bajo, M.Sc., Assistant Minister and Chief State Treasurer, Ministry of Finance, Croatia, Assistant Professor Susana Jorge, University of Coimbra (Portugal), CIGAR Board Member, Dr. Alexandre Makaronidis, Head of Unit, Task Force EPSAS, European Commission – Eurostat, Ivana Maletić, M.Sc., Croatian Member of the European Parliament, Dr. Nives Botica Redmayne, Massey University, New Zealand, Danijela Stepić, University, Specialist of Economics, Head of Sector for Budget Preparation, Ministry of Finance, Croatia Božo Vuletić-Antić, M.Sc., Assistant Auditor General for Performance Audit, State Audit Office, Croatia, Prof. Dr. Peter Christoph Lorson, Dean, Faculty of Economic and Social Sciences, The University of Rostock.

SESSION: FINANCIAL MANAGEMENT

A NEW APPROACH TO DETERMINANT FACTORS OF LOCAL GOVERNMENT DEBT:

STRUCTURAL EQUATION ANALYSIS

by

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ABSTRACT

The general aim of this research is to define a structural/conjunctural model to explain the debt of the 308 Portuguese municipalities. More specifically, the intention is to understand whether there is a relationship between the institutional, tax, budgetary and economic circumstances and municipalities' debt. The period from 2004 to 2016 is studied using a structural equation methodology, which is believed to be a major contribution of this research.

The results allow concluding that the institutional, tax and budgetary situations present a negative and statistically significant relationship with municipal debt. This means that, in the local government setting, when the institutional, tax and budgetary contexts are favourable, debt levels tend to be lower. Therefore, municipalities should take advantage of their institutional context and of periods of higher tax revenue, increased central government grants and investment expenditure, to reduce their debt levels, so they can face other circumstances pushing for debt increases.

Keywords: local debt, determinants, structural variables, Portugal