

جامعة الفرات الاوسط التقنية

المعهد التقني نجف

قسم تقنيات الادارة القانونية

Governmental Accounting

المحاسبة الحكومية

مدرس المادة

م.د حسين زهير عبد الامير

العام الدراسي 2021/2020

Governmental and Nonprofit Accounting

Environment and Characteristics

Characteristics and Types of G&NP Organizations

Governments and other nonprofit organizations are unique in the following ways:

- They do not attempt to earn a profit—and most are exempt from income taxes—so typical business accounting, including income tax accounting, usually is not appropriate.
- They are owned collectively by their constituents; because ownership is not evidenced by equity shares that can be sold or traded, residents who are dissatisfied with their government must await a change in its elected governing body or move elsewhere.
- Those contributing financial resources to the organizations do not necessarily receive a direct or proportionate share of their services. For example, homeowners pay property taxes to finance public schools even if they do not have children in school.
- Their major policy decisions, and perhaps some operating decisions, typically are made by majority vote of an elected or appointed governing body (e.g., a state legislature, a city council, or a hospital board of directors) whose members serve part time, receive modest or no compensation, and have diverse backgrounds, philosophies, capabilities, and interests.
- Decisions usually must be made “in the sunshine”—in meetings open to the public, including the news media—and most have “open records” laws that make their accounting and other records open to the public.

The major types of government and nonprofit organizations may be classified as:

- 1. Governmental:** federal, state, county, municipal, township, village, and other local governmental authorities and special districts
- 2. Educational:** kindergartens, elementary, and secondary schools; vocational and technical schools; and colleges and universities
- 3. Health and welfare:** hospitals, nursing homes, child protection agencies, the American Red Cross, and United Service Organizations (USO)
- 4. Religious:** Young Men's Christian Association (YMCA), Salvation Army, and other church-related organizations
- 5. Charitable:** United Way, Community Chest, and similar fund-raising agencies; related charitable agencies; and other charitable organizations
- 6. Foundations:** private trusts and corporations organized for educational, religious, or charitable Purposes

Organizational Objectives

Expectation of income or gain is the principal factor that motivates investors to provide resources to profit-seeking enterprises. To the contrary:

- The objective of most governmental and nonprofit organizations is to provide as much service each year as their financial and other resources permit.
- G&NP organizations typically operate on a year-to-year basis—that is, each year they raise as many financial resources as necessary and expend them in serving their constituencies.

- They may seek to increase the amount of resources made available to them each year— and most do—but the purpose is to enable the organizations to provide more or better services, not to increase their wealth.

General principles of government accounting

The most important principles on which government accounting depends are:

1. The government accounting system should be able to clarify whether the government unit has complied with the implementation of laws, regulations and instructions.
2. The double entry theory should be used in recording the financial activity of government units.
- 3 - Fixed asset valuation when purchased on the basis of the actual cost.
- 4 - not to calculate the depreciation of fixed assets.
5. Revenues should be classified according to their source, and expenditures shall be levied according to their nature or purpose.
6. Accounting terms, lists, reports, records and documents must be consolidated in all government units.

Types of government accounts in Iraq

Government accounts in Iraq are divided into two main groups:

The first group / set of result accounts (budget accounts), which are closed at the end of the year:

- 1- Budget expenses.
- 2- Budget revenues.

The second group / set of Financial Position Accounts, accounts whose balances remain open at the end of the financial year:

1. Accounts advances (debtors)
2. Accounts of trustees (creditors)
- 3 - Current accounts: These accounts are opened between the branches of various treasury, as well as the accounts that open between the treasury and the State departments are:
 - A) Accounts of loans and treasury remittances.
 - B- The Fund account.
 - C- The bank account.
 - G - Savings or Deficit (Balance of the final account of the State)

Chapter Two

State budget system

First: Definition of the state budget

The state budget is "an annual financial plan for the central authority, to be issued by the legislative authority by law , commission the executive authority in advance to spend in accordance with the governance , and is required to collect revenues within the provisions and methods , in order to achieve the objectives of the state" .

Second: Basic concepts related to the budget

- **Financial year:** The period during which the budget law is implemented and starts from 1/1 and ends on 31/12 of the same year.
- **The final accounts stage:** the period after the financial year, which is competent to settle the accounts , and may not contain actual payment or receipt transactions. Starting from the first day of January of the new fiscal year and ending on the 31 day of March.

Third: The scope of the budget and the principles of preparation

Basic Principles of the State Budget:

- 1. Annual Budget Principle:** The budget must be submitted for one year, and the budget law applies for the same period.
- 2 - the principle of unity of the budget:** It means that the expenses of the state and its revenues within a single document.

3 - Principle of the inclusion of the budget: It means that the budget includes the general expenses and revenues, regardless of the different types and multiple sources.

4 - Principle of allocation of expenses: The obligation to transfer any amount of money from one department to another only in accordance with legislative texts.

5 - The principle of non-allocation of revenues: It means that the collection of public revenues without differentiation in their sources.

6 - the principle of balancing the budget: This means that the (balance) of expenditures with revenues in the state budget.

7 - The rule of publishing and advertising: must be published in the Official Newspaper to identify it from all categories of people.

Fourth: The stages of preparing, legislating and implementing the budget:

1 - General directives: the Prime Minister to form a Higher Committee for the purpose of developing central guidance on the general tunnels and sources of revenue expected to be collected from various sources of funding and this committee to submit its recommendations to the Ministry of Finance.

2 - Instructions for preparing the budget: the role of the Ministry of Finance to issue a general publication to all ministries and government departments, including the principles and principles that must be applied in the development of estimates of expenses and revenue of their own with the submission of a form of the budget.

3 - Preparing the budget in the ministries: after receiving the ministries publication of the Ministry of Finance, is preparing estimates of expenditures and revenues for the coming year in light of the principles

and foundations prescribed by the Ministry of Finance and in light of the real needs of those departments.

4 - Composition of the project budget Law : this phase starts with the arrival of the estimates of the various ministries of revenues and expenditures to the Ministry of Finance and the Ministry of Finance to examine and audit the estimates set by the ministries and government departments affiliated to them, and then consolidate these estimates in the account of one of the expenses of the state and the other is the state revenues and submitted to the Council of Ministers in a date not exceeding End of October 31/10 of each year.

5 - Discussion of the Council of Ministers: The Council of Ministers discuss the draft budget law according to various sections and has the right to request the Ministry of Finance to make some amendments to it.

6 - Legislation Budget Law: The budget law is initiated by the House of Representatives after discussing the state budget with a committee of the Council of Ministers may be headed by Deputy Prime Minister for Economic Affairs.

7 - Ratification of the Presidency Council: This law (budget) is submitted to the Presidency Council for approval and has the right to veto this law.

8 - Implementation of the budget law: the budget is returned after the issuance of a law to the Ministry of Finance, which is printed and distributed to the ministries.

Fifth: Divisions of the State Budget in Iraq

The State budget in Iraq is divided into two main sections:

1- Current General Budget: It includes expenditures and revenues of government units.

2- The investment budget: It includes the allocated amounts to implement the national development plan projects during the fiscal year such as road, bridge and industrial, agricultural and service projects.

Sixth: Budget Tabs

1 - Functional tab: It is a division that shows expenditures of the state budget on the basis of public functions, such as the function of education, and the function of health, defense ... and others.

2 - administrative tab: a division that shows the expenditures and revenues of the general budget of the state classified on the basis of administrative divisions, such as ministries and general directorates.

3 - Qualitative tab: the classification of public expenditures according to the type and purpose of maintenance, and the division of public revenues depending on the source of revenue.

4 - Economic tab: This division aims to provide the financial data necessary to study the economic effects of government spending on the economic situation of the state in general.

Chapter Three

Central and decentralize system in government units

هناك اختلاف في طبيعة عمل الوحدات الحكومية الخدمية , وهذا الاختلاف ينصب على حجم العمل , وطريقة الصرف والقبض , فهناك مجموعة من الوحدات الحكومية ترتبط مباشرة بخزينة الدولة او احدى فروعها , وتقوم الخزينة بعمليات الصرف والقبض والتدقيق وتنظيم الحسابات لتلك الوحدات الحكومية , والتي ترتبط مباشرة بخزينة الدولة او احدى فروعها , وتعتمد هذه الوحدات على النظام المركزي في عمليات الصرف والقبض , اي انها ترجع الى خزينة الدولة او احدى فروعها فيما يتعلق بالخدمات المحاسبية التي تحتاجها .

واما المجموعة الثانية من الوحدات الحكومية هي التي لا ترتبط بخزينة الدولة او احدى فروعها فهي مستقلة من حيث الاعمال المحاسبية وتقوم بعمليات الصرف والقبض من خلال حساب جاري خاص بها , ويطلق على هذا النظام التي تطبقه هذه الوحدات الحكومية بالنظام اللامركزي. وسوف نناقش هذين النظامين بالتفصيل

1- The Central System:

The central system is link government departments directly to the treasury, the treasury instead of government unity in all its accounting work.

Advantages of the central system:

- a) The level of auditing in this system is more qualitative.
- b) The system does not require an efficient accounting staff in those government departments.
- c) The Ministry of Finance can deliver decisions and instructions easily and quickly.

Disadvantages of the central system:

- a) A large number of government units are linked to the Treasury, which increases the weight of the accounting work on the Treasury.
- b) Causes delays in the completion of transactions.
- c) Under this system leads to the lack of development of accounting staff.

2. Decentralized system:

A system that gives government units independence in all accounting works without reference to the Treasury .

Advantages of Decentralized System:

- a) Provides a high degree of flexibility in Operations Expenses and Receipts Without reference to the Treasury.
- b) This system ensures the speed of completion of transactions and the preparation of financial statements.
- c) Work Relieve of various Treasury of accounting and financial work.
- d) Provide an effective internal control system for the integration of the accounting cycle under this system .

Disadvantages of decentralized system:

- a) The presence of the audit department in the government units may lead to a reduction in the quality of the audit.
- b) The application of this system leads to an increase in the number of accounts at the state level.
- c) The application of this system leads to an increase in the current accounts of different banks, which makes it difficult to finance these units.

General principles of government accounting

The most important principles on which government accounting depends are:

1. The government accounting system should be able to clarify whether the government unit has complied with the implementation of laws, regulations and instructions.
2. The double entry theory should be used in recording the financial activity of government units.
- 3 - Fixed asset valuation when purchased on the basis of the actual cost.
- 4 - not to calculate the depreciation of fixed assets.
5. Revenues should be classified according to their source, and expenditures shall be levied according to their nature or purpose.
6. Accounting terms, lists, reports, records and documents must be consolidated in all government units.

Types of government accounts in Iraq

Government accounts in Iraq are divided into two main groups:

The first group / set of result accounts (budget accounts), which are closed at the end of the year:

- 1- Budget expenses.
- 2- Budget revenues.

The second group / set of Financial Position Accounts, accounts whose balances remain open at the end of the financial year:

1. Accounts advances (debtors)
2. Accounts of trustees (creditors)

3 - Current accounts: These accounts are opened between the branches of various treasury, as well as the accounts that open between the treasury and the State departments are:

A) Accounts of loans and treasury remittances.

B- The Fund account.

C- The bank account.

G - Savings or Deficit (Balance of the final account of the State)

Chapter Two

State budget system

First: Definition of the state budget

The state budget is "an annual financial plan for the central authority, to be issued by the legislative authority by law , commission the executive authority in advance to spend in accordance with the governance , and is required to collect revenues within the provisions and methods , in order to achieve the objectives of the state" .

Second: Basic concepts related to the budget

- **Financial year:** The period during which the budget law is implemented and starts from 1/1 and ends on 31/12 of the same year.
- **The final accounts stage:** the period after the financial year, which is competent to settle the accounts , and may not contain actual payment or receipt transactions. Starting from the first day of January of the new fiscal year and ending on the 31 day of March.

Third: The scope of the budget and the principles of preparation

Basic Principles of the State Budget:

- 1. Annual Budget Principle:** The budget must be submitted for one year, and the budget law applies for the same period.
- 2 - the principle of unity of the budget:** It means that the expenses of the state and its revenues within a single document.
- 3 - Principle of the inclusion of the budget:** It means that the budget includes the general expenses and revenues, regardless of the different types and multiple sources.

4 - Principle of allocation of expenses: The obligation to transfer any amount of money from one department to another only in accordance with legislative texts.

5 - The principle of non-allocation of revenues: It means that the collection of public revenues without differentiation in their sources.

6 - the principle of balancing the budget: This means that the (balance) of expenditures with revenues in the state budget.

7 - The rule of publishing and advertising: must be published in the Official Newspaper to identify it from all categories of people.

Fourth: The stages of preparing, legislating and implementing the budget:

1 - General directives: the Prime Minister to form a Higher Committee for the purpose of developing central guidance on the general tunnels and sources of revenue expected to be collected from various sources of funding and this committee to submit its recommendations to the Ministry of Finance.

2 - Instructions for preparing the budget: the role of the Ministry of Finance to issue a general publication to all ministries and government departments, including the principles and principles that must be applied in the development of estimates of expenses and revenue of their own with the submission of a form of the budget.

3 - Preparing the budget in the ministries: after receiving the ministries publication of the Ministry of Finance, is preparing estimates of expenditures and revenues for the coming year in light of the principles and foundations prescribed by the Ministry of Finance and in light of the real needs of those departments.

4 - Composition of the project budget Law : this phase starts with the arrival of the estimates of the various ministries of revenues and expenditures to the Ministry of Finance and the Ministry of Finance to examine and audit the estimates set by the ministries and government departments affiliated to them, and then consolidate these estimates in the account of one of the expenses of the state and the other is the state revenues and submitted to the Council of Ministers in a date not exceeding End of October 31/10 of each year.

5 - Discussion of the Council of Ministers: The Council of Ministers discuss the draft budget law according to various sections and has the right to request the Ministry of Finance to make some amendments to it.

6 - Legislation Budget Law: The budget law is initiated by the House of Representatives after discussing the state budget with a committee of the Council of Ministers may be headed by Deputy Prime Minister for Economic Affairs.

7 - Ratification of the Presidency Council: This law (budget) is submitted to the Presidency Council for approval and has the right to veto this law.

8 - Implementation of the budget law: the budget is returned after the issuance of a law to the Ministry of Finance, which is printed and distributed to the ministries.

Fifth: Divisions of the State Budget in Iraq

The State budget in Iraq is divided into two main sections:

1- Current General Budget: It includes expenditures and revenues of government units.

2- The investment budget: It includes the allocated amounts to implement the national development plan projects during the fiscal year such as road, bridge and industrial, agricultural and service projects.

Sixth: Budget Tabs

1 - Functional tab: It is a division that shows expenditures of the state budget on the basis of public functions, such as the function of education, and the function of health, defense ... and others.

2 - administrative tab: a division that shows the expenditures and revenues of the general budget of the state classified on the basis of administrative divisions, such as ministries and general directorates.

3 - Qualitative tab: the classification of public expenditures according to the type and purpose of maintenance, and the division of public revenues depending on the source of revenue.

4 - Economic tab: This division aims to provide the financial data necessary to study the economic effects of government spending on the economic situation of the state in general.

