

# MODERN GOVERNMENT ACCOUNTING (I)

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## Summary.

As principal functions of Government Accounting may be mentioned:

1. The providing of data for the rendering of account by the executive power.
2. The acting as a means of exercising control (in the fullest sense).
3. The providing of data for purposes of effective management.
  - a. by the heads of the departments of the State Service concerned;
  - b. by the central management of the Government.

The importance of the administration for purposes of management and policy has however only been realised in the last decades and partly even only in the last few years.

The strong growth in the extent and the complexity of the task of the Government accompanied by a very great rise of the level of revenue and expenditure has acted as a great stimulant to this development.

The manner in which the Government Accounting is done, is strongly influenced by the character of the Budget required. In many countries the cash system lies at the root of the Budget. In that case the accounts of the Budget contain in principle cash mutations only. As a means of acquiring an insight into the revenue and expenditure inherent to the various activities of the Government, accounts of this kind are unsuitable. If we consider the Budget primarily as a document which reflects the economic system of the State expressed in money, it will answer its purpose best when the items of the budget represent the revenue and expenditure of the various tasks of the State. Only if the full expenditure of each task of the State and the revenue, if any, that goes with it is apparent from the Budget is it possible for the legislator of the Budget to judge whether a certain task is to be considered acceptable to the extent proposed from the point of view of costs.

A system of accounts concurring with this, from which therefore the revenue and expenditure of the State Services or of their activities appear makes it possible to make use of the administration as a valuable „tool of management“.

With regard to this the observation is made that the circumstance of the costs of the State Service being generally covered by taxes, does not mean that a good insight into and an effective watching of the costs is superfluous, acquaintance with the costs being a necessary condition for efficient acting both in business life and in the State service.

The Netherlands Budget is an intermediate form between a cash budget and a budget of revenue and expenditure. For the greater part of the State Services the amounts occurring in the budget come sufficiently near to the costs of these services.

For the State *Enterprises* separate budgets are drawn up on a commercial line.

Finally it is pointed out that attention is also being paid to this problem abroad as appears a.o. from the report called „Budgeting and Accounting“ published in 1947 in the U.S.A. and the publication of the United Nations of 1952 entitled „Government Accounting and Budget Execution“.