



Croatian Science Foundation

**Research Projects
(IP-11-2013)**

8509 Accounting and financial reporting reform as a means for strengthening the development of efficient public sector financial management in Croatia

Project proposal summary

The subject of the research addresses the need and ability to pursue budgetary accounting reform in Croatia, implying accrual accounting basis and International public sector accounting standards (IPSAS) implementation, with the aim to create quality accounting/financial reporting systems and sound financial management.

Supporting that budgetary accounting reforms in Croatia are set as a necessity that arises from adjustments to comply with the EU regulations and the need for setting accounting system development in function of increasing the quality of accounting information as a basis for public management decision making, our research objectives broadly focus on: examining the possibilities for accruals and IPSAS appliance in Croatia, creation of public sector accounting (PSA) terminology framework, exploring the role of accounting in public sector asset management, examining the development of internal reporting system in the function of management decision making.

Research objectives will be fulfilled through different activities, i.e.: exploring the adequacy of existing modified accrual basis model appliance and budgetary users' financial statements qualitative characteristics comparison to the accruals appliance in chosen segments of the Croatian public sector; examining the level of Croatian budgetary accounting compliance with IPSAS on the path of international comparative studies on PSA harmonisation that would foster the creation of Croatian PSA terminology and interpretation on application of a selected number of IPSAS in Croatian PSA content; developing the methodology for a comprehensive government asset recording in central asset register and whole government balance sheet; empirically assessing accounting information system from the standpoint of its' upgrading with managerial and cost accounting elements, by developing and testing the applicable internal reporting model resulting in providing sound information for public management decision making.

The research topic is mainly driven by (i) the urgent need for adjustments of Croatian public sector (governmental) accounting and reporting system so that it complies with the compulsory and recommended EU regulations (e.g. Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States sets that Member States shall have in place public accounting systems comprehensively and consistently covering all sub-sectors of general government and containing the information needed to generate accrual data), (ii) the fact that Croatian budgetary regulatory framework implies future changes on the path of European and worldwide public sector accounting and financial reporting reforms (e.g. Croatian Budget Law recommends and normatively enables the International public sector accounting standards (IPSAS) implementation) and (iii) the need for setting accounting system development in function of increasing the quality of accounting information as a basis for public management decision making, fostered by the urgent need to point out and understand the importance of asset and cost management and internal financial reporting and foreign good practice examples.

The research theme refers to an ongoing long term processes (reforms), is both, internationally and nationally relevant, has been substantially present in the best journals in the field, conference proceedings or books, and has the potential to contribute to the existing international literature and improve domestic knowledge in public sector financial management research field.