Towards a common conceptual framework for Public Sector Accounting in Europe? – A comparative study of the IPSAS framework and the conceptual approach applied by the German federal state of Hessen

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Abstract

In Europe the discussion about the implementation of accrual accounting in the public sector, based on so called harmonised European Public Sector Accounting Standards has just started. Obviously, there are controversial ideas and expectations how Public Sector Accounting should look like. In order to reach compromises it is important to understand the competing positions. Therefore, the paper compares the opposing conceptual bases of the International Public Sector Accounting Standards Board (as stated in its first own 2014 framework) and the German federal state of Hesse (as guided by the German Commercial Code). Obviously, this discussion about accounting harmonisation in the European Union seems like a flashback. It reminds us of the harmonisation process of the Union in private sector accounting, accomplished by the accounting directives and the IAS-regulation as well as the compromises found at that time. Consequently, the paper also addresses the discussion about "conservatism" versus "neutrality" and contributes to the discussion if the purpose of Public Sector Accounting rather is the provision of information or the protection of stakeholder groups.

1. Introduction and research questions

When implementing an (accrual) accounting system, conceptual decisions have to be made. Currently, conceptual questions are raised internationally again. One reason for this is that the International Public Sector Accounting Standards Board (IPSASB) published its first own conceptual framework for financial reporting. Furthermore, the European Union (EU) discusses the possibility to harmonise Public Sector Accounting (PSA) that is applied by its member states and therefore also has to take conceptual topics in consideration first. The IPSAS are intended being used as first reference of specific European accounting standards for the public sector (so called European Public Sector Accounting Standards, abbreviated to EPSAS).[i]

In order to reveal the implicit and explicit conceptual decisions by the IPSASB, included in the IPSAS framework (IPSAS-F), an object of reference is useful. Thus, the paper belongs to the academic field of Comparative International Governmental Accounting Research: The conceptual decisions made by the IPSASB within the IPSAS-F (chapter 2) will be analysed in comparison with those equivalents made by the government of the German federal state of Hesse (chapter 3). According to Lüder (2013b), the state of Hesse (a federal state of Germany[ii]) must be considered an innovator in German terms because for the implementation of accrual accounting it developed and implemented its own reform steps and accounting rules and therefore also had to solve conceptual problems. Hence, the Hessian model is worth being analysed and compared with the work of the IPSASB. Lüder conducted an "in-depth-study" of the completed reform process in Hesse and the specific Hessian "legal-political-economic context".[iii] This paper is therefore completing the Hessian case study by focusing on the outcome of this reform process: notably the current accounting model in Hesse, the overall conceptual direction of the accounting rules and certain practices that are applied there.

The paper is focusing on four fields of conceptual differences: 1. the different governance structure, 2. the significance (function and authority) of the conceptual basis, 3. the objectives determined and users assumed or given by law, and 4. the basic accounting principles. The research questions (chapter 4) are as follows: Do both conceptual models have things in common and which are the main differences? According to the Hessian experiences, is the IPSAS-F precise enough for being applicable in practice? By answering these questions, the paper is of high importance in the current discussion in Europe. Since all conceptual questions raised above are covered in chapter 1, 2, and 3 of the IPSAS conceptual framework, the author will focus mainly on these. The aim of the paper is to show the theoretical alternatives of conceptual decisions when intending to harmonise PSA and their practical implications. The final chapter 5 contains concluding remarks and suggestions. To sum up, the study is a theoretical, comparative study of the conceptual basis of different accounting models.

2. The IPSAS framework – the conceptual basis of (future) standards

2.1 The historic background and the scope of the IPSAS framework

The **idea of conceptual frameworks** encompasses that objectives, qualitative characteristics and principles for recognition, measurement and presentation are derived from a catalogue of weighted user interests. According to Jones/Pendlebury, a framework is defined as "a constitution of fundamental principles from which the more specific accounting standards can naturally follow or draw on"[iv]. Over many years it used to be seen as an old-fashioned, even inferior attitude of "good old accounting Europe" (mainly by Anglo-American scientists and practitioners, supporting the idea of "positive accounting") to work on a sound normative (deductive) conceptual basis for accounting. Starting from the 1980s, the Anglo-American accounting world rather followed a positive accounting research view, applying an empirical focus on accounting. However, nowadays it is widely accepted that principle-based accounting provides an advantage regarding consistency in the development and application of standards – also within the Anglo-Saxon accounting environment. This is why there is a world-wide revival of the development of normative accounting frameworks. In the past, both dominating accounting standards boards in private sector accounting, the IASB and the FASB, co-operated in order to develop a common framework. However, due to unbridgeable conceptual differences between both boards, the project failed. This experience proves the importance to deal with conceptual issues first, before developing a set of accounting standards. In September 2012 the IASB restarted its framework project without any partner[v] and in 2015 published an exposure draft of a new framework for the International Financial Reporting Standards (IFRS)[vi].

The lack of a **specific conceptual framework for the public sector** used to be a permanent source of criticism of the work of the IPSASB.[vii] Consequently, also the IPSASB worked for some years at its first own[viii], public sector specific conceptual framework ("Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities"; hereinafter abbreviated to IPSAS-F). It was published in October 2014. The IPSAS-F might be of high importance also for preparers and users of financial reports of public sector entities in Europe if the European legislators follow the suggestion of the European Commission using IPSAS as (first) reference base for developing EPSAS.[ix]

During the development of the IPSAS-F there was a public discussion about its **scope**. As it is shown in section 2.3 of this paper, the IPSASB pursues a rather broad multiple-user approach. Different users have different information interests and needs and therefore also claim for specific accounting information. As a consequence, the framework "reflects a scope for financial reporting that is more comprehensive than that encompassed by financial statements"[x]. The board clarifies that "information presented in financial statements remains at the core of financial reporting"[xi], but beside this "primary focus"[xii] there should be "additional information that enhances, complements, and supplements those statements"[xiii]. To sum up, the broad area of application of the IPSAS-F comprises the presentation of non-financial, prospective and sustainability information in addition. This exceeds the narrow focus of a presentation of ex post, accrual accounting data that can be found in financial statements.[xiv] At the same time, the IPSASB also refuses a scope that might be too comprehensive and therefore states that there is a limitation "to matters that assist users to better understand and put in context the information included in those statements"[xv].

2.2 Function and binding authority of the IPSAS conceptual basis

The questions of function and authority of the IPSAS-F are answered in its first chapter. Following the Anglo-Saxon accounting tradition, one primary **function** of conceptual frameworks is to **establish legitimacy** for the work of private standard-setting bodies. The IPSASB – established by the accounting profession and still working under the auspices of the International Federation of Accounting (IFAC) – is such a private standard-setting institution and therefore neither has the right to set legally binding standards, nor does it have enforcement power. The board consists of accounting experts who are developing accounting standards, guidelines and recommendations ("recommended practice guidelines" – abbreviated to RPGs) that preparers might follow on a voluntary basis. At the same time, legislators might

1. Use them as professional source of guidance for developing own legal accounting regulations, accounting standards and/or practical accounting guidelines (the latter might be understood as a kind of very detailed, descriptive "accounting cookbooks"),
2. Adapt them in a way so that they fit to the specific national legal and social environment, or
3. Approve them unmodified ("endorsement"), providing the missing legally binding status.

In terms of PSA, the legislators normally make use of the first two options, due to reasons of sovereignty. It is common practice that they decide to cut back options given by the IPSASB, to exclude parts of standards or entire standards from the application and to work on adaptations. This is why there is a huge variety of nationally or regionally adapted IPSAS. Consequently, from a global perspective, the development of regional-specific "E"PSAS by the EU would be nothing unique. The IPSASB used a consultation process in order to involve as many stakeholders worldwide as possible. During this process controversial opinions and perspectives on conceptual PSA matters were received and taken into consideration.

By developing a conceptual framework, a standard-setter establishes a solid but rudimentary conceptual basis that it would like to build the standards on.[xvi] "The Conceptual Framework identifies the concepts that the IPSASB will apply in developing IPSASs"[xvii]. However, the Anglo-Saxon tradition of rules-based standards does not allow the framework to override regulations given by particular standards or guidelines.[xviii] Likewise, the IPSASB does not consider the framework being binding for its own work either, and declared that it is also not mandatory for preparers who are applying IPSAS. It "does not establish authoritative requirements"[xix]. In short, the binding **authority** of the conceptual framework is rather weak. It is nothing more than a **statement of intent** that could be discarded by the IPSASB, whenever considered necessary. However, even though the focus lies on a non-binding conceptual guidance of the standard-setting body, the IPSASB confirms that there is an additional assisting function for preparers of financial reports[xx]: it can **bridge gaps of regulation** by "provid[ing] guidance in dealing with (…) issues not dealt with by IPSASs or RPGs"[xxi]. In this context, it is important to point out that in democratic societies the legislator has the final say, also in terms of accounting regulation. Private standard-setting bodies depend on the acceptance of their work (or at least on a lack of objection) by the legislator. In short, objectives and principles always have to be derived from the accounting law, based on the decisions of the legislator.

2.3 Objectives determined and users assumed

The IPSAS-F defines objectives and users in the second chapter. Content of this chapter is the traditional Anglo-Saxon idea that the only feasible **objective** of accounting is the **provision of information**.[xxii] The historic reason for this "puristic" view is that – unlike the situation in continental Europe – there are no immediate financial consequences connected to financial statements in the Anglo-Saxon countries. For purposes such as the measurement of profit for tax purposes, the payout to owners/shareholders, or creditor protection, special single purpose statements are prepared or contracts signed. Some of these contracts even contain binding conditions for accounting. Consequently, financial reporting could develop there free from any other than informational claims. In addition, there was a strong influence of the capital markets and the informational demands of (potential) investors. One proof for that is that in the US the supervisory authority of the stock market, the Securities and Exchange Commission, plays a dominant role in standard-setting.

The central orientation of an accounting system that completely follows an informational objective is given by the first question: To *whom* should the information be provided implicitly or explicitly? This is the addressee (or assumed user) perspective of accounting. "The objectives of financial reporting are therefore determined by reference to the users of GPFRs, and their information needs."[xxiii] According to the opinion of the IPSASB, information should be provided to two collective groups, the **resource providers** and the **service recipients**.[xxiv] According to the IPSAS-F, the informational needs and interests of these two quite extensive groups should be in the center of standard setting. There is no hierarchy in interests, both user groups are of equal importance.[xxv] Both groups should be protected by the provision of information, at least from an informational asymmetry. This can be put in another way by saying that they should be enabled to protect themselves by meeting their information needs and expectations.[xxvi] However, the IPSASB further specifies the anticipated user-ship of financial reports that were prepared according to IPSAS. It is the **"information outsiders"** that should receive the information needed. Thus the reports should address "users who are unable to require the preparation of financial reports tailored to meet their specific information needs"[xxvii]. "Information insiders" may use the information if they think the information is useful to them, too. Nevertheless, the reports are not prepared to primarily respond to their specific information wishes. In addition, the IPSASB also enlarges the group of users again by adding the representatives of resource providers and service recipients, "when acting in their capacity" and interest.[xxviii] In the end "the primary users (…) are service recipients and their representatives and resource providers and their representatives"[xxix].

The second question raised is that of *why* there is the need of informational provision. This is the question about the **purpose** of accounting. And this is also where the **usefulness approach** comes in. Financial reporting should only provide *useful* information.[xxx] But this leads to another question: what is the definition of "usefulness"? The IPSASB answers it in two ways: Information is useful if it contributes to **accountability** and **decision-making** purposes.[xxxi] The assumption is that information which was provided for accountability reasons also serves the decision making purpose in a following step.[xxxii] In one way or the other, a decision could be the result of the information provided. One could say that basic accountability supports or even enables decision making. Therefore, the IPSASB also emphasises that "the notion of accountability reflected in this Framework is broad"[xxxiii].

The following figure 1 presents an overview of the conceptual basis given in the IPSAS-F.

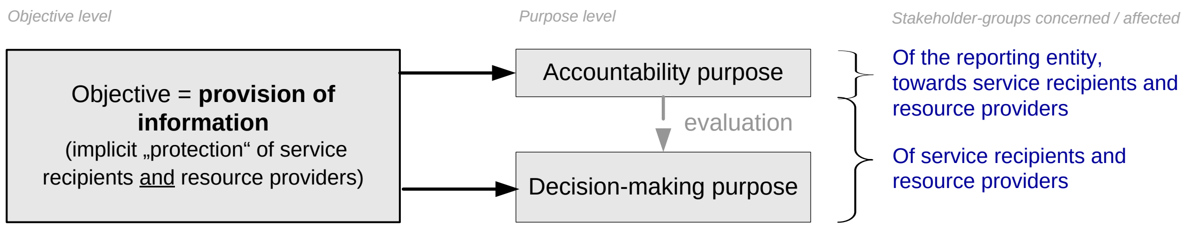

Figure 1: Objective-purpose hierarchy of the IPSAS (according to the IPSAS-F)
Source: Own figure, based on Glöckner (2014), p. 440.

2.4 The trade-off between the "qualitative characteristics"

In the third chapter the IPSAS-F also includes the definition of "qualitative characteristics". Literally, the term expresses that the application of this kind of principles is supposed to ensure a high quality of accounting information. "Qualitative characteristics are the attributes that make the information provided in financial statements useful to users."[xxxiv] According to the IPSASB, accounting information with these attributes also matches the claim of usefulness and will contribute to achieve the objectives which were mentioned above.[xxxv] The IPSASB declares that there are six characteristics: "relevance, faithful representation, understandability, timeliness, comparability, and verifiability"[xxxvi].

The standard-setting body believes that there should be **no *fixed* hierarchy** (unchangeable "sequence of their application") in the relationship between those characteristics.[xxxvii] The IPSASB explained that any classification and a permanent hierarchy would not be "appropriate".[xxxviii] In contrast, it states that there is a need for balancing them, because "all qualitative characteristics may not be fully achieved" at the same time. This "balance or trade-off"[xxxix] should be reached by "professional judgment" from case to case. That means that each characteristic is of "relative importance" – depending on the specific accounting problem[xl], the circumstances, the environment and the kind of information that is needed.[xli] Such an "appropriate balance" should guarantee that the objectives are achieved, too.[xlii] The common work of all characteristics makes sure that the information that is provided is useful.[xliii] In that sense the area of application of the qualitative characteristics includes all kind of information: financial, non-financial, historic, prospective and explanatory.[xliv]

However, from a theoretical point of view, one might disagree with the IPSASB and distinguish between what can be called "material" principles and "formal" principles. As a matter of fact, the formal characteristics are common to all accounting systems: understandability, timeliness, comparability, and verifiability. By contrast, the material principles specify the broad conceptual orientation of the accounting system. Therefore, they are also called "meta rules". The latter encompasses faithful representation and relevance. The IPSASB admits that there were also comments during the consultation process for the IPSAS-F exposure draft that were exactly expressing such a view. These respondents asked for a clear order of application, using the expressions "fundamental" and "enhancing"[xlv] qualitative characteristics.[xlvi] It is the aim of this paper to analyse the conceptual differences of two PSA models. Therefore, the author agrees with these comments and believes that it is necessary to focus on those principles that are *not* common to all accounting systems. These are the principles that are classified as "material" because they indicate the particular features of a PSA system. Consequently, it is the terms relevance and faithful representation and their interrelations that will be taken into consideration in the following:

Relevance is defined as "capable of making a difference in achieving the objectives"[xlvii]. According to the IPSASB, this is the case if accounting information is either confirmatory or predictive – and sometimes it is both[xlviii]. Information is classified as "confirmatory" if it "confirms or changes past (or present) expectations"[xlix]; information is "predictive" if it assists to anticipate the future and to develop expectations about the financial and nonfinancial situation of the entity.[l]

Faithful representation comprises three sub-principles: completeness (no omission of information[li]), neutrality ("absence of bias" and of the "intention of attaining a particular predetermined result"[lii]) and freedom from material error (including individual or collective materiality in both, the information and the process of its gathering[liii]).[liv] In addition, the substance over form rule (more priority is given to the economic substance of a transaction than the legal form) is mentioned.[lv] At the same time, the IPSASB is expressing that no "absolute completeness or neutrality" or "total freedom from error" could be expected in terms of estimates. As a consequence, the application of the three sub-principles is limited by the concept of practicability.[lvi]

The IPSASB also points out that other principles that are common in Anglo-Saxon accounting literature such as "sincerity, true and fair view, credibility, and transparency" cannot be seen as individual characteristics. They are classified as important "overarching qualities" which the unity of the financial reports should strive for to achieve by applying all IPSAS standards and the conceptual framework.[lvii]

3. The conceptual approach applied by the German federal state of Hesse

3.1 The historic and legal background – the application of the German Commercial Code in the public sector

The legal basis for the implementation of accrual accounting on states level in Germany was given by the "Act for the further development of the budgetary law" (HRFEG) in 1997.[lviii] With this act the existing law on budgetary principles from 1969 that applies to the Federal government of Germany and the German federal states ("Haushaltsgrundsätzegesetz" – HGrG) was modified. After the modification it was permitted to operate an accrual accounting system "in addition". This means that accrual accounting was possible on an optional basis. However, it was still mandatory to maintain the traditional cash based ("cameral") accounting system on states level in Germany. Furthermore, a reference model was determined: state accrual accounting in Germany should follow the German principles of orderly accounting ("Grundsätze ordnungsmäßiger Buchführung", abbreviated to GoB). It was added that these principles should be applied in analogy with the German Commercial Code ("Handelsgesetzbuch", abbreviated to ComC).[lix]

Hesse was one out of three German federal states that implemented accrual accounting on states level in the following years.[lx] First, the legal requirements mentioned were voluntarily transferred into the Budgetary Code of the state of Hesse ("Landeshaushaltsordnung Hessen", abbreviated to LHO HE).[lxi] As a consequence, the state accrual financial reports were based on the existing ComC as close as possible. But the ComC was developed for private sector accounting. Therefore, the most difficult task was to solve accounting problems that were not covered by the ComC. In fact, Hesse was forced to develop own solutions to public sector specific problems, based on the ComC conceptual framework. These rules cover specifications, necessary amendments and additions to the ComC that are caused solely by public sector specifics (e.g. heritage assets, tax revenues, and social policy obligations). They are laid down in a handbook ("Kontierungshandbuch des Landes Hessen") and their application is mandatory for the state ministries and their subordinate units in Hesse. It was also said in the LHO HE that the

Hessian Ministry of Finance and the Hessian Court of Auditors will agree on the regulation of these further details.[lxii] One might say that the Court of Auditors served (and still does until today) as advisor of the Hessian government and a kind of "quality auditor" for the development of the Hessian accounting rules.[lxiii]

At the time when the Hessian government started the reform project, IPSAS were not sufficiently elaborated.[lxiv] Especially the public sector specific standards and the framework that could have been helpful as reference for solving public sector specific problems did not exist. Therefore, Hesse was forced to develop its own conceptual public sector specific approach in order to solve all problems on its own. The only helpful guideline (or better compass) that existed was the rule that the evolution of the Hessian state accounting system should strictly follow an analogous application of the ComC. The entire project of implementing full accrual accounting in Hessen then took about ten years: starting with the cabinet decision in 1998/1999[lxv] and finally finishing by publishing the first annual accrual accounts for the state of Hesse in 2009/2010[lxvi].

In 2009 another act to modernise the law on budgetary principles ("Haushaltsgrundsätze-gesetzmodernisierungsgesetz" – HGrGMoG) was adopted, allowing the federal states in Germany to run an accrual accounting system on a stand-alone basis.[lxvii] Until today the German federal states have the right to choose between cameral and accrual accounting, as long as they meet the common statistical requirements.[lxviii] According to para. 7 HGrG [headlined "Grundsätze der staatlichen Doppik"; literal translation: *principles* of state accruals), state accrual accounting should be based on the ComC and the GoB.[lxix] As a consequence, if the German federal government or the federal states decide for accrual accounting, they are obliged to apply these "principles of state accruals".[lxx] In the reasoning of the HGrGMoG it was said that there is a need to clarify to what extent the "structures, rules and procedures" of private sector accounting will be transferred to the public sector.[lxxi] Therefore, it was mentioned in the HGrG that specifications of (especially how to exercise existing ComC options) and deviations from the ComC due to public sector specifics will be addressed by a common committee of the German federal government and the federal states.[lxxii] In fact, the committee consists of representatives of the 17 ministries of finance in Germany.[lxxiii] The result of their work is the set of the German "*standards* of state accruals" ("Standards staatlicher Doppik", abbreviated to SSD).

Until now, Hesse has not yet modified its Budgetary Code again and therefore still runs a leading cameral accounting system and an *additional* accrual accounting system *in parallel*. According to the preface of the SSD, these German PSA standards should be applied by all state governments that already have an accrual accounting system by 1st of January 2015. As a result, the state of Hesse also started to revise its handbook, based on the SSD. However, the Hessian Ministry of Finance and the Hessian Court of Auditors agreed that some regulations that can be found in the SSD violate the ComC and the GoB. In case of a conflict between the existing rules, the LHO HE and the HGrG override the SSD, because they hold the status of nothing more than drafts of administrative instructions.[lxxiv] In such a case, Hesse must not apply the SSD.[lxxv] As a consequence, the state of Hesse is still applying an accounting model that is strictly based on the ComC. Hesse proved that the conceptual basis of the ComC does also match the necessities of a state accrual accounting system.[lxxvi]

3.2 The significance of the conceptual basis (conceptual and practical reasons)

With the accounting regulation explained in section 3.1, the federal state of Hesse is strictly following the German tradition of a principle-based accounting system. That means that the abstract conceptual base (including the objectives and principles) may overrun concrete, detailed individual rules and regulations. In the first hand, the financial statements of the state of Hesse have to be coherent with the conceptual basis. To meet the conditions of detailed accounting regulations is a secondary, subordinate obligation. However, due to the principled-based approach, there is also a tight alignment of the rules and the conceptual basis.

Because Hesse strictly applied the conceptual base, the rules, and the principles of the ComC (provided that they are feasible), it is sometimes described as "imitator"[lxxvii]. However, due to the first-time implementation of accrual accounting on states level in Germany and the composition of own public sector specific accounting rules and the development of an own public sector specific conceptual basement, Hesse must considered being an "innovator"[lxxviii] in terms of PSA in Germany at the same time. Why decided Hesse to apply the ComC as reference model in such a strict way from the very beginning (apart from the reason that there were legally no alternatives)? There are basically five reasons and advantages (the first two are conceptual, the last three are rather practical ones):

- First, the ComC proved to be a conservative and therefore rather stable and reliable system. The compact set of ComC objectives and principles is consistently applied.[lxxix] Even with nothing more than a basic understanding of the core objectives and principles it is possible to solve specific accounting problems within the ComC-system. The abstract nature of the GoB makes them quite flexible for adaptions across diverse accounting problems but also across sectors.[lxxx] Therefore, some scientists even consider the ComC as a competitive advantage of Germany.[lxxxi] This makes the ComC a very useful reference model for an adaptation in a completely different sector because the preparers there will not have well-established solutions to particular accounting problems and therefore need **conceptual guidance** how to solve problems on their own. Especially, one may assume that the transition to accrual accounting would be more difficult if a rather less principles-based accounting system (e.g. a rules-based-system with an extensive catalogue of complex standards) is applied. However, from a consistency point of view the principles have to be accompanied by consistently derived rules[lxxxii] because "for reasons of comparability, enforceability and objectivity of financial reporting information, it is important to have specific (internally consistent) accounting requirements that limit managers' judgments in the application of accounting standards to ideally only one possible accounting method."[lxxxiii] In the end, there is a need for principles *and* rules – both are offered by the ComC system or the latter at least provides the conceptual foundation to develop rules, if there are none.
- Secondly, unlike international standards, the core set of ComC objectives, methods and principles are not often modified by the legislator and if so usually they are only slightly changed. For instance, between the BiRiLiG-reform in 1985 and the BilMoG-reform in 2009 there was a period of almost 25 years of **regulative stability** in private sector accounting. And also the BilMoG only slightly shifted the ComC in the direction of a stronger orientation on informational needs (cf. section 3.3).
- In addition, even though capital-market-oriented enterprises and corporations apply IFRS, the majority of German enterprises and especially government business enterprises (GBEs) apply the ComC. Accounting according to IFRS for SMEs was considered too costly and complex. One initial argument for implementing accrual accounting in the public sector was that there is a need of **consolidation**.[lxxxiv] This is especially true since in the last couple of years there was a strong tendency in Germany of outsourcing major parts of the state and municipal core administration into GBEs. Most of these new enterprises belong to the SME category and are neither capital-oriented nor do they have a differentiated ownership structure. Therefore, they usually apply the ComC accounting rules. Due to comparability and consolidation reasons,

there is a need for a common conceptual basis of public and private sector accounting. The transfer of the proven ComC system enables a consolidation of public and private sector entities within the same conceptual system.

- Next, the already existing, **high quality audit standards** that exist for ComC financial statements could also be applied in the public sector. This is why Hesse has annually audited and published financial statements, comparable to the statements that capital-market oriented corporations are obliged to prepare and publish. The state of Hesse is the only state entity in Germany that has annual accounts that are audited and certified according to the same standards that also apply to corporations that have a ComC accounting system. For this reason the Court of Auditors also appoints public auditors as technical experts.
- Some also argue that by using the ComC as a reference model, there might be a facilitated **exchange between the labor markets of the private and the public sector**. In fact, this is a miserable argument. The public sector is usually not able to pay the higher salaries that are offered to employees in the private sector. Therefore, the public sector often faces a lack of professionals with a business administration background, unless these individuals have other than monetary (such as intrinsic) motives. But since this is an argument that is often used by proponents of IPSAS, it is fair to add it to the list of the ComC advantages.

The promoters of the ComC in the public sector in Germany always claim that the conceptual basis of the ComC fits both sectors. The next section will show that this is feasible.

3.3 A glimpse into the conceptual basis of the ComC-reference model

Since the Hessian model is strictly based on the conceptual foundations of the ComC, it is necessary to shortly describe the latter first. In the following, it is then easier to understand the Hessian model.

The ComC does not explicitly state any objective of private sector accounting in Germany. Instead, the objective is given by the legislator in two ways: 1. Implicitly, in single accounting norms and 2. Explicitly, in the comments within the legislative acts that created the current ComC. Source of this kind of comments is mainly the Act on accounting principles ("Bilanzrichtliniengesetz" – BiRiLiG), the law that transferred the 4th, 7th and 8th accounting directives of the European Community into German law in 1985.[lxxxv] Furthermore, in 2009 there was the Act to modernise commercial accounting law ("Bilanzrechtsmodernisierungsgesetz" – BilMoG) that intended to adapt the BiRiLiG-ComC in a way that it could better compete with IFRS. These are the two main acts that formed the current ComC. It is important to distinguish between the "traditional" ComC after the transfer of the EC accounting directives in 1985 and the ComC after the light opening towards IFRS in 2009.

In order to completely understand the ComC one has to go back to its roots. For the purpose of this paper, however, it seems sufficient to say that the "core idea" of the ComC was generated by diverse experiences that the German legislator made in the first decades of a unified private sector accounting in Germany, starting from 1861. In addition, one should beware that accounting law in Germany was shaped by European developments from the very beginning. Economic crises, fraudulent bankruptcies, balance sheet scandals, cases of fraud, and continuing disputes of stakeholder groups for information and money were guided by the development of different, conflicting accounting theories.[lxxxvi] This paper phrases seven basic characteristics that result from this rich accounting history and tradition.[lxxxvii] The following points reflect the decisions of the legislator and the prevailing opinion formulated by the courts of finance and recognised scientists when interpreting the ComC and its underlying idea.

1. It is not possible to develop regulations for the preparation of financial statements that serve the interests of multiple stakeholder groups equally. Even though there is the possibility that accounting information might be useful for more than one stakeholder group, the German prevailing accounting theory points out that there is the need to focus on the interests of some. Accounting cannot consider the interests of multiple groups of users at the same time in the same way (at least in terms of the distribution of cash flows). When shaping an accounting system, it is necessary to decide on a **priority of interests**. As a result, the term **"objective"** has to be understood in ComC accounting as the **protection of the interests** of somebody or something. From a German point of view, there is solely the legislator that can decide on *binding* hierarchies of interests and it is about the courts of justice to *finally* settle disputes by interpreting the legislator's intention and clarifying which accounting procedure fits best to reach the objectives given.[lxxxviii] The main intention of the 1985 ComC (after the BiRiLiG) was the protection of the interests of creditors.[lxxxix] However, in the history of accounting in Germany, the legislator also thought about the protection of interests of minor share owners, the financial sustainability of the reporting entity itself and the public taxation (the cash inflow of the treasury by raising taxes).
2. There are **two dimensions of accounting**: the information that accounting produces and – based on the hierarchy of interests given (see point 1) – the distributional effects that it has.[xc] From a private sector perspective, the term "distributional effects" includes all kind of capital flows that are based on accounting information (such as the distribution of income to shareholders, the building up of open or hidden reserves, or the payment of taxes and other public obligations). According to the two dimensions, protection of stakeholder groups might be reached either by a steering of information or of capital flows. The latter was the preferred way when preparing financial statements according to the 1985 ComC.[xci] Since accounting is the basis of tax measurement and shareholder politics in Germany, the legislator intended to affect the flow of financial resources via conservatism accounting (see point 4). The intention was a combination of preserving capital within the enterprise[xcii] and measuring capital outflows in a way that protects creditors (both are part of the capital flow protection and "supplement each other" – "[b]oth aim at the safeguarding of the company against the uncontrolled removal of assets by the owner"[xciii]). At the same time, there was the intention of providing accountability (informational protection). The accounting theory that the ComC is based on is called **"static outflow theory"** ("Ausschüttungsstatik")[xciv] which shows that the focus has been on the protection via a conservative measurement of capital flows. In the US this mechanism of protection is called "legal capital".[xcv] Especially the measurement of the "profit which is understood as feasible outflow"[xcvi] was important compared to the protection via the provision of information.
3. The German legislator, the courts and accounting scientists learned to clearly distinguish between both dimensions and that it is possible to make use of them in precise ways by "uncoupling" the two. This requires on the one hand to develop Generally Accepted Accounting Principles (GAAP) which focus solely on the measurement of income that should be distributed in the interest of the primary stakeholder (therefore called **"distributional GoB"**; see point 5).[xcvii] They apply to the financial statements. However, providing additional information can satisfy multiple groups at the same time. Therefore, on the other hand, there is an additional, partly different set of principles that applies to the additional elements of financial reports (see point 6) and that resembles the set of qualitative characteristics given by the international standard-setter (**"informational GoB"**).[xcviii]

4. For reaching the purpose of ComC accounting (see point 2), there is a need to preserve capital within an entity. Therefore, the content of the ComC regulations show that the legislator's intention was to implement an accounting system that is determined by the **conservatism principle**. This principle serves the protection of creditors and the long-term financial stability of the entity.[xcix] It is important to define what "conservatism" means. There is an excellent definition by Alexander/Nobes: "The most famous bias in accounting is prudence, or conservatism. There is still some room for this, despite the (...) requirement for neutrality. Full-blown conservatism (...) protect[s] certain users (including creditors) from the risk of making financial statements look too good, particularly given the excessive optimism of some businessmen. Recognizing that a number of estimates are involved in accounting, an accountant, according to this convention, should ensure the avoidance of overstatement by deliberately setting out to achieve a degree of understatement. This requires that similar items, some of which are positive and some of which are negative, should not be treated symmetrically."[c] The lack of symmetry which is intentionally striven for (in the German ComC implemented as the "imparity-principle" because of the missing parity in the treatment of revenues and expenditures) is also the key element of another famous definition of "conservatism" by Basu. According to his "interpretation of conservatism, earnings reflects bad news more quickly than good news. For instance, unrealized losses are typically recognized earlier than unrealized gains."[ci] To sum up, in concrete accounting terms, "conservatism" means a rather early booking of losses and late registration of profits, the definition of assets according to the fulfilment of requirements that ensures its stability of value, and the reporting of contingent liabilities also for many internal reasons in order to be prepared for worst-case-conditions. In Anglo-Saxon understanding this method that indisputably leads to hidden reserves/values is seen as "distortion" or "bias".[cii] However, the idea is to maintain financial resources within the company in order to prevent (major) capital owners from distributions of income that has not yet realised and therefore the harming of those interest groups that cannot ensure the protection of their interests.
5. In accrual financial statements there are three elements: the balance sheet, the income and the cash flow statement. All of them provide a different perspective on the entity. Even though financial statements usually contain all these elements, **one perspective** has to be the dominant. In other words, in the history of the ComC it was realised that there has to be a clear hierarchy in the relationship between the different tasks that financial statements can potentially fulfil.[ciii] The ComC has the primary focus to measure the income that is distributable.[civ] For that reason there is a need to recognise and measure the assets in a conservative and objective way.
6. In the additional elements of financial reporting (such as notes, management commentary, and segment reporting) there is explanatory, but also prospective and subjective information that is not provided in the financial statements. This is called the **"uncoupling-proposition"**[cv]. According to the prevailing opinion in Germany, financial statements and the additional elements have to be seen as a unity (the financial reports). The "distributional GoB" applies to the elements of financial statements (especially the calculation of the distributable income); the "informational GoB" applies to the disclosure of additional information in the additional elements. The advantage of this kind of uncoupling and the combination of different elements that are serving different purposes is that the financial reports can fulfil two tasks simultaneously and therefore match multiple needs: the measurement of distributable income in the financial statements and the provision of missing (but maybe useful) information in the additional elements (notes) of the financial reports.[cvi]
7. Due to the negative experiences described above, the ComC legislator asks for an accounting system that is **objective and therefore reliable** (lack of subjective judgement). The

principle of objectivity is interpreted in a strict way.[cvii] In general, the ComC is a principle-based accounting system. Therefore, it is the definition of **material accounting principles** that completes the conceptual accounting basis. The characteristic attribute of these principles is that their content exceeds the requirements of qualitative characteristics that are common to each accounting system.[cviii] They define the income measurement of the year and translate the abstract objectives into definite, precise accounting terms. Within the ComC, such specific principles (stated in para. 252 (1), number 4 ComC) are a) the "conservatism principle" that demands the reporting of a rather lower than higher value of assets and revenues, while the contrary applies for liabilities and expenses[cix], b) the "realisation-principle" including the principle of measurement at cost and the realisation of revenues at the moment of market transaction[cx], c) the "imparity-principle" (see point 4) which claims that risks related to revenues and expenditures are disparately treated[cxi], and d) the "objectivity-principle" because only objective accounting data can protect the information of a third party[cxii]. By following these principles, the ComC objectives and the requirement of objective and reliable information are transferred into accounting items.

Bearing these seven points in mind, it is easier to understand the conceptual logic of the "traditional ComC".

Then, in 2002 the European legislators decided that capital market oriented enterprises have to publish its consolidated accounts according to IAS/IFRS. The reason for this was to protect European capital markets, to better compete with US-GAAP (the US private sector accounting standards) regulation and gaining back influence on standard setting in private sector accounting.[cxiii] Ever since, the idea of Anglo-Saxon based IFRS also gained support in Germany and there is also a capital-market driven[cxiv] tendency of implementing systematic-foreign elements into the ComC where it is reasonable and adequate in order to make it a more attractive alternative to IFRS. In 2009 the federal parliament passed the BilMoG. The aim of this legislation was to "ensure[ ] that the proven, inexpensive and straightforward accounting law of the Commercial Code will be retained in future and strengthened for competition with international accounting standards." It was said that this should be reached by "enhancing the qualitative validity of annual financial statements drawn up under commercial law".[cxv] According to the BilMoG, the ComC should be adapted according to international regulations and requirements where this is reasonable and adequate in order to improve the informative value of the ComC financial statements. This means that the intention also was to enhance the status of the informational objective in accounting (described as "moderate convergence"[cxvi]).[cxvii] However, the legislator added that this goal is to be achieved without entailing the existing disadvantages of the international accounting standards at the same time.[cxviii] He confirmed the traditional objectives (esp. the measurement of distributable profits[cxix]) and the set of mandatory GAAP.[cxx] The "lessons learned" above were not condemned in the 2009 ComC (after the BilMoG), but the idea of the "*provision of information"* as autonomous objective of accounting was set aside the traditional objective of creditor protection. Traditionally, the provision of information was not seen as objective on its own in the ComC. It was argued that the provision of information is an elementary function of each and every accounting system. The partly inconsistent mixture of accounting practices in the 2009 ComC was intentionally agreed on with the aim to guarantee a better functioning of capital markets but to preserve conservatism at the same time. Therefore, the opening of the traditional ComC-conception was market-driven. With the BilMoG there has also been a strong increase in the meaning of accountability. However, since the German legislator also wanted to secure the traditional understanding in the 2009 ComC, the accountability now stands equally at the same conceptual level as the capital flow protection.[cxxi] Moxter evaluates the consequences of the BilMoG as "*purely ostensible* fundamental qualification"[cxxii] of the existing ComC accounting system.

3.4 Objectives according to the Hessian concept and users stated by law

All public sector entities in Germany that implemented accrual accounting used the ComC as reference model (see section 3.3). The Hessian model of accrual accounting followed the reference model completely and therefore is closer to it than any other accrual PSA model in Germany. The underlying concept of the Hessian model is that the ComC conceptual basis (the "static outflow accounting theory") may and should be applied as far as possible. According to the Hessian opinion, the ComC system also fits to the public sector specific objectives or rather ideally serves them.[cxxiii] The former president of the Hessian Court of Auditors explained it like that: "There is only a need for public administration specific accounting principles if there is no sensible possibility to transfer the accounting principles for private sector enterprises to the conditions given in the public sector administration."[cxxiv] This means that the Hessian model does not claim that the ComC could be applied unmodified in the public sector. However, according to the regulation in the HGrG, there should be only differences between public and private sector accounting if there are sector-specific characteristics that can justify those. The Hessians asked themselves why "to reinvent the wheel" if there is an elaborated accounting system that is trusted by the legislator, tax authorities, resource providers, the association of public auditors and which has proved to provide reliable data for many years? Why comparable accounting questions should be answered in a different way simply because the reporting entity belongs to another sector?[cxxv] Figure 2 presents an overview of the implicit conceptual framework in Hesse.

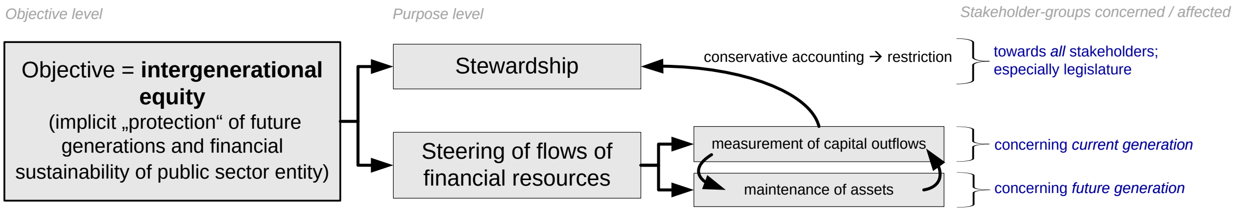

Figure 2: Objective-purpose hierarchy according to the Hessian model
Source: Own figure, based on Glöckner (2014), p. 411.

Based on the ComC reference model, the Hessian understanding of the term "objective" includes the protection of somebody or something.[cxxvi] However, due to differences within the group of stakeholders in the two sectors, the person or entity to be protected is different. It is not the protection of creditors but the **protection of future generations (of citizens)** that is (implicitly) strived for in the accounting system.[cxxvii] By analogy with creditors in the private sector, it is mainly the future generations that have no influence on the maintenance of capital within the reporting entity. In a private business enterprise it is the (main) owners that might have an interest to distribute income or to pull out capital. In doing so, they can potentially harm creditors that have an interest to receive repayments and interests in a reliable manner. The ComC based PSA model considers that there might be such a clash of interests in the public sector between future generations (of citizens) on the one hand and current stakeholder groups on the other hand. In particular, it is the present generation of citizens that benefits from current public sector services. Therefore, the intention is to reduce public spending if money is not used for long-term investments but for expenditures in favour of present generation consumption. Today's generation should "not live on the costs of their children" and "waste" the financial substance of the public sector entity. There should be a kind of periodic matching of revenues and expenditures ("inter-period equity").[cxxviii] Each generation should pay for the resources that were consumed by it. Or in other words: Each generation should be able to hand over the assets received from former generations to the following one(s).[cxxix] At the same time, they should also not be asked to hand over more than that. In that sense also the current generation is protected and the objective of PSA in Hesse is in fact **intergenerational equity**.[cxxx] In Hesse, it is intended to use PSA as a steering tool to achieving the goal of sustainable public sector financial resources. To sum up, the Hessian model is supporting the idea of intergenerational justice. However, due to existing incentives, it is argued that there is a need to primarily prevent that the present generation is exploiting future generations. This happens if one generation is spending the existing financial resources of the entity or if it is perhaps even spending additional, future financial resources by getting into debt. According to the Hessian model, the objectives of accounting are different in the private and public sector: in the private sector it is the protection of creditors respectively the financial sustainability of the enterprise and in the public sector it is the protection of future generations respectively the financial sustainability of the public sector entity. But both objectives also have in common that they aim to reduce incentives for the spending of financial resources, to protect groups that have a stake in keeping financial resources within the entity, and to improve the long-term financial stability of the entities. Moxter states that in the public sector the temptations for accounting policy are quite obvious – especially due to the political dimension that is included there.[cxxxi] Therefore, the Hessian model reveals that – even though the objectives are different from the private sector – the conceptual arrangement of the accounting system must be the same. As a consequence, the ComC reference model is seen as applicable and appropriate for serving public sector needs. To put it in a nutshell, both the ComC and its Hessian public sector adaptation are conservative accounting models.

In this context it is also important to explain that the Hessian concept implicitly **distinguishes between stakeholders and users** of accounting information. The stakeholders are the different generations of citizens. The accounting system is adjusted according to the interests of current and future generations so that intergenerational equity is achieved. However, the legislator (the Hessian parliament) in its role as representative of citizens is stated as the primary user of accounting information by Hessian law (para. 114 (1) LHO HE). The information is provided by the government so that the parliament may control and formally approve the activities of the Hessian government. In addition, it is the task of the Court of Auditors, assigned to it by law (e.g. in Hessen: para. 88 (1) LHO HE), to audit financial statements of the state governments. If information in the financial statements is not according to law (para. 90 LHO HE) the Court has to indicate that to the government (para. 96 LHO HE) and the parliament (para. 97 LHO HE). The Court of Auditors in Hesse fulfils this task based on its professional judgment and with judicial independence.

Also on the second conceptual level – the *means* by which the legislator would like to reach the objectives (the **purposes**) – the 1985 ComC and the Hessian model have things in common. Since both are conservative accounting models, the steering of flows of financial resources (hereinafter also described as "distributional effects") is the preferred way and therefore the first purpose of accounting.[cxxxii] It is indisputable that the steering of flows of financial resources in the public sector is carried out by ex ante budgeting and not by ex post accounting. Nevertheless, also from a public sector perspective, accounting may have distributional consequences including all kind of capital flows that are influenced by accounting or are based on it (either during the execution of the current budget or in the next round of budgetary negotiations). In PSA, such "distributional effects" may include e.g. the public claim for a provision of additional public services to present generations if the financial situation is presented too positive or the building up of open or hidden reserves in order to protect future generations and the financial sustainability of the entity. Compared to an informational protection, it is a rather direct way of protection. Both, the preservation of capital (or in Hesse: the public sector assets) and the measurement of capital outflows (in Hesse: the “surplus” in the income statement, in comparison with the budget), should be analogously transferred to the public sector.[cxxxiii] However, the Hessian model admits that there is an important difference between public and private sector entities: the first are seeking profits and distributing (parts of) the income, the latter is not. However, according to the Hessian concept, the public sector entities do maybe not strive for profit but have an interest to seek a balanced income statement. In the private sector, profits are defined as add-on on prices that are realisable on markets. The analogous definition in Hesse is that of an ex post “surplus” when using public sector budgets in an economic manner. The profit in the private sector can be distributed to the owners. The “surplus” in the public sector is distributed in another way: by using the financial resources for providing more or enhanced current consumption of public sector goods (to current generations). And by doing that, there is the possibility of the government to consider current generations’ interests.[cxxxiv] The origins of financial sustainability in private and public sector might be different. For a business enterprise it is a matter of financial survival: a company is insolvent if it has no more financial resources available and is no longer considered as creditworthy. According to German law, a public sector entity cannot be insolvent. But financial sustainability in the public sector ensures that the entity is able to provide the public goods demanded by citizens, also in the long run. According to the Hessian concept, sustainability is interpreted as maintenance of the public sector assets. Profit is defined in a sector-similar way to the ComC. It is the amount of capital that can be pulled out of the institution/that can be distributed so that the institution is not in danger of being bankrupt (private sector) or in danger of being unable to deliver necessary public goods or services (public sector).[cxxxv]

Compared with the measures of distributional protection, the informational protection plays a minor role in the Hessian model. However, there is the possibility of providing information in the additional parts of the financial report (such as the notes and management commentary) that are prepared without the bias caused by conservatism that is applied in the financial statements. This is the preferred way to close informational gaps.[cxxxvi] As a consequence, the second purpose of Hessian financial reports is also stewardship, the provision of information to the pseudo-owner (the citizens) and their elected representatives.[cxxxvii] The changes in the ComC that were caused by the BilMoG have been transferred also to the Hessian PSA model. This led to a slight increase in the meaning of stewardship. However, the traditional understanding of monetary protection is still prevailing, just like it is the case in the ComC (see section 3.3).

To conclude, in order to transfer the abstract objective intergenerational equity into definite accounting terms there is a need of a mandatory annual balance of the income statement.[cxxxviii] This would be more efficient in terms of a protection of future generations than adopting debt brakes by law with the same intention. Except for the city state of Hamburg, the existing debt brakes in Germany are cash based. Even though being considered an innovator in German terms, Hesse is still on the way to complete its reforms on PSA. There are discussions to pass an act that will adapt the present Budgetary Code of the state of Hesse and implement an “accrual debt brake”, too.[cxxxix]

3.5 The hierarchy of material principles

The Hessian model decided to follow the principled-based approach of the ComC. This means that the abstract conceptual basis is converted into accounting terms by a small number of principles that are mandatory to apply. This is to avoid an extensive set of very detailed rules. However, as stated in section 3.1 and claimed for in section 3.2, there are also rules in Hessen that are consistently derived from the principles and which in that sense complete the accounting system. They are put together in the Hessian PSA handbook. In the LHO Hessen it was said that the Hessian accounting model should adhere to the accounting principles of the ComC. These principles contain qualitative characteristics as well as “material principles” (cf. section 2.4). Following the Hessian approach (that there should be only differences between public and private sector accounting if there are sector-specific characteristics), the ComC principles are reinterpreted from a public sector specific point of view.

Comparable with the private sector reference model, it is important to **distinguish between financial statements and financial reports** when talking about the set of **principles** applied in Hesse. Financial, historic information is subject to the financial statements. Moreover, non-financial, prospective, and explanatory information should be addressed in separate reporting elements (such as notes, management commentary, and segment reporting – cf. section 3.4). According to the ComC reference model, the set of principles that is applied to this *additional reporting* follows principles that are comparable to those applied according to IFRS or IPSAS. In these additional elements there are no restrictions according to conservatism, objectivity – and partly this is also the case for reliability. However, concerning the financial *statements*, the Hessian accounting model entirely follows the concept of conservatism (cf. section 3.3, point 5).

Moxter points on the importance of objectivity and conservatism for public sector financial *statements*.[cxl] The colloquial understanding of being **conservative** means having traditional attitudes and being aware of values that were handed down. Being conservative from an accounting point of view is somehow connected to this understanding, because it used to be the traditional behavior of an honorable merchant not to overstate the own assets but to recognise and measure them with caution.[cxli] That means that conservative preparers of financial statements should calculate the income so that the financial situation is not presented in a better way than it is realistic (and they pretend not being “richer” than they actually are). The application of **objectivity** – on the other side – prevents the preparer from presenting a situation in the financial statements that is too positive (“dressing” of the balance sheet).[cxlii] The need of professional judgment and the connected influence of subjectivity should be reduced to the maximum extent and options should be eliminated completely. Usually, especially on the asset side, both concepts – conservatism and objectivity – work smoothly in the same direction. However, Moxter also explained that in case that there is no satisfying application of the objectivity principle due to public sector specific situations, conservatism may need to override or simply replace objectivity in its function described above.[cxliii] For that reason it is also accepted that assets are rather under- than overstated and the contrary applies to liabilities – with the consequence that there might be hidden reserves also in the financial statements of public sector entities. Knowing that in fact there is no truly “true and fair view” in accounting[cxliv] and provided the alternatives of over- and understatement of the financial situation, the latter is seen as the necessary, the lesser evil. The Hessian model believes that the application of the conservatism concept (including the sub-principles: the “imparity-principle” and the “realisation-principle”)[cxlv] is the only way to reach the objective of intergenerational equity.[cxlvi] In order to protect the interests of future generations and to maintain the long-term financial solvency of the public sector entity, it is seen as essential that the accountant tries to be as objective as possible.

Opponents of this conceptual alignment argue that not all the necessary information is given in such an accounting system. However, as stated before, the ComC reference and the derived Hessian model showed that additional information may be given in the attachments to the financial statements (the transfer of the “uncoupling proposition” to the public sector).[cxlvii] The ComC based “holistic view” of financial accounting says that the necessary information has to be given by the financial statements “as a whole”, not by the single elements separately. Therefore, in Hesse the elements of the financial reports are also seen as “informational unit”[cxlviii]. However, it is the financial statements that have ex post distributional effects (in addition to the ex ante distributional effects of the budgetary planning). Therefore, in order to protect future generations and the financial sustainability of the entity, it is these financial statements that must be paid attention to concerning the financial consequences aspired. Also the Hessian model counters critics of information incompleteness by providing additional information provided in the notes to the financial statements or the management commentary.[cxlix]

The measurement of possible capital outflows in a way that balances stakeholder interests and that ensures the matching with the protection objective is the most relevant information that could be provided by financial statements. Therefore, the model indirectly accuses the opponents of conservatism (that is basically the proponents of the “true and fair view” concept) of not providing the relevant information themselves. By doing this, the criticism of an incomplete and false presentation of information is turned back.

To sum up, the set of mandatory GAAP described above makes the ComC a “compact” alternative to the extensive sets of standards that are developed by the IASB and the IPSASB. Therefore, it is clear that the German ComC is still based – regardless the BilMoG – on the concept of conservatism[cl]: “In particular the conservative principle, the realisation principle and the end-of-period principle keep their present significance.”[cli]

4. An analysis of the common items and differences of both conceptual approaches

In the following, the two accounting concepts that were described in chapters 2 and 3 will be compared with the aim to emphasise the common items and differences. The author is aware of the useful explanations of “Anglo-Saxon”-accounting being a myth by Alexander/Archer.[clii] However, they also stated that “[i]t is important not to underestimate the strength and importance of this shared history and parallel development. In terms of a general emphasis on the investor and the needs of capital markets, and an increasing emphasis on openness and transparency, the UK and the US show a long-standing and significant similarity.”[cliii] By using the simplifying expression “Anglo-Saxon”, the author wants to point out exclusively this similarity of a (capital) market-information driven accounting tradition, in contrast to the one that is strongly financial-stability driven. The ComC and the ComC-based Hessian model belong to the second group of accounting systems. The author is aware that there is not a monolithic appearance of Anglo-Saxon accounting but accounting systems with Anglo-Saxon origin feature common characteristics which separates them from their continental European equivalents. There are common features of Anglo-Saxon concepts (such as the usefulness claim or the informational objective) that are to some extent described below.

First, there are some differences in the **governance and authority** of the two accounting concepts. The IPSAS-F was developed by the IPSASB, a private standard-setting body. One major role of the framework is to provide legitimacy to the IPSAS-standards and the standard-setting body itself.[cliv] For that reason, a broad-based consultation process has been applied in order to develop it with a maximum support of different stakeholder groups. By developing and publishing a conceptual framework, the IPSASB follows an Anglo-Saxon tradition. Usually, these frameworks deal with the statement of objectives, the assumption of users, and the definition of qualitative characteristics (and the clarification of questions concerning elements and recognition as well as measurement and presentation matters). However, the conceptual basis is non-binding – neither for the standard-setting bodies, nor for the preparers of financial statements. The IPSASB's decision on the non-overriding status of the framework was criticised by many respondents to the framework consultation. For instance the Institute of Public Auditors in Germany (IDW) suggested that "[i]f an IPSAS currently in effect conflicts with the Conceptual Framework, the IPSASB should review that IPSAS and, applying the due process for standard setting, revise it."[clv] The European Financial Reporting Advisory Group (EFRAG) and some national private sector standard-setting bodies (the French Autorité des Normes Comptables, ANC; the Accounting Standards Committee of Germany, ASCG; the Organismo Italiano di Contabilità, OIC; and the Financial Reporting Council of the United Kingdom, FRC) suggested in a common bulletin, commenting the IASB 2013 framework discussion paper, that "any new IFRS requirement and guidance developed by the IASB and the Interpretations Committee should be derived from the objectives and concepts of the Framework."[clvi] In addition, it was said: "Generally inconsistencies between the Framework and individual standards are undesirable. (…) Hence, departure from the Framework should be exceptional and requires strong justification."[clvii] These general suggestions are transferable to the public sector, especially since the IPSAS are based on IFRS. The Hessian model follows the legal approach of continental European accounting and therefore does not have an explicit conceptual framework. It is based on the private sector ComC. Therefore, it was developed by the German federal legislator and simply transferred to the public sector by the Hessian legislator (according to federal law). Consequently, legitimacy is given by law and there is no need for an explicit conceptual framework for that reason. The necessary public sector driven adaptations were developed by the Hessian Ministry of Finance in agreement with the Hessian Court or Auditors, as a result of an analogous application of the ComC. The implicit conceptual foundation of the ComC is binding for the preparers of financial statements and for the two institutions that have to agree on ComC-adaptations in Hesse when developing practical public sector specific accounting guidelines. These guidelines in the Hessian handbook strictly follow the conceptual ideas of the ComC. If there is any specific PSA problem, the solution is chosen that fits best to the conceptual basis of the ComC. Therefore, the underlying conceptual framework of the ComC has an overriding status within the Hessian concept.

Different stakeholders have different interests in the provision of information[clviii] and financial resources.[clix] In a multiple-user setting (and that is what reality is) not all interests can be met at the same time and to the same extent. As a consequence, it is inevitable that there are distributional effects.[clx] Hence, when developing a conceptual framework, the first step is to make a decision on the **hierarchy of existing interests**. Provided this decision as starting point of establishing an accounting system, one could argue that the term "objective" is defined in accounting terms as the protection of interests. Even though the IPSASB also declares that intergenerational equity is an important objective[clxi], the accounting system outlined in the framework is not set precisely enough in a way to reach this objective. In the IPSAS context, the anticipated users are resource providers and service recipients – in other words: (almost) everybody. Both groups describe conglomerations of users with highly controversial interests. As a matter of fact, it seems impossible to balance all of those different interests. "[I]t remains questionable as to whether it is really possible to identify and respond to common needs in GPFRs."[clxii] The IPSASB simply ignores this fact and assumes that information could be provided that is useful for multiple users. One may agree with Jones/Pendlebury who drew the general conclusion on frameworks that they "have offered no way to reconcile any expected differences"[clxiii]. In this sense, also the IPSAS-F lacks a clear decision which interests will have priority in case of a probable clash of interests. The reason is obvious and understandable from a private standard-setting body perspective: It is the intention of the IPSASB not to give any kind of hierarchy, so that the framework (and the standards) might be applied by entities with completely different multiple cultural as well as social environments and backgrounds.

However, this means that the content of the IPSAS-F also stay vague. According to the Hessian concept, a balance of interests of the current and future generations (of citizens) is right in the center of the accounting model. Objectives, hierarchy of interests (of implicit assumed users) and principles are given by the legislator. Interpretations are added by the courts of finance, scientists and prevailing commentaries. According to the Hessian concept, accounting also has a focus on distributional protection. In fact, by striving for a truly intergenerational equity, it is the "protection" of future generations (or even of the current generation in few years time[clxiv]) and the protection of financial sustainability of the public sector entity that has priority in Hesse. The stakeholder group of future generations is seen as endangered of being "robbed" by the present generation (of politicians) when deciding on further debts simply because the present generation might claim for an additional consumption of public services. In the end, the hierarchy of interests can only be given by the (national) legislators and the IPSAS-F is a kind of quarry that national legislator could make use of. However, if the latter decides on different hierarchies, the attempt of harmonising PSA stays on a shallow level. As a result, there would be no possibility to compare financial statements of Hesse, Navarra or Alabama, even if all of them had an IPSAS-compatible accounting system.[clxv] In this sense, it is not easy to compare the IPSAS-F with the elaborated Hessian conceptual basis. Due to missing decisions in controversial conceptual issues the IPSAS-F needs further decisions for practical implementation or guidance. And in the end there is the need for a definite decision by the legislator: "certain reports may simply respond to the information needs of specific users or classes of users, rather than really common information needs applicable to all users"[clxvi].

Next, there is also a different understanding of the **dimensions** that accounting should include. As a consequence of this, there are also **differences in the objectives** that both accounting systems want to reach: the provision of information for IPSAS versus intergenerational equity in the Hessian concept. On the one side, the IPSAS-F is solely focusing on information. According to the Anglo-Saxon belief, the provision of information is the only legitimate objective of accounting. However, it is possible to argue that this provision is not an objective for its own sake because there should be no circular argument. For instance, Moxter made clear that the provision of information is nothing unique of one particular accounting system but is common to all systems.[clxvii] Building up on his position, one might argue that defining the provision of information as objective is somehow meaningless.[clxviii] Also the IPSASB explained that "[f]inancial reporting is not an end in itself."[clxix] On the other side, the Hessian model considers the distributional effects that accounting automatically has or may have, in addition. From an Anglo-Saxon point of view, intergenerational equity should be regarded as a consequence of accounting but not as the starting point and facing distributional effects is considered a conflict to "neutrality" (a sub-principle of "faithful representation" in the IPSAS-F). In that context, it is interesting that the IPSASB noted in its framework that "to require information included in GPFRs to be neutral does not mean that it is not without purpose or that it will not influence behavior."[clxx]

Below the level of objectives is the level of **purposes** (the specification why and also how to reach the objectives). There are also differences in the understanding of the purposes of accounting. As mentioned before, the provision of information to external addressees is something that may be seen as connected with the "nature" of accounting.[clxxi] Accounting is the activity of editing the information provided by the bookkeeping system and presenting it to an addressee. So the accountability purpose is included in the definition of accounting. The private sector standard-setter IASB recently deleted the term **"stewardship"**[clxxii] in its framework and is now solely using the term **"accountability"** for describing such a purely informational purpose. This decision caused many controversial discussions and is still not supported by all European standard-setting bodies.[clxxiii] The IASB justified this step with "difficulties translating the term ‘stewardship’ into other languages”[clxxiv]. However, the concept of stewardship has a very characteristic meaning: it is the *mandatory* provision of information to the *owner* of an entity (who provided the equity). In other words, the reporting entity *owes* the information to the *capital providers*.[clxxv] “[I]nformation about stewardship is important for resource providers who have the ability to vote on, or otherwise influence, management’s actions.”[clxxvi] Contrary to that, accountability has a rather broad focus of a (partly voluntary) provision of information to several addressees. In addition, as the IASB states, accountability could be mistaken “to focus more on the needs of short-term (…) rather than on the needs of longer-term investors”[clxxvii]. This means that accountability and stewardship do not have the same meaning. The primary purpose of PSA in democracies should be the provision of information to the pseudo-owner (the citizens) and their representatives.[clxxviii] It is a matter of fact that the government or other reporting entity has to address the members of parliament or comparable elected institutions: “Most governments and other public sector entities operate within spending mandates and financial constraints established through the budgetary process. Monitoring implementation of the approved budget is the primary method by which the legislature exercises oversight, and citizens and their elected representatives hold the government’s management financially accountable.”[clxxix] As the IDW agrees on, the best term to describe this relation is “stewardship”: “The very word *stewardship* refers to the office, term or duties of a steward – one who is entrusted with the management of property, finances or other affairs not his or her own. By definition, stewards are *accountable* to owners, which means that they are liable to being called *to account* by those owners and are therefore responsible for an *accounting* to those owners. The provision of such an *accounting* goes beyond just the provision of information useful to users in relation to stewardship: it means that stewards must be in a position to support such information that they have provided to owners. This goes to the very heart of the meaning of *accountability* and *accounting*.”[clxxx] Therefore, in a framework for PSA, it is necessary to focus *primarily* on stewardship (which does not exclude other parts of accountability in a second step). The reason for this is that democratic control over revenue (mainly taxation) and expenditure (for the provision of public services) of a public sector entity via PSA (and its auditing) is a basic element of parliamentary sovereignty.[clxxxi] Therefore, also the Hessian concept is based on that elementary assumption and the roles and procedures given by law. Consequently, in Hesse one purpose of accounting is stewardship. By contrast, the IPSASB took over the controversial decision by the IASB. Therefore, the IPSAS-F does not mention the term stewardship at all but uses the more comprehensive term accountability instead, which is the logic consequence of the assumption of a multitude of users and possibilities of uses. The IPSASB declares: “The IPSASB is of the view that the legislature or similar governing body is *a* primary user of GPFRs in its capacity as a representative of service recipients and resource providers.”[clxxxii] However, it does not agree that “the public, citizens or legislature should be identified as *the* primary or most important users of GPFRs of public sector entities”[clxxxiii], because it does not want to exclude any other user group. To conclude, the IPSAS-F simply presents precisely, in a comprehensive way all possibilities and extensively describes all kind of relations in PSA. As it was explained before, taking a decision on priorities of particular user groups would be incompatible with the multicultural/-national nature[clxxxiv] of the IPSAS. In addition, following the multiple-purpose-and-user approach in the IPSAS-F is chosen not to restrict the more specific standards in any way. The IPSASB is aware of this target of possible critics: It “recognizes that it is unlikely that GPFRs will provide all the information that service recipients and resource providers need for accountability and decision-making purposes”[clxxxv] and therefore “accepts that, in developing IPSASs and RPGs, it will need to consider and, in some cases, balance the needs of different groups of primary users.”[clxxxvi] As a consequence, the balance of interests in the standards and guidelines is decided on a case-by-case basis. This definitely does not support the idea of an accounting system that is providing the degree of comparability, objectivity and coherence that is needed in a PSA system.

Apart from accountability, the IPSAS-F also defines another purpose for the provision of information, which is **“decision making”**. According to the Anglo-Saxon accounting tradition, **decision-usefulness** used to be the major qualitative criterion. As a consequence, there is also a special Anglo-Saxon interpretation of “decision-useful” information that is rather determined by the criterion of relevance instead of the criterion reliability. Following the needs of the capital markets, it is a kind of information that is rather prospective (and therefore necessarily subjective) than ex-post oriented (and more objective). However, there are also voices in the Anglo-Saxon world who “have argued the superiority of an accountability framework over a decision usefulness one in accounting”[clxxxvii]. Generally speaking, decision-making is common to the activities of planning, steering and control that are the basic functions of accounting and therefore also common to all accounting systems.[clxxxviii] In Hessian terms, the purpose of decision-making is specified by the steering of flows of financial resources. As a result, another difference in the two PSA concepts is the understanding and usage of the accounting dimensions. The steering of flows of financial resources in Hesse is contrary to the Anglo-America idea of “neutrality”, which is defined as “absence of bias“[clxxxix]. This neutrality-argument is quite catching in public discussions because “bias” is seen as something negative in itself. The IPSASB expresses that financial reporting should not been presented “with the intention of attaining a particular predetermined result”[cxc]. In contrast, according to the Hessian concept, it is seen as necessary to intentionally steer monetary flows in order to reach the protective objectives of PSA. Consequently, applying the **principle of conservatism** could be negatively understood as “bias” by the Anglo-Saxons. Contrary to that, from a traditional Continental European point of view, it is seen as something positive, even a strength of the own PSA concept, in order to reach financial stability and sustainability.[cxci]

The hierarchy of interests that was explained above has to be considered separately from the determination of anticipated users of accounting information. For understanding the differences between both PSA concepts, it is also important to understand that there might be a **difference between the terms “user” and “stakeholder”**.[cxcii] On the one side, if accounting has a distributional impact on a person but this individual is not using the financial reports anyway, we are talking about a stakeholder, not a user. On the other side, a person could use financial reports without being (personally) influenced by them. This person is a user, not a stakeholder. Usually, there will be an overlap between the user and the stakeholder category. The IPSASB exclusively uses the user term. By contrast, the Hessian concept uses both terms by implicitly differentiating between stakeholders (current and future generations of citizens) and anticipated users. According to Hessian law, it is assumed that mainly the budgetary legislator in its role as representative of current and future citizens, and public sector auditors are using PSA information. This means that the Hessian accounting system is adapted to the stakeholder needs and their dominating interests, even though it is used by a different group of users. The primary user, the (budgetary) legislator, has to balance the interests of the generations. The primary stakeholders who are in fact protected by the PSA system in Hesse are the future generations of citizens. In addition, the conceptual difference in the terms used (stakeholder vs. user) is connected with an opposite understanding of the dimensions of accounting. If a standard-setter supports the idea that accounting has solely an informational dimension, then there should be no difference between “user” and “stakeholder”. However, if it is accepted that accounting also has the function to steer monetary streams, the two terms must deviate in their meaning.

There is also a clear difference concerning the classification of the **accounting principles** and the order of their application:

a) Even though both PSA concepts claim that they want to reach **objectivity** in financial reporting, there are differences in the definition of this principle. On the IPSAS side, there is no hierarchy and only "relative importance" is attached to all qualitative characteristics. Their value is considered case-by-case. It is mentioned in the IPSAS-F that professional judgement is needed for deciding on that "trade-off": "[T]he extent to which the qualitative characteristics can be achieved may differ depending on the degree of uncertainty and subjective assessment or opinion involved in compiling the financial and non-financial information."[cxciii] However, this means that there is no constant application of the characteristics and accounting problems are not solved based on objective assessments. Also Anglo-Saxon accounting strives after "objectivity" in the financial reports. However, it is seen as reachable only by subjective assessments there. To sum up, literally there is no "meta rule" but a dominant sense of subjectivity in the IPSAS-F. However, one has to take into consideration that also parts of the Anglo-Saxon accounting literature agree on the position that faithful representation and relevance are dominant characteristics, as the consultation on the IPSAS-F showed.[cxciv] On the Hessian side, the conservatism principle and reliability (via objectivity in the decision about recognition and measurement in financial statements) are the superior, "material" principles that strongly influence the entire Hessian accounting system. These "meta rules" convert the abstract objectives and purposes into real accounting practices. They are further elaborated by the principles of realisation and imparity. According to Moxter, there is a constant consideration of conservatism and objectivity. Most often, the results of their application has the same effect. However, in case of a conflict, the conservatism principle prevails.[cxcv] From an international point of view, Moxter/Engel-Ciric described that conservatism is on retreat.[cxcvi] During a discussion about the development of a draft EPSAS-F the author experienced himself that some proponents of the IPSAS-F argued that it contains all necessary principles and concepts. It was said that one should not introduce a new concept called "conservatism" in the discussion. The author cannot see that there is something new about the conservatism principle that cannot be found in well-known undergraduate Anglo-Saxon accounting text books. There is a longstanding conservative accounting tradition, theory and experience in continental European countries. The Hessian PSA concept, which is derived from the German ComC, is based on this tradition.

b) The **other "qualitative characteristics"** (understandability, timeliness, comparability, verifiability) are common to all kind of accounting systems. Thus, they are not unique for IPSAS and therefore do not play a significant role for the material orientation of the IPSAS-F. The qualitative characteristics that are classified as "non-material" can also be found in ComC-based accounting literature.[cxcvii]

Furthermore, there are three considerations that both accounting concepts have in common. Both the Hessian conceptual as well as the IPSAS-F models are based on accrual accounting. In addition, both are aware of the **restriction in the kind of information** that ex post oriented accounting can provide. So there is a realistic assessment agreed by both concepts that the focus of financial statements has to be on historic accounting information. Non-financial and prospective information should be addressed in the attachments. Another common item is that – compared to e.g. US-GAAP – both IPSAS and the Hessian model is **principled based**. Due to the strong overriding function of the conservatism principle, the Hessian model has to be regarded as stronger principled based. The reason for this assessment is that within the IPSAS-F there are expressions such as "information should be *as* complete, neutral, and free from error *as is possible*"[cxcviii] or "*best available* information"[cxcix]. From a positive point of view, one could argue that these terms show that the IPSASB has a realistic perspective. However, from a negative point of view, expressions like these also show two weaknesses of the IPSAS-F: 1. its informational-oriented, qualitative characteristics are hard to prove or audit; 2. its subordinate position. But a conceptual work should express definite, binding and ultimate positions. Therefore, one should not expect that the IPSAS-F will contribute to reliability and objectivity. If requirements are qualified and non-binding, it is the responsibility of the preparers to decide on the extent that they are willing to meet these requirements. Frameworks "are all statements of the policymakers about what financial statements *ought* to be. In contrast, the associated accounting standards are statements about what *is*, in the hope that the standards will be fully complied with in practice"[cc]. Consequently, it seems fair to say that the IPSAS-F is no exception from this rule.

Table 1 presents an overview of the conceptual differences found.

Topics of difference	IPSAS-F	ComC-based Hessian conceptual model
Governance	Set by private standard-setting body (legitimacy via application of a broad-based consultation process)	Set by ComC legislator; analogous application of the ComC; public sector driven adaptations by Hessian Ministry of Finance and Hessian Court of Auditors
Accounting tradition	Anglo-Saxon	Continental European
Significance of the conceptual basis	Non-binding – neither for standard-setting bodies nor for preparers	Binding for preparers – overriding of individual rules
Hierarchy of stakeholder interests	No hierarchy given	Priority of the interests of future generations (of citizens) in order to reach the objective
Objectives	Providing information that is useful for multiple users	Intergenerational equity ("protection" of future generations and ensuring financial sustainability and stability of the reporting entity)
Dimension of steering	Information	Information and distributional effects of financial resources
Kind of information	Priority: financial information; in addition: non-financial and prospective information	Financial information – purely ex-post oriented and objective; in attachments: additional non-financial and subjective information; ("uncoupling-proposition")
Purposes	Decision making and accountability	Stewardship and steering of flows of financial resources
Anticipated users of accounting information	Resource providers and service recipients	By law, priority of the budgetary legislator (in its role as representative of citizens); not excluding other users, especially interested citizens
Principles-/rules based	Rather principles-based (but achievement depends on subjective assessment of preparers)	Strongly principles-based
"Material" principles ("meta rule")	In letter: none (equal value of all characteristics); however, in fact: faithful representation and relevance	Conservatism principle / reliability
Additional/Sub-Principles	Qualitative characteristics (understandability, timeliness, comparability, verifiability)	Objectivity, realisation and imparity principle; in addition: qualitative characteristics

Table 1: Overview of the conceptual differences between the IPSAS-F and the Hessian conceptual model

Source: Own table.

The IPSAS-F provides an extended list of information that is assumed to be needed and therefore required by the stipulated users (such as information about non-financial sustainability, service delivery achievements, the meeting of operating objectives etc.).[cci] Information about financial position, financial performance, and cash flows[ccii] mirror the three elements of financial statements. However, needs for explanatory, prospective and non-financial information[cciii] cannot be satisfied by ex-post-oriented financial statements. Moreover, according to the characteristics of German accounting theory (see section 3.3), it is even impossible (the adjective that is traditionally used for striving for incompatible tasks in accounting is "unscientific"[cciv]) to serve these three informational needs equally at the same time.[ccv] One conceptual idea to solve these problems and that both analysed accounting concepts have in common is what is called the **"uncoupling-proposition"** in Germany (see section 3.3). The IPSASB and the German legislator (in the position as ComC standard-setter) are both aware that the kind of information that could be provided by public sector financial statements is primarily retrospective/ex-post oriented.[ccvi] Therefore, both argue for reporting additional information in the notes or other instruments of reporting.[ccvii] For these additional elements of public sector reporting, the IPSASB is developing so called "Recommended Practice Guidelines (RPGs)"[ccviii]. The IPSAS-F also applies as basis for the RPGs[ccix]. The IDW suggested that "non-financial information (…) ought to be subject to separate reporting"[ccx], too. Moxter even argued for a second balance sheet containing elements, that would be considered as not "objective" and "reliable" (such as the reporting of self-generated intangible assets) in both the IPSAS and the ComC based Hessian State financial statements.[ccxi] The IPSASB admits that even then there might be information that is not provided in financial reports but needed by users[ccxii] and that these therefore have to be received "from other sources"[ccxiii].

In short, one might say that there is neither a hierarchy of interests nor a hierarchy of principles in the IPSAS-F. It "contain[s] contradictory objectives and qualitative characteristics as well as conflicting general concepts and principles"[ccxiv]. From a positive point of view, this makes the framework a work that is open to be applied in different socio-economic-cultural environments. From a negative point of view, however, one might say that the concept lacks important determinations that would be needed when transferring the abstract concept into real accounting terms. Therefore, it is also not easy to criticise the IPSAS-F. If these important conceptual points are open to the decision of national preparers, we might end up with a situation where harmonisation is nothing else than hollow words. There is a high probability that the result of current efforts on harmonisation is a world where every public sector entity applies some kind of IPSAS but in fact national or regional differences make it impossible to easily understand, compare or consolidate the accounting data of different entities. If this is the case, one would have to raise the question of cost and benefit. Both international conceptual frameworks by IPSASB and IASB do not contain conservatism because from their point of view it is seen as something negative, something that leads to a misrepresentation in the reports. The opposite is the case for the Hessian concept. At the time when Hesse implemented accrual accounting, there was a need to answer basic accounting questions and therefore it was a matter of necessity also to make decisions on conceptual issues. One of these decisions was to agree on conservatism in PSA. In ComC-based PSA-systems, conservatism is regarded as something positive and even necessary to achieve the objectives of PSA. The bias that indisputably exists and that is always criticised by the Anglo-Saxons is explicitly intended because it opens the way to protect future generations and to maintain the financial stability/sustainability of the reporting entity.

5. Conclusion and suggestions

To sum up, the differences and discussions about conceptual issues in PSA follow the well-known paths that one might remember from harmonising private sector accounting in the EU in the 1980s and again from standardising the capital-market oriented parts of private sector accounting around the year 2000. However, there is one important difference compared with the situation in the past. When you have a look at the 1989 framework of the International Accounting Standards Committee (IASC), which is the previous version of the current IASB-F, the difference and development is obvious. The authors of this former framework laid stress to some extent on prudence and reliability. Moxter/Engel-Ciric assume "that at that time one could not agree on a less indefinite statement, because some persons involved were still part of an accounting world where 'conservatism' was regarded as self-evident"[ccxv]. The other controversies are partly the same as today, now we are discussing reforming PSA in the EU. In that sense it seems that history repeats. Since IPSAS are IFRS based and the Hessian model is based on the ComC, many arguments that were exchanged in that past discussion about the harmonisation and standardisation of private sector accounting via the accounting directives or the IAS-regulation are valid also today, in the discussion about EPSAS. However, this does not mean that the answers are necessarily the same, because the stakeholders involved and the interactions between them are different in the public sector.[ccxvi] There is a good point in saying that some public sector entities, such as a federal state or a big city, are comparable to corporations in terms of the balance sheet total, the number of employees etc. However, there are also major differences that result from the necessity to fully align PSA to the needs of a public sector entity. In the public sector, there are different stakeholders and users of accounting and different processes of using accounting information. In addition, there are also small and medium public sector entities and due to good reasons there is still no mandatory, IFRS-based, harmonised private sector accounting for small and medium-sized entities in the EU. As a consequence, it is also necessary to consider what small and medium-sized entities in the public sector could accomplish, also avoiding the risk of overextending them.

Pallot stated concerning the theoretical framework for PSA: "Logically, it is possible to create as many different classifications for a universe of elements as there are criteria for distinguishing among their traits. The potential arbitrariness is constrained and guided by two factors: underlying world view or assumptions and the practical purpose to which the classification is to be put."[ccxvii] This means that there is also not only one possible solution to accounting problems. Depending on the traditions, assumptions and objectives/purposes strived for, accounting and its underlying conceptual model necessarily looks different. It is important to get into a thorough but open-minded, fair and unbiased discussion[ccxviii] about conceptual considerations before a decision is made on the future direction of PSA in Europe. This also includes the integration of experiences made with the usefulness of the usefulness concept, the need of conservatism and reliability in PSA and the primary purpose of stewardship in the sense of "democratic control over the use of funds"[ccxix].[ccxx] From a German perspective, it seems that the proponents of conservative accounting participate more actively in the discussion than they used to do in "the last round".[ccxxi] It would be a bad advice to speed up in standard-setting efforts, not having these essential conceptual discussions. The IPSAS-F is a good point to start these discussions from.[ccxxii] However, due to missing hierarchies, lacks of decisions and simply ignored or deleted concepts and approaches that are relevant especially to constituents with a continental European accounting background, it cannot be more than that. At the end of a reform that aims at harmonising PSA in Europe, there should be truly "complete, reliable and comparable"[ccxxiii] information – otherwise it would be wiser not to start at all.

A sound knowledge about conceptual issues is highly relevant in terms of understanding the background of the current discussion. Even though the idea of developing frameworks is traditionally connected with the Anglo-Saxon accounting tradition, it is possible to express the conceptual ideas of continental Europe also in such a document. For the current discussion it is therefore tempting to develop an alternative PSA framework expressing ideas such as stewardship, conservatism, reliability and objectivity in order to facilitate the necessary comparison with the IPSAS-F that was started in this paper. Jones/Pendlebury pointed to the fact that "[a]lthough their purpose was to provide a constitution for individual standards", frameworks "were increasingly developed *after* a set of accounting standards"[ccxxiv]. Let us see if, provided that the European legislators agree to harmonise European PSA, EPSAS can do better?

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Notes

* The author expresses his personal view in the paper. The comments of conference participants at the 15th Biennial CIGAR Conference at the University of Malta in 2015 are gratefully acknowledged.

[i] Cf. European Commission (2013), p. 9.

[ii] The federal state of Hesse is located in the center of Germany. Major cities are Wiesbaden [capital], Frankfurt (Main), Kassel and Darmstadt. According to the Hessian statistical office, the state has a size of about 21.115 km^2 and 6.1 million inhabitants (cf. www.statistik-hessen.de/themenauswahl/bevoelkerung-gebiet/landesdaten/bevoelkerung-allgemein/flaeche-bevoelkerung-und-bevoelkerungsdichte/index.html). The Hessian GDP is 250.494 million Euro (as of 2014, according to the European System of National and Regional Accounts 2010; cf. http://www.vgrdl.de/VGRdL/tbls/tab.asp?rev=RV2014&tbl=tab01&lang=de-DE). According to the German Federal Ministry of Finance, Hesse is one of currently four federal states that are contributors in the federal financial equalisation system. This system is redistributing financial resources with the aim to provide all German "Länder" with an appropriate level of funding (about 1.755 million € in 2014 by Hesse; cf. http://www.bundesfinanzministerium.de/Content/DE/Standardartikel/Themen/Oeffentliche_Finanzen/Foederale_Finanzbeziehungen/Laenderfinanzausgleich/Vorlaeufige-Abrechnung-Laenderfinanzausgleich-2014.pdf?__blob=publicationFile&v=1).

[iii] Cf. Lüder (2013b), p. 240; for the term "in-depth-studies" see p. 296. The paper was also translated in English and presented at the 14th CIGAR Conference 2013 in Birmingham, cf. Lüder (2013a).

[iv] Jones/Pendlebury (2010), p. 124.

[v] Cf. IASB (2013).

[vi] Cf. IASB (2015).

[vii] Cf. Nowak/Ranscht-Ostwald/Schmitz (2012), p. 47, mn. 148 with a list of references.

[viii] The IPSASB pronounced in its 2014 handbook that "the IASB's Conceptual Framework for Financial Reporting is a relevant reference for users of IPSASs" (IFAC-IPSASB (2014a), p. 21, Preface, para. 14, s. 1).

[ix] Cf. European Commission (2013), p. 8. The EPSAS-initiative of the Commission is based on Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States (cf. Council of the European Union (2011)), Art. 16, para. 3.

[x] IPSAS-F, chapter 2, para. 2.29, s. 2. Also see IPSAS-F, BC2.18, s. 1.

[xi] IPSAS-F, chapter 2, para. 2.30, s. 1 and IPSAS-F, BC2.25, s. 2.

[xii] IPSAS-F, BC2.25, s. 2.

[xiii] IPSAS-F, chapter 2, para. 2.29, s. 3. Also see IPSAS-F, BC2.22, s. 2.

[xiv] Cf. IPSAS-F, BC2.17, s. 2.

[xv] IPSAS-F, BC2.22, s. 3. The IPSASB confirms that there were concerns during the IPSAS-F ED consultation process saying that its focus might be too broad. Cf. IPSAS-F, BC2.25, s. 1.

[xvi] Cf. IPSAS-F, Preface, para. 1.

[xvii] IPSAS-F, chapter 1, BC1.1, s. 1.

[xviii] Cf. IPSAS-F, chapter 1, para. 1.2, s. 1.

[xix] IPSAS-F, chapter 1, para. 1.2, s. 1.

[xx] Cf. IPSAS-F, chapter 1, BC1.1, s. 1.

[xxi] IPSAS-F, chapter 1, para. 1.3, s. 1.

[xxii] Cf. IPSAS-F, chapter 2, para. 2.1.

[xxiii] IPSAS-F, chapter 2, para. 2.2, s. 3.

[xxiv] Cf. IPSAS-F, chapter 2, para. 2.3, s. 2, para. 2.8, s. 1. Also see ibid., BC2.4, s. 3, point 1 (for accountability) and chapter 2, para. 2.9, s. 1 (for decision-making). The “service recipients” are further described as “those that depend on them to use those resources to deliver necessary services” (ibid., chapter 2, para. 2.3, s. 2). IPSAS-F, BC2.9, s. 2 et seq. gives examples of both groups: citizens = service recipients; donors, lenders = resource providers.

[xxv] Cf. IPSAS-F, BC2.9, s. 2 et seq.

[xxvi] Kübler expressed it in a similar way. He says that there is a difference in the understanding of what creditors are able to do: According to the ComC there is the assumption that creditors need paternalistic protection by the state. However, the Anglo-American idea is that creditors are able to make rational decisions in order to protect themselves if they are enabled via the provision of precise information. Cf. Kübler (1995), p. 365.

[xxvii] IPSAS-F, chapter 1, para. 1.4, s. 2. Cf. also IPSAS-F, chapter 2, para. 2.4, s. 1.

[xxviii] IPSAS-F, chapter 2, para. 2.4, s. 2 (also literal quotation). There, also an example of a common representative for both groups is given: “[t]he legislature (or similar body) and members of parliament (or a similar representative body)” (ibid.).

[xxix] IPSAS-F, chapter 2, para. 2.4, s. 3. Cf. also IPSAS-F, BC2.9, s. 1.

[xxx] Cf. IPSAS-F, chapter 2, para. 2.2, s. 2.

[xxxi] Cf. IPSAS-F, chapter 2, para. 2.1. Cf. also IPSAS-F, preface, para. 2, s. 3 and IPSAS-F, BC2.14, s. 3 (for the statement of purposes without the connection to usefulness).

[xxxii] Cf. IPSAS-F, chapter 2, para. 2.10, s. 1.

[xxxiii] IPSAS-F, BC2.16, s. 2.

[xxxiv] IFAC-IPSASB (2014a), p. 119, IPSAS 1, appendix A (Qualitative Characteristics of Financial Reporting).

[xxxv] Cf. IPSAS-F, chapter 3, para. 3.1, s. 2 (also literal quotation).

[xxxvi] IPSAS-F, chapter 3, para. 3.2.

[xxxvii] Cf. IPSAS-F, BC3.28, s.3, point 2, s. 3 (also literal quotation).

[xxxviii] Cf. IPSAS-F, BC3.28, s.3, point 2, s. 3 (also literal quotation).

[xxxix] IPSAS-F, chapter 3, para. 3.4, s. 2 (both quotations above).

[xl] Cf. IPSAS-F, chapter 3, para. 3.42, s. 2 (also both quotations above). Also see IPSAS-F, BC3.28, s.3, point 2, s. 2.

[xli] Cf. IPSAS-F, BC3.28, s.3, point 2, s. 3.

[xlii] IPSAS-F, chapter 3, para. 3.42, s. 3 (also literal quotation).

[xliii] Cf. IPSAS-F, chapter 3, para. 3.41, s. 1 and IPSAS-F, BC3.28, s.3, point 2, s. 1.

[xliv] Cf. IPSAS-F, chapter 3, para. 3.5, s. 1.

[xlv] IPSAS-F, BC3.27, s. 1 (both quotations).

[xlvi] Cf. IPSAS-F, BC3.27, s. 2.

[xlvii] IPSAS-F, chapter 3, para. 3.6, s. 1 or IPSAS-F, BC3.7, s. 1.

[xlviii] Cf. IPSAS-F, chapter 3, para. 3.6, s. 2.

[xlix] IPSAS-F, chapter 3, para. 3.7, s. 1.

[l] Cf. IPSAS-F, chapter 3, para. 3.8, s. 1 and s. 3 in combination with IPSAS-F, BC3.7, s. 1

[li] Cf. IPSAS-F, chapter 3, para. 3.12, s. 1.

[lii] IPSAS-F, chapter 3, para. 3.13 (both quotations). In addition, it is said in ibid., para. 3.14, s. 1: “Neutral information faithfully represents the economic and other phenomena that it purports to represent.”

[liii] Cf. IPSAS-F, chapter 3, para. 3.16, s. 2.

[liv] Cf. IPSAS-F, chapter 3, para. 3.10, s. 2.

[lv] Cf. IPSAS-F, chapter 3, para. 3.10, s. 3.

[lvi] Cf. IPSAS-F, BC3.9 (literal quotations in s. 2).

[lvii] Cf. IPSAS-F, BC3.6; both literal quotations above in s. 2.
[lviii] Cf. German Federal Law Gazette I 1997, S. 3251. Also see Engels/Eibelshäuser (2010), pp. 25-26, mn. 29.
[lix] Cf. para. 33a HGrG (former version, from 1997). Also see Eibelshäuser (2006), p. 618 and Breidert/Rüdinger (2008), p. 32.
[lx] The other innovators are the city states of Hamburg (opening balance sheet in 2006) and Bremen (opening balance sheet in 2010). Cf. Engels/Eibelshäuser (2010), pp. 28-35, mn. 32-38 and Nowak/Ranscht-Ostwald/Schmitz (2012), pp. 72-73, mn. 242-246.
[lxi] Cf. para. 71a, s. 1 LHO HE.
[lxii] Cf. para. 71a, s. 2 LHO HE. As a consequence, the role of the Court of Auditors of Hesse was to contribute its knowledge by remarks and requests for change so that by the end of the development the legal requirements were fulfilled.
[lxiii] For a description of the Hessian specific process cf. Breidert (2013), pp. 73-74. For more details about the auditing of the annual accounts, cf. Nowak/Ranscht-Ostwald/Schmitz (2012), p. 26, mn. 92.
[lxiv] Cf. Nowak (2013), p. 372.
[lxv] At 14 July 1998 the decision of the Hessian government to introduce accrual accounting was made; at 2 June 1999 then came the decision for a whole-of-government implementation by the year 2008.
[lxvi] At 20 November 2009 the consolidated opening balance sheet of the state of Hessen was presented, based on the data from 1 January 2009. Then, at 2 November 2010 the first consolidated financial statements as at 31 December 2009 were published. Cf. Breidert (2013), p. 76.
[lxvii] Cf. para. 1a (1), s. 1 HGrG.
[lxviii] Cf. para. 49b HGrG. Also see Nowak/Ranscht-Ostwald/Schmitz (2012), p. 22, mn. 79.
[lxix] Cf. para 7a (1), s. 1 HGrG. Also see Breidert (2013), p. 77.
[lxx] Cf. Eibelshäuser/Rüdinger (2011), pp. 28-35, mn. 8-24.
[lxxi] Cf. Deutscher Bundestag (2009), BT-Drucksache 16/12060, S. 20, Begründung, B. Besonderer Teil, zu Nummer 4 (§ 7a – neu – HGrG) (also literal translation).
[lxxii] Cf. para. 7a (2), HGrG. Also see Eibelshäuser/Rüdinger (2011), pp. 35-43, mn. 25-42.
[lxxiii] The basic regulations of this committee are given in para. 49a (1) HGrG. Cf. Eibelshäuser/Rüdinger (2011), pp. 43-47, mn. 43-51.
[lxxiv] Cf. Stöhr (2014), p. 54 and p. 61.
[lxxv] Cf. Breidert (2013), p. 80. On ibid., pp. 78-79 there are more details about the work of the SSD committee.
[lxxvi] Cf. Kämpfer/Breidert (2004), p. S121-S122, Eibelshäuser (2006), p. 623, Breidert/Rüdinger (2008), pp. 33-35, and Engels/Eibelshäuser (2010), p. 124, mn. 17.
[lxxvii] Lüder (2008), p. 534, mn. 47.
[lxxviii] Lüder (2008), p. 534, mn. 47 and Lüder (2013b), p. 240.
[lxxix] Cf. Wüstemann/Wüstemann (2010), p. 7.
[lxxx] Cf. Nowak/Ranscht-Ostwald/Schmitz (2012), p. 31, mn. 108.
[lxxxi] Cf. e.g. Moxter (1995a) or Hüther (2014), p. 6. Hüther states that long-term orientation and stability are characteristic attributes for the German economic culture. According to his opinion, conservatism in accounting (he mentions the lower-of-cost-or-market-price principle which is a sub-principle of conservatism) is an element of this culture.
[lxxxii] Cf. Wüstemann/Wüstemann (2010), p. 21.
[lxxxiii] Wüstemann/Wüstemann (2010), p. 16.
[lxxxiv] Cf. Engels/Eibelshäuser (2010), pp. 124-125, part 3, mn. 15-16 and Eibelshäuser/Nowak (2011), p. 19, mn. 15-16.
[lxxxv] Cf. Moxter (1993), p. 76.
[lxxxvi] Cf. Glöckner (2014), pp. 376-401.
[lxxxvii] Moxter describes the development of ComC, especially focusing on those accounting theories that had the status of paradigms, in Moxter (1993), pp. 64-79.
[lxxxviii] Cf. Moxter (1993), pp. 82-83, Moxter (2003), pp. 9-13, and Moxter (2013), p. 306.
[lxxxix] Cf. WGSG (1995), p. 97.
[xc] Cf. Glöckner (2014), pp. 176-180.
[xci] Cf. Kübler (1995), p. 364.
[xcii] Cf. WGSG (1995), pp. 95-97.
[xciii] WGSG (1995), p. 97 (both quotations above).
[xciv] Cf. Moxter (1993), p. 73.
[xcv] Cf. Kübler (1995), p. 369 (also literal quotation).
[xcvi] Cf. Moxter (1993), p. 76.
[xcvii] Cf. Moxter (2003), pp. 19-219 and Ballwieser (2009), pp. 7-20, mn. 17-72.
[xcviii] Cf. Moxter (2003), pp. 219-336 and Ballwieser (2009), pp. 20-22, mn. 73-83. E.g. there is the user-orientation and decision-usefulness-approach (mn. 73), the principle of neutrality and the explicit *insignificance* of conservatism for the reason of a provision of additional information (mn. 75), but also – just like in the set of measurement-income GAAP – the reliability principle (mn. 81).
[xcix] Cf. WGSG (1995), pp. 95-97.
[c] Alexander/Nobes (2010), p. 42.
[ci] Basu (1997), p. 4. Also see WGSG (1995), p. 96 and Riahi-Belkaoui (2004), pp. 226-227.

[cii] Cf. Kübler (1995), p. 365.
[ciii] Cf. Moxter (1984), pp. 156-159.
[civ] Cf. Moxter (1993), p. 76 and WGSG (1995), p. 95.
[cv] Cf. Moxter (1995b), pp. 426-428. Also see Moxter (1995a), p. 40, thesis 3 and Moxter (2009), p. 10.
[cvi] Cf. Moxter (1995a), p. 40, thesis 4. In this context Moxter speaks about – literally translated – "healing" the information deficits in the financial statements that exist due to the application of conservatism. Cf. Moxter (1995b), p. 429, thesis 3.
[cvii] Cf. Moxter (1993), p. 78 and Moxter (2009), p. 10.
[cviii] Cf. Moxter (2009), p. 8.
[cix] Cf. Ballwieser (2009), pp. 8-9, mn. 25-29. Also see Kübler (1995), p. 363 and Moxter (2003), pp. 33-39.
[cx] Cf. Ballwieser (2009), pp. 9-13, mn. 30-42. Also see Moxter (2003), pp. 41-54.
[cxi] Cf. Ballwieser (2009), pp. 13-14, mn. 43-47. Also see Moxter (2003), pp. 55-61.
[cxii] Cf. Moxter (2003), p. 16 and Ballwieser (2009), pp. 14-15, mn. 48-50.
[cxiii] Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.
[cxiv] In Deutscher Bundestag (2008), p. 34, 3. a) it is mentioned that the BilMoG is the reaction of informational requirements by capital markets.
[cxv] Federal Ministry of Justice (2008) (both literal quotations above). In Deutscher Bundestag (2008), p. 34, 3. a) it is explained as „raising of the level of information".
[cxvi] Deutscher Bundestag (2008), p. 34, 3. a).
[cxvii] Cf. Deutscher Bundestag (2008), p. 1, B. Lösung.
[cxviii] Cf. Deutscher Bundestag (2008), p. 1 and pp. 32-34. See also Federal Ministry of Justice (2008).
[cxix] Cf. Federal Ministry of Justice (2008).
[cxx] Cf. Deutscher Bundestag (2008), p. 1, A. Problem und Ziel and ibid, p. 34, 3. a). Also see Federal Ministry of Justice (2008) and for a more detailed analysis of the effects that the BilMoG had on public sector accrual accounting see Glöckner (2009), pp. 10 et seq.
[cxxi] Cf. Baetge/Kirsch/Solmecke (2009), pp. 1221-1222.
[cxxii] Moxter (2013), p. 305 (literal translation, italic print by author).
[cxxiii] Cf. Nowak/Ranscht-Ostwald/Schmitz (2012), p. 27, mn. 94, Wüstemann/Wüstemann (2013), pp. 592-593.
[cxxiv] Eibelshäuser (2006), p. 618 (translation from German). Remark: in that context, public administration is to be understood as public sector.
[cxxv] This is also the argument why the IPSASB is still running the convergence-programme with the IASB.
[cxxvi] For more detailed information about the Hessian concept cf. the description of the section about the "Frankfurt school of PSA" in Glöckner (2014), pp. 457-463.
[cxxvii] Cf. Eibelshäuser (2006), p. 620 and Breidert/Rüdinger (2008), p. 34.
[cxxviii] Cf. Eibelshäuser (2006), p. 620, Breidert/Rüdinger (2008), p. 34, Engels/Eibelshäuser (2010), p. 124, part 3, mn. 13, and Nowak (2013), p. 370.
[cxxix] Cf. Wüstemann/Wüstemann (2013), p. 583.
[cxxx] Cf. Eibelshäuser (2006), p. 619, Breidert/Rüdinger (2008), pp. 33-34, Engels/Eibelshäuser (2010), p. 63-64, part 2, mn. 26-27, Eibelshäuser/Nowak (2011), p. 18, mn. 13.
[cxxxi] Cf. Moxter (2013), pp. 307-308.
[cxxxii] Wüstemann/Wüstemann refer to it as the steering of the economy and the fiscal policy and state that there is a tight connection with the sustainability of public sector finance. Cf. Wüstemann/Wüstemann (2013), p. 583.
[cxxxiii] Cf. Eibelshäuser (2006), pp. 619-620, Breidert/Rüdinger (2008), pp. 33-35.
[cxxxiv] Cf. Eibelshäuser (2006), p. 620, Breidert/Rüdinger (2008), pp. 34-35, Nowak/Ranscht-Ostwald/Schmitz (2012), p. 28, mn. 96.
[cxxxv] Cf. Eibelshäuser (2006), p. 619 and Breidert/Rüdinger (2008), p. 33.
[cxxxvi] Cf. Wüstemann/Wüstemann (2013), pp. 584-585.
[cxxxvii] Cf. Engels/Eibelshäuser (2010), p. 96, part 2, mn. 78-80 and p. 101, part 2, mn. 90.
[cxxxviii] Cf. Eibelshäuser (2006), pp. 619-620, Breidert/Rüdinger (2008), p. 34.
[cxxxix] Cf. Nowak/Ranscht-Ostwald/Schmitz (2012), p. 70, mn. 235 and Nowak (2013), p. 377.
[cxl] Cf. Moxter (2013), p. 308.
[cxli] Cf. Moxter (2013), p. 305 and Moxter/Engel-Ciric (2014), p. 489.
[cxlii] Cf. Moxter (2013), p. 308. See also Nowak/Ranscht-Ostwald/Schmitz (2012), pp. 27-28, mn. 95 and mn. 97. For the objectivity principle also see Engels/Eibelshäuser (2010), p. 127, part 3, mn. 22 and Nowak (2013), pp. 377-378.
[cxliii] Cf. Moxter (2013), p. 307.
[cxliv] Cf. Glöckner (2014), pp. 331-337. An explanation of the difference between the term "True and Fair View" (used in the United Kingdom) and "Fair Presentation" (used in the United States) is given in Alexander/Archer (2000), pp. 545-549.
[cxlv] Cf. Kämpfer/Breidert (2004), p. S129, Eibelshäuser (2006), pp. 622-623, Engels/Eibelshäuser (2010), p. 127, part 3, mn. 20-21.
[cxlvi] Cf. Moxter (2013), p. 307.
[cxlvii] Cf. Nowak/Ranscht-Ostwald/Schmitz (2012), pp. 29-30, mn. 101.

[cxlviii] Cf. Eibelshäuser (2006), pp. 620-621 (literal quotation on p. 620).
[cxlix] Cf. Eibelshäuser (2006), pp. 620-621 and Moxter (2013), p. 309.
[cl] Cf. Moxter (2013), p. 305. Also see Moxter/Engel-Ciric (2014), p. 490.
[cli] Deutscher Bundestag (2008), p. 35, 4. a).
[clii] Cf. Alexander/Archer (2000), pp. 539-557.
[cliii] Alexander/Archer (2000), p. 543.
[cliv] Cf. Jones/Pendlebury (2010), p. 125.
[clv] IDW (2011), p. 3.
[clvi] EFRAG, ANC, ASCG, OIC, and FRC (2013c), p. 7, para. 12, s. 2.
[clvii] EFRAG, ANC, ASCG, OIC, and FRC (2013c), p. 7, para. 13, s. 1 and s. 3.
[clviii] Cf. IDW (2011), p. 3: “their information needs are likely to be diverse”.
[clix] Cf. Glöckner (2014), pp. 176-180.
[clx] Cf. Wagenhofer/Ewert (2007), p. 78.
[clxi] Cf. IPSAS-F, preface, para. 2, s. 4, point 3 and BC2.18, s. 2, point 2, s. 2.
[clxii] IDW (2011), p. 3.
[clxiii] Jones/Pendlebury (2010), p. 124.
[clxiv] Cf. Gröpl (2001), p. 459.
[clxv] Based on a comparison used by Moxter (2013), p. 301.
[clxvi] IDW (2011), p. 4.
[clxvii] Cf. Moxter (2009), p. 8.
[clxviii] Cf. Glöckner (2014), p. 360.
[clxix] IPSAS-F, chapter 2, para. 2.2, s. 1.
[clxx] IPSAS-F, chapter 3, para. 3.14, s. 2.
[clxxi] Cf. Moxter (2009), p. 8 (also literal quotation).
[clxxii] E.g. used in IASC (1989), p. 13, para. 14, s. 2.
[clxxiii] E.g. EFRAG and the FRC think that "accountability/stewardship" is one out of two self-standing (primary) objectives. For the ANC it is the only (primary) objective and the ASCG/the OIC support the decisions made by IASB (cf. EFRAG, ANC, ASCG, OIC, and FRC (2013a), p. 10, para. 31).
[clxxiv] IASB (2013), p. 182, para. 9.9.
[clxxv] IDW (2007), p. 11-12, para. 27: “stewardship is concerned with the *accountability* of management or those charged with governance of an entity to its owners, which is at the heart of the financial reporting *process* in many jurisdictions”
[clxxvi] IASB (2013), p. 182, para. 9.8, s. 2.
[clxxvii] IASB (2013), p. 182, para. 9.6, s. 3
[clxxviii] This does not exclude the possibility of a provision of information also to other users.
[clxxix] IPSAS-F, BC2.18, s. 2, point 3.
[clxxx] IDW (2007), p. 12, para. 29 (also indicated in italics in the original document).
[clxxxi] Cf. Pallot (1992), p. 39 with further references.
[clxxxii] IPSAS-F, BC2.10, s. 1 (print in italics by author to emphasise the difference to the Hessian model).
[clxxxiii] IPSAS-F, BC2.3, s. 2 (print in italics by author).
[clxxxiv] Cf. IPSAS-F, BC2.4, s. 5 and s. 6. The IPSASB uses the expression “across all jurisdictions” (s. 6) there.
[clxxxv] IPSAS-F, BC2.16, s. 5.
[clxxxvi] IPSAS-F, BC2.5, s. 2.
[clxxxvii] Pallot (1992), p. 40; with further references.
[clxxxviii] Cf. Glöckner (2014), pp. 316-318.
[clxxxix] IPSAS-F, chapter 3, para 3.13, s. 1.
[cxc] IPSAS-F, chapter 3, para 3.13, s. 2.
[cxci] See e.g. Hüther (2014), p. 6.
[cxcii] Cf. Glöckner (2014), pp. 159-176.
[cxciii] IPSAS-F, chapter 3, para. 3.5, s. 2.
[cxciv] Cf. IPSAS-F, BC3.27. It is said that some respondents of the IPSAS-F exposure draft suggested making a distinction between “fundamental” and “enhancing” qualitative characteristics.
[cxcv] Cf. Moxter (2013), p. 307.
[cxcvi] Cf. Moxter/Engel-Ciric (2014). Also see Kübler (1995) who described this “retreat” in Anglo-American (private sector) accounting as steady and ongoing process.
[cxcvii] An overview of the most relevant sets of German GoB can be found in Glöckner (2014), pp. 640-644 (Anlage 6).
[cxcviii] IPSAS-F, chapter 3, para. 3.11, s. 2 (print in italics by author).
[cxcix] IPSAS-F, chapter 3, para. 3.15, s. 3 (print in italics by author).
[cc] Jones/Pendlebury (2010), p. 125.
[cci] Cf. IPSAS-F, chapter 2, para. 2.11-2.13.
[ccii] Presented according to IPSAS-F, chapter 2, para. 2.14-2.17.
[cciii] Also included in IPSAS-F, chapter 2, para. 2.14-2.28.

[ccIV] Moxter (1984), S. 31 (expression originally by Schmalenbach).

[ccv] According to the predominant theory that the ComC is based on ("static outflow theory") the purpose of private sector financial *statements* is the measurement of the profit that is subject of distribution (that means a possible capital outflow). Cf. Moxter, A. (1995a), p. 40, thesis 3 and Moxter, A. (1995b), p. 429, thesis 3.

[ccvi] This was – as explained before – the reasoning for the BilMoG in 2009. And in IPSAS-F, BC2.19, s. 1 it is said: "Consequently, the performance of public sector entities in achieving their financial and service delivery objectives can be only partially evaluated by examination of their financial position at the reporting date, and financial performance and cash flows during the reporting period."

[ccvii] In IPSAS-F, BC2.19, s. 3 the IPSASB suggests "separate reports" and in ibid, s. 4 it is said that "[i]n some cases" additional information could also be provided in the notes.

[ccviii] The definition of RPGs given in the IPSAS-F is as follows: "RPGs are pronouncements that provide guidance on good practice in preparing general purpose financial reports (GPFRs) that are not financial statements. Unlike IPSAS, RPGs do not establish requirements." (IPSAS-F, p. 2). The motivation of developing RPGs and an analysis of the RPGs1 and 2 as well as RPG 3 (ED 54) is analysed by Blab/Haller (2014), pp. 1251-1260.

[ccix] Cf. IPSAS-F, preface, p. 4, para. 1.

[ccx] IDW (2011), p. 4.

[ccxi] Cf. Moxter (2013), pp. 307-309.

[ccxii] Cf. IPSAS-F, chapter 2, para. 2.31, s. 2.

[ccxiii] IPSAS-F, chapter 2, para. 2.31, s. 5.

[ccxiv] Wüstemann/Wüstemann (2010), p. 9 (in the original the evaluation was dedicated to the IASB-F, but it can be transferred to the analysis of the IPSAS-F).

[ccxv] Moxter/Engel-Ciric (2014), p. 489.

[ccxvi] According to Kübler, the traditional ComC see the creditors as potential "victims" who have to be protected by the state, whereas the Anglo-American understanding is that creditors are rational acting market participants. He concludes that both pictures are not realistic. Cf. Kübler (1995), p. 371. However, in PSA it might be a different situation: Future generations (of citizens) cannot act on their own or use (PSA) information to protect themselves, they depend on the voluntary protection by others or that others are forced (e.g. by binding accounting regulations that have distributional effects) to protect them. Cf. also Glöckner (2014), p. 491.

[ccxvii] Pallot (1992), p. 39.

[ccxviii] There is a brilliant example of such a discussion: EFRAG and some national standard-setter that were discussing the role of prudence and could not agree on a common position, however they were unanimously of the opinion that prudence cannot simply be ignored: "In this Bulletin, we have described that prudence, although widely accepted as a concept, continues to give rise to diverse views, since not everyone today exercises the degree of "caution" in the same way. This variety of views plays a role in the decisions to be made, in the context of the revisions of the Conceptual Framework, about recognition, measurement, presentation and disclosures. Therefore, it is in our view useful that, in making these decisions, the role of prudence is explicitly considered." (EFRAG, ANC, ASCG, OIC, and FRC (2013b), p. 12, para. 38). Also see EFRAG (2014), p. 2.

[ccxix] Pallot (1992), p. 39.

[ccxx] E.g. it is the decision on stewardship, reliability and prudence that EFRAG did not agree on in its comment letter in response to IASB (2013). Cf. EFRAG (2014), p. 1. Nevertheless, exactly these controversial decisions from IASB where simply taken over by the IPSASB when developing the IPSAS-F.

[ccxxi] The German Federal Audit Office also asks the federal government to "participate actively in the EPSAS-process already at an early stage" (Bundesrechnungshof (2014), p. 14, Nr. 5, s. 1).

[ccxxii] Cf. Müller-Marqués Berger/Heiling (2015), p. 179.

[ccxxiii] Präsidentinnen und Präsidenten der Rechnungshöfe des Bundes und der Länder (2014), p. 1, II., s. 1.

[ccxxiv] Jones/Pendlebury (2010), p. 125 (both quotations above).