

Fiscal Reporting under Accrual Accounting in Korea: “Under Renovation”

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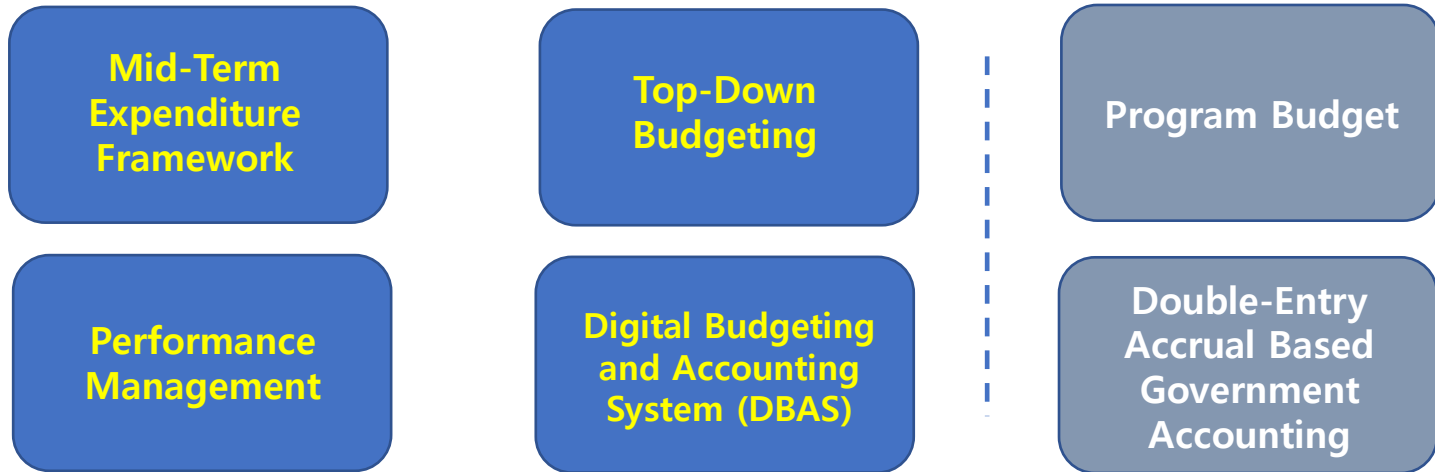
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Yonsei University



Background: Public Financial Management in Korea

4 Pillars of Korean PFM Reform in 2004



Implication of PFM Reform

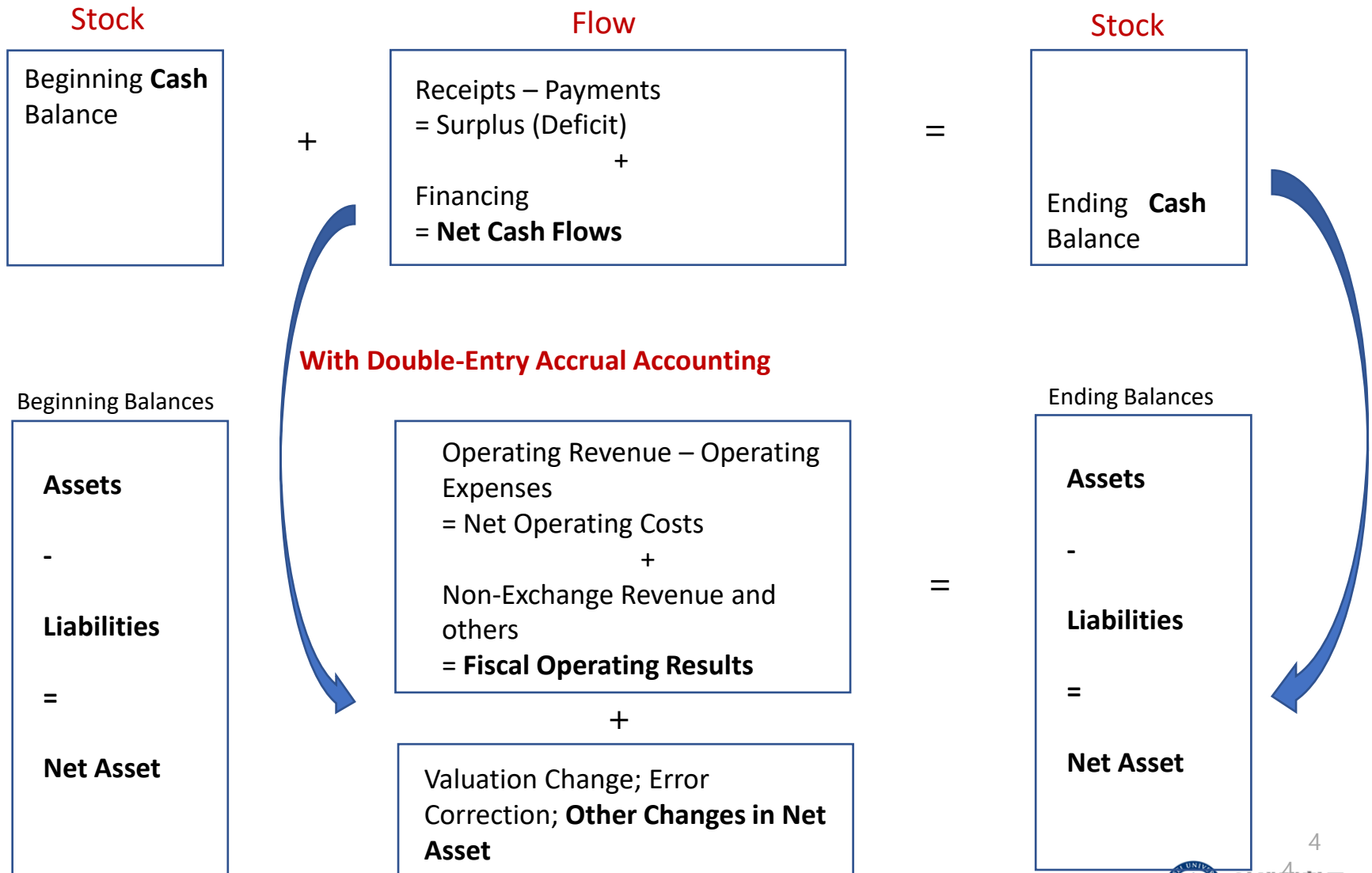
- ◆ Allowing aggregate fiscal sustainability perspective in policymaking
 - National fiscal management plan (MTEF) and Top-Down Budgeting
- ◆ Result-oriented fiscal management
 - Performance management (Fiscal performance monitoring and evaluation)
- ◆ Supporting Information Infrastructure
 - DBAS (Integrated FMIS); Program budget; Accrual accounting

Background: Korean Adoption of Accrual Government Accounting

Legal Framework of Central Government Accounting	
National Finance Act	Dec 2006
National Accounting Act	Oct 2007
Presidential Enforcement Decree of the National Accounting Act	Mar 2009
MOEF Enforcement Rule of Central Government Accounting Standards	Mar 2009
Regulations of Central Government Accounting Standards (22)	Jun 2009~

Regulations of Central Government Accounting Standards (Technical Release)
<ul style="list-style-type: none"> ✓ Accounting guidelines per line items (10) <ul style="list-style-type: none"> ▪ Financial Assets and Financial Liabilities ▪ General PP&E and Infrastructure ▪ Intangible Assets ▪ Other Assets and Other Liabilities ▪ Leases ▪ Provisions, Contingent Liabilities and Contingent Assets ▪ Exchange Revenues and Non-Exchange Revenues ▪ Expenses ▪ National Funds ✓ Accounting guidelines for major issues (6) <ul style="list-style-type: none"> ▪ Presentation of Financial Statements and Preparation of Supplementary Schedules ▪ Combination of Financial Statements ▪ Cost Accounting ▪ Transactions Other than Revenues and Expenditures ▪ Accounting Policies, Changes in Accounting Estimates and Errors ▪ Government Reorganization ✓ Accounting guidelines for major operations (6) <ul style="list-style-type: none"> ▪ Public Pensions ▪ Insurances and Guarantees ▪ Concessionary Loans ▪ Public Private Partnerships(BTO-BTL) ▪ Contract Development Program for National Properties

Logic of Fiscal Reports with Accrual Accounting



1

“Last Mile” of Fiscal Reporting in Korea: National Financial Report

Background: Fiscal Reporting in Korea



<i>Budget Formation (t-1)</i>	<i>Nat'l Assembly Approval (t-1)</i>	<i>Budget Execution (t)</i>	<i>Settlement and Evaluation (t+1)</i>
Pre-Budget Statement	Budget Proposal	In-Year Financial Reporting	Year-End Financial Reporting
<ul style="list-style-type: none"> • Issue Guidelines for the National Fiscal Management Plan (Jan) • Drafting the National Fiscal Management Plan (Feb-Apr) • Guidelines for Budgeting and Spending Limits (End of Apr) • Budget Request and Performance Plan (May-Jun) • Drafting of the Budget Proposal (Jul-Sep) • Submission of the National Fiscal Management Plan to the National Assembly (Sep) • Submission of Budget Proposal to National Assembly (Sep) 	<ul style="list-style-type: none"> • Parliamentary Speech • Pre-evaluation of Congressional Standing Committees • Comprehensive Review of the Special Committee on Budget and Accounts • Review and Vote at Plenary Session (Dec) 	<ul style="list-style-type: none"> • Maintenance of flexibility in execution of the budget (reserve fund, continuing expenditure, etc) and the funds • Issue "Monthly Public Finance" reporting revenue, expenditure, fiscal balance, national debt, and selected changes in assets and liabilities 	<ul style="list-style-type: none"> • Submission of the Statement of Accounts to Finance Ministry (End of Feb) • Submission of the National Statement of Accounts to Board of Audit and Inspection (Apr) • Review of Board of Audit and Inspection (Apr - May) • Submission of the National Statement of Accounts (National Financial Reports) to the National Assembly

Fiscal Reporting with Accrual Accounting

National Financial Report under a dual system

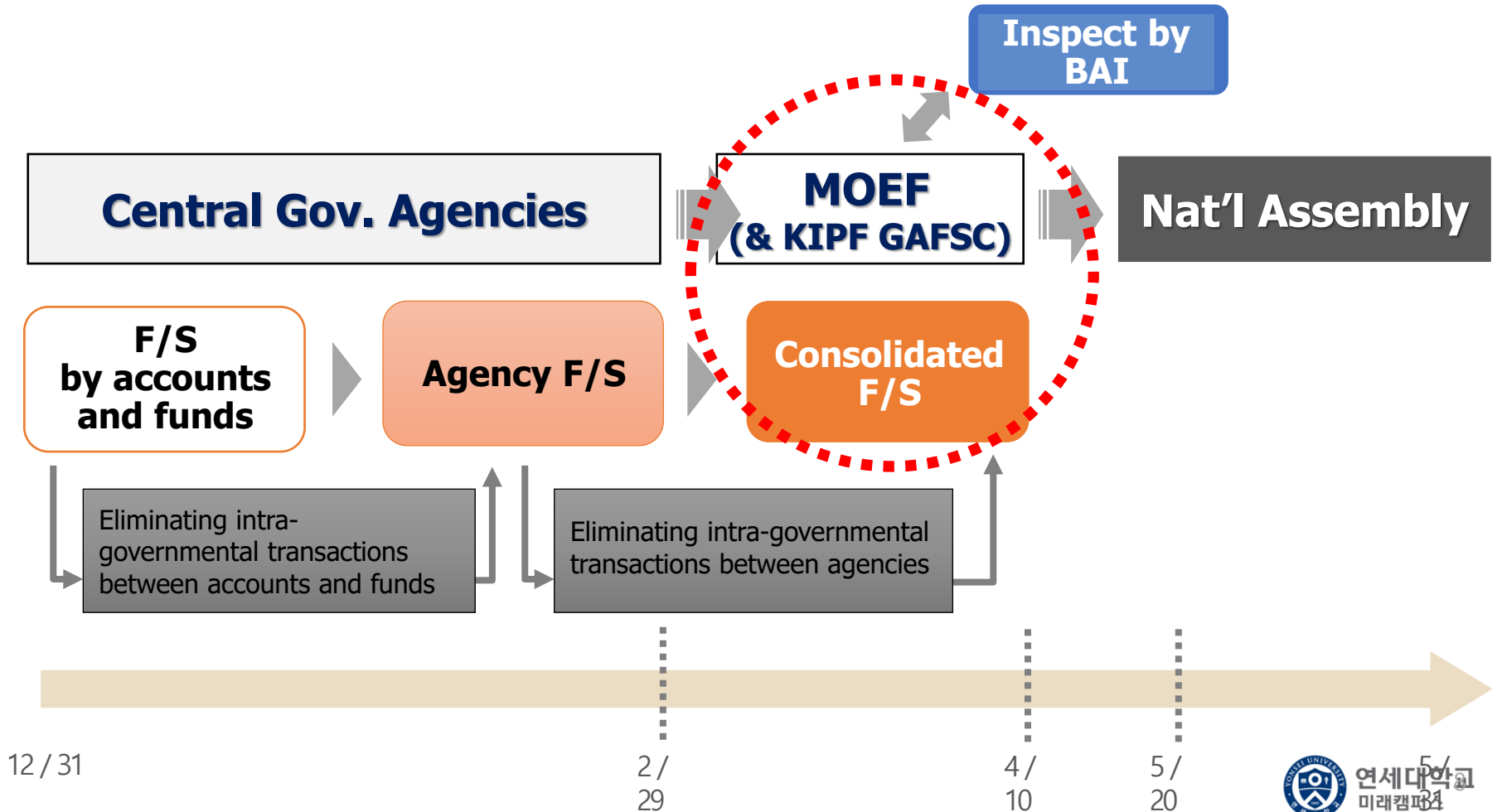
- Revenue & Expenditure Reports under cash-based accounting
- Consolidated Financial statements under accrual-based accounting

Main Components of Financial Report

1. Overview	Analysis and summary of Revenue & Expenditure Reports, Consolidated Financial Statements, and Performance Reports
2. Revenue and Expenditure Reports	Budget realization reports of revenue and expenditure under cash-based accounting
3. Consolidated Financial Statements	consolidated financial statements, and supplementary schedules under accrual-based accounting
4. Performance Reports	Performance reports on programs compared to their plan

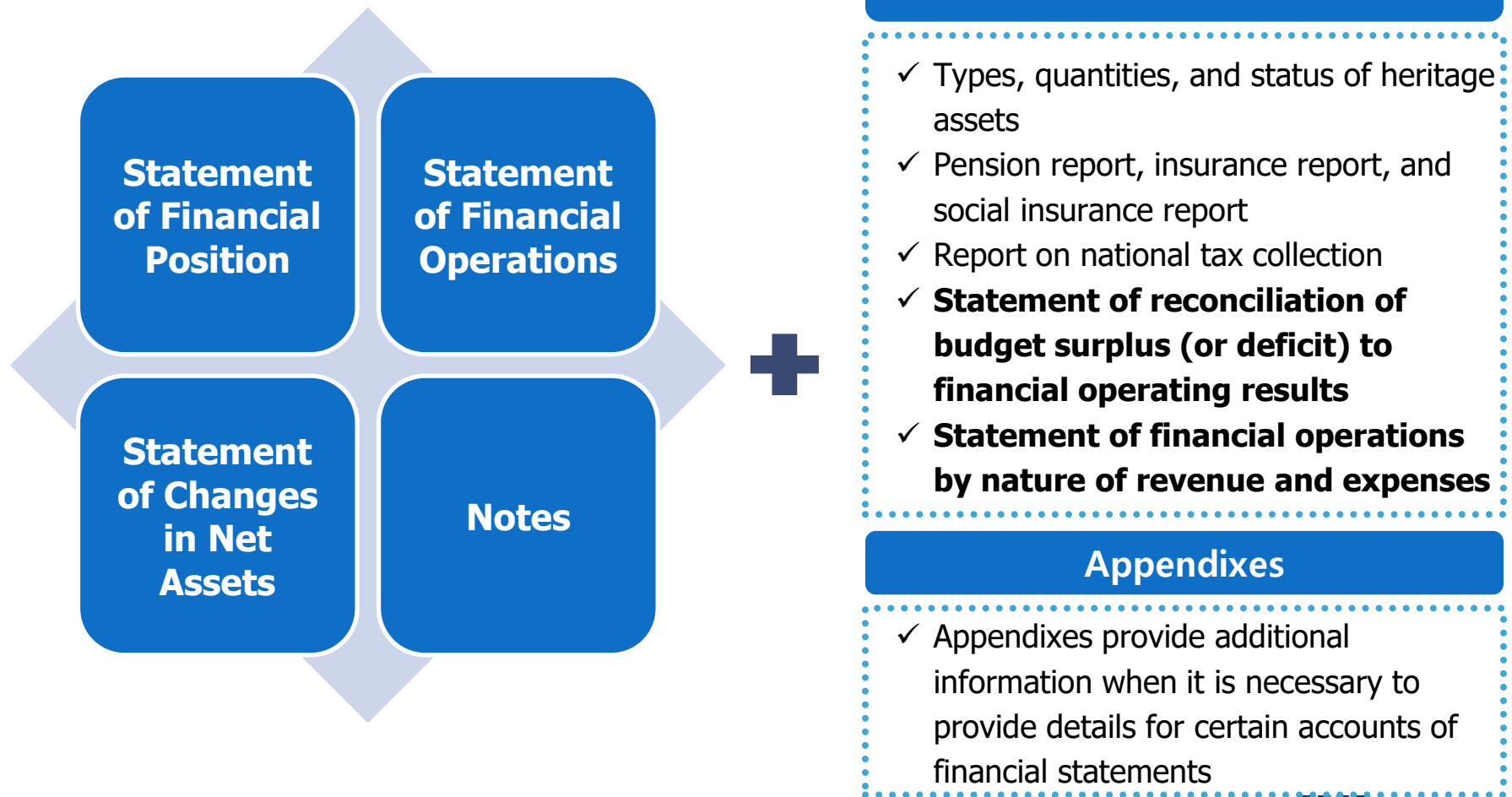
National Financial Reporting in Korea

Preparation of Consolidated Financial Statements



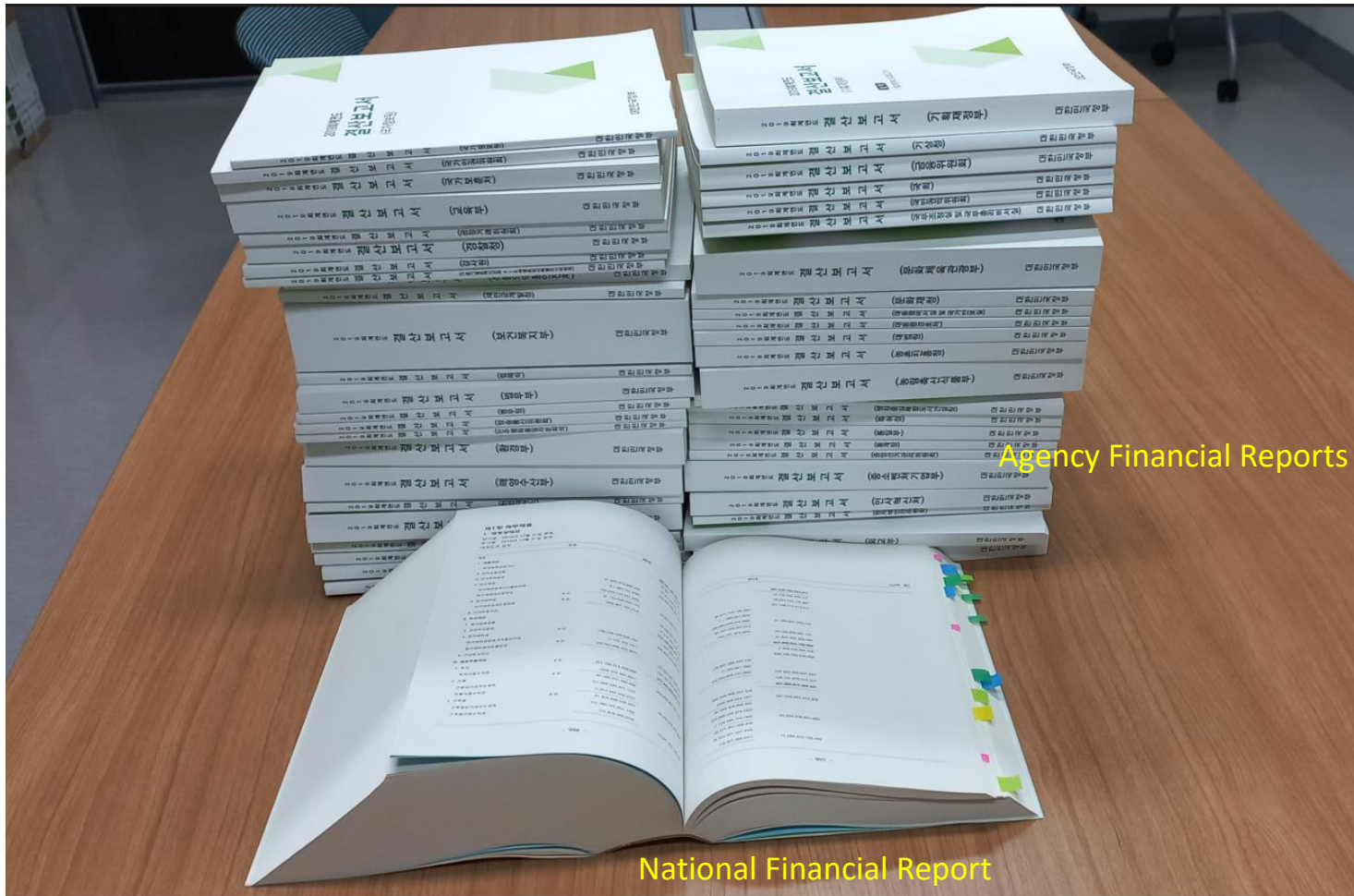
National Financial Reporting in Korea

Composition of Consolidated Financial Statements



2 User “Unfriendly” Year-End Fiscal Report

- A Package of *National Financial Report* and *Agency Financial Reports* (excluding *Performance Reports*)



Ex) National Financial Report in 2021

Fiscal Year 2021
2021회계연도
국가결산보고서
National Financial Report

Appendix
첨부(별책)

중앙관서별 결산보고서

Agency Financial Reports

Korean Government
대한민국정부

국가결산보고서

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1. 세입세출결산 총괄 70	2. 분야별 지출실적 1008	4. 2021년도 성과달성 현황 1488
1) 중앙관서별 세입세출결산 70	1) 일반·지방행정 1008	
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Statement of Financial Position (For FY 2021, Central Gov't)

제1장 재무제표

1. 재정상태표

당기말 : 2021년 12월 31일 현재

전기말 : 2020년 12월 31일 현재

대한민국 정부

Include about 90 Balance Sheet items (8 Pages)

(단위: 원)

		주석	2021
자산			
I. 유동자산			
			565,881,119,982,154
1.	현금및현금성자산		59,048,755,830,014
2.	단기금융상품		64,618,109,276,585
3.	단기투자증권		327,489,118,161,541
4.	미수채권	76,210,830,880,811	
	미수채권현재가치할인차금	(12,908,711,220)	
	미수채권대손충당금	(36,252,786,487,567)	39,945,135,682,024
5.	단기대여금	8.4) 33,633,064,094,314	
	단기대여금대손충당금	8.4) (727,156,621,803)	32,905,907,472,511
6.	기타유동자산		41,874,093,559,479
			1,167,889,356,540,087
II. 투자자산			
			2,515,050,477,728
1.	장기금융상품		809,794,768,134,056
2.	장기투자증권		
3.	장기대여금	8.4) 203,962,804,507,866	
	장기대여금현재가치할인차금	(1,917,350,895)	
	장기대여금대손충당금	8.4) (25,706,526,813,375)	178,254,360,343,596
4.	기타투자자산		177,305,177,584,707
			704,035,611,392,210
III. 일반유형자산			
			467,933,577,518,587
1.	토지	8.3) 467,933,577,518,587	
	토지사용수익권	(286,243,967,937)	467,647,333,550,650
2.	건물	8.3) 70,313,302,807,136	
	건물평가상각누계액	(2,690,241,129,733)	
	건물사용수익권	(1,249,785,407,683)	66,373,276,269,720
3.	구축물	8.3) 17,893,242,118,025	
	구축물평가상각누계액	(5,493,576,705,141)	
	구축물사용수익권	(74,338,697,866)	12,325,326,715,018

		2020
		503,992,716,595,629
		39,008,705,933,174
		68,989,105,201,907
		292,109,137,258,731
		67,681,045,706,194
		(12,403,387,037)
		33,533,783,079,884
		30,935,346,649,650
		(815,147,659,123)
		30,120,198,990,527
		40,231,786,131,406
		1,015,356,928,085,241
		1,468,941,303,266
		707,003,956,542,621
		188,991,048,420,896
		(1,845,053,034)
		164,786,204,628,330
		(24,202,998,739,532)
		142,097,825,611,024
		604,107,870,474,512
		375,749,458,198,987
		(340,755,983,793)
		375,408,702,215,194
		90,714,673,906,934
		(19,533,734,803,240)
		69,901,610,264,363
		(1,279,328,839,331)
		22,320,016,362,477
		(11,880,103,737,214)
		10,356,039,787,261

Statement of Financial Operation (For FY 2021, Central Gov't)

2. 재정운영표

당기 : 2021년 1월 1일부터 2021년 12월 31일 까지

전기 : 2020년 1월 1일부터 2020년 12월 31일 까지

Include about 80 items and 60 agencies (6 Pages)

대한민국 정부

(단위: 원)

주석	2021	2020
I. 재정운영순원가	476,088,377,301,021	448,064,298,446,809
1. 대통령비서실 및 국가안보실	118,176,570,199	101,032,561,429
2. 국회	673,840,235,646	647,497,769,294
3. 대법원	1,738,710,455,962	1,543,355,332,264
4. 헌법재판소	72,618,451,916	50,150,022,280
5. 중앙선거관리위원회	422,147,078,376	744,736,778,807
6. 민주평화통일자문회의	33,086,928,469	30,538,579,165
7. 감사원	127,449,365,348	136,350,196,839
8. 국가정보원	683,703,390,620	603,063,746,080
9. 국무조정실 및 국무총리비서실	632,190,643,805	586,037,881,349
10. 기획재정부 (국고금회계 포함)		
(1) 기획재정부	(7,405,210,790,918)	10,746,841,701,972
(2) 국고금회계	(95,773,402,150)	69,753,674,300
11. 교육부	79,173,545,994,651	70,650,225,207,596
12. 외교부	2,859,923,627,243	2,419,209,323,311
13. 통일부	182,930,178,643	313,951,338,638
14. 법무부	4,485,730,406,761	4,038,138,368,446
15. 국방부	49,413,822,744,048	42,448,924,075,680
16. 인사혁신처	34,438,255,287,271	28,334,822,967,531
17. 문화체육관광부	6,297,964,918,218	5,332,347,660,260
18. 농림축산식품부	7,788,778,940,815	11,133,562,352,030
19. 산업통상자원부	9,046,681,711,168	18,571,056,088,288
20. 보건복지부	24,660,103,187,950	42,203,080,464,279
21. 환경부	8,421,681,506,883	9,227,857,336,575
22. 고용노동부	36,966,194,994,117	46,962,777,569,146
23. 여성가족부	1,250,732,238,549	994,597,664,346
24. 국토교통부	54,820,950,296,219	17,860,185,971,941
25. 해양수산부	5,458,921,879,102	4,882,664,367,075
26. 법제처	40,578,729,005	41,746,237,456

“Prohibitively Long” Financial Statements

◆ Statement of Financial Operation

		US	UK	AU	NZ	CA	KR
Number of Pages		1p	1p	1p	1p	1p	8p
Number of items	Assets	10	11	14	13	12	67
	Liabilities	9	9	14	7	9	19
	Net Assets	3	3	3	6	3	3
	Total	22	23	31	26	24	89
Measurement Unit		Billions	Billions	Millions	Millions	Millions	One

◆ Statement of Financial Operation

Country	Title of the Statement of Financial Operation	Format	Line Items	Special Items
US	Statement of Net Cost	By Agency	41	
	Statement of Operations and Changes in Net Positions	By Nature	15	
UK	Statement of Revenue and Expenditure	By Nature	9	2
	Statement of Comprehensive Income and Expenditure	By Nature	4	
AU	Australian Government Operating Statement	By Nature	17	15
	Australian Government Operating Statement by Sector	By Nature	17	15
NZ	Statement of Financial Performance	By Nature	13	5
	Statement of Comprehensive Revenue and Expense	By Nature	10	
CA	Analysis of Information by Functional Classification	By Function	17	
	Statement of Operations and Accumulated Deficit	By Nature	18	3
KR	Statement of Financial Operation (F/S)	By Agency	71	
	Statement of Financial Operation by Nature (RSI)	By Nature	109	

Lack of Cash Flow Information

◆ (RSI) Statement of reconciliation of budget surplus (or deficit) to financial operating results

- Currently, the reconciliation statement merely shows aggregate amounts of the difference between accrual and cash accounting

I. 동영여금(+)	27,304,827,531,590
II. 차이 항목	(80,721,012,948,463)
1. 자산·부채의 증감	62,740,247,341,794
(1) 현금및현금성자산의 증가(감소)	4,577,543,492,711
(2) 금융상품의 증가(감소)	1,241,489,646,338
(3) 투자증권의 증가(감소)	85,147,457,431,154
(4) 대여금의 증가(감소)	(10,165,489,786,991)
(5) 일반유형자산의 증가(감소)	51,069,548,258,023
(6) 사회기반시설의 증가(감소)	15,167,812,482,024
(7) 유형자산의 증가(감소)	1,022,946,532,206
(8) 기타자산의 증가(감소)	32,319,431,012,157
(9) 국공채의 감소(증가)	(112,461,694,889,089)
(10) 차입금의 감소(증가)	15,979,296,428,115
(11) 기타부채의 감소(증가)	(21,158,091,464,854)
2. 발생주의 기간수익·비용 차이	(140,023,223,113,607)
(1) 국제수익 차이	21,023,057,143,869
(2) 부담금수익 차이	546,613,796,499
(3) 제재금수익 차이	1,315,337,278,757
(4) 사회보험수익 차이	228,168,817,469
(5) 재확립종역제공수익 차이	603,566,803,792
(6) 연금수익 차이	(149,104,991,184)
(7) 보험수익 차이	182,429,054,564
(8) 보통수익 차이	(205,677,023,534)
(9) 이자수익 차이	21,098,084,916
(10) 평가이익 차이	9,026,876,902,625
(11) 기타수익 차이	(537,633,113,839)
(12) 퇴직급여 차이	(240,315,876,010)
(13) 이자비용 차이	(847,731,666,312)
(14) 감가상각비 차이	(17,121,452,824,062)
(15) 대손상각비 차이	(10,473,885,095,476)
(16) 기타이전비용 차이	(52,214,820,858,933)
(17) 평가손실 차이	(71,400,381,564,539)
(18) 자산감액손실 차이	(468,227,594,239)
(19) 기타비용 차이	(19,511,140,387,970)

Increase/Decrease of Assets/Liabilities

Increase(Decrease) of Cash and Cash Equivalent

Increase(Decrease) of Financial Investments

Increase(Decrease) of Investment Securities

Increase(Decrease) of PP&E

Increase(Decrease) of Social Infrastructure

...

Differences in Revenue/Expenses between Accrual and Cash Basis

Tax Revenue

Charges

Social Insurance

Interest

...

3

Toward Citizen-Oriented National Financial Report

 **Asian Development Bank**

Revamping the Statement of Financial Position

1. Restructuring of the Classification and Simplification of the Presentation

- ✓ Change Classification to increase the usefulness of financial analysis
- ✓ Change F/S Presentation to fit into one page

◆ Instead of the Current/Non-Current distinction of assets and liabilities, introduce financial/non-financial classification in the statement

- Assets(Financial, Tangible/Intangible, Other) / Liabilities (Interest Bearing, Provisions, Other)
- Current/Non-Current Distinction shall be done at the lower level (in COA)

◆ Reduce the number of line items to fit the statement on one page

- Details of each line item can be disclosed through the footnotes
- Remove contra accounts (such as accumulated depreciation and provision for loan loss) from the line items presented in the statement of financial position

Revamping the Statement of Financial Position - Illustration

Current (8 pages)
Assets
Current Assets
Cash and Cash Equivalents
Accounts Receivables
Short-term Financial Instruments
Short-term Investment Securities
Short-term Loans
(Short-term loans loss reserve)
Other Current Assets
Investment
Long-term Financial Instruments
Long-term Investment Securities
Long-term Loans
(Present Value Discount)
(Long-term loans loss reserve)
Other Investments
General Property, Plant and Equipment
Land
Right-of-Use asset associated with land
Building
(Accumulated Depreciation)
Right-of-Use asset associated with building
⋮
General Property, Plant and Equipment under Construction
Infrastructure Assets
Roads
Railroads
⋮
Infrastructure Assets Under Construction
Intangible Assets
Other Non-current Assets
Liabilities
Current Liabilities
Short-term Borrowings
Current Portion of Long-term Interest Bearing Liabilities
Other Current Liabilities
Long-term Interest Bearing Liabilities
Sovereign Bonds
Sovereign Bonds Issuance Premium/Discount
(Sovereign Bonds - Treasury)
Public Bonds
Public Bonds Issuance Premium/Discount
(Public Bonds - Treasury)
Long-term Borrowings
Long-term Provision
Provision for Public Employee Deferred Compensation
Provision for Public Employee Pensions
Provision for Insurances
Other Long-term Provisions
Other Non-current Liabilities



Revised (1 page)
Assets
Financial Assets
Cash and Cash Equivalents
Financial Instruments
Investment Securities
Government Contribution
Loans
Account Receivables
Other Financial Assets
Tangible and Intangible Assets
General Property, Plant and Equipment
Social Infrastructure Assets
Intangible Assets
Other Assets
Other Assets
Liabilities
Interests Bearing Liabilities
Sovereign Bonds
Borrowings
Government Payables
Other Interests Bearing Liabilities
Provisions
Provision for Public Employee Pensions
Provision for Public Employee Retirement
Provision for Guarantees
Provision for Insurances
Other Provisions
Other Liabilities
Social Insurance Liabilities
Other Liabilities

I. Statement of Financial Position

Current Year: As of December 31, 2021

Prior Year: As of December 31, 2020

Central Government of the Republic of Korea

(Currency: Trillion KRW)

	Notes	Current year	Prior year
I. Asset		2,866.10	2,487.10
Financial Assets	2	1,706.00	1,491.80
Cash and Cash Equivalents	2-1	59	39
Financial Instruments	2-2	67.1	70.4
Investment Securities	2-3	1,008.00	878.4
Government Contribution	2-4	129.3	120.7
Loans	2-5	211.2	194.9
Accounts Receivables	2-6	47.8	40.3
Other Financial Assets	2-7	183.6	148.1
Tangible and Intangible Assets	3	1,121.00	958.7
General Property, Plant and Equipment	3-1	708.2	608.8
Social Infrastructure Assets	3-2	410.2	347.9
Intangible Assets	3-4	2.6	2
Other Assets	4	39.1	36.6
II. Liabilities		2,195.30	1,981.70
Interest Bearing Liabilities	5	834.7	735
Sovereign Bonds	5-1	797	697.3
Borrowings	5-2	2.4	2.8
Government Payables	5-3	0	0
Other Interest Bearing Liabilities	5-4	35.3	34.9
Provisions	6	1,199.50	1,102.50
Provisions for Public Employee Pension	6-1, 9	1,138.20	1,044.70
Provisions for Public Employee Retirement	6-2	52.1	49
Provisions for Guarantees	6-3	5.6	5.5
Provisions for Insurances	6-4	0.8	0.8
Other Provisions	6-5	2.8	2.5
Other Liabilities	7	161.1	144.2
III. Net Assets		670.8	505.4
General Net Assets		442.4	442.2
Reserves and Surplus		△250.8	△158.3
Net Asset Adjustments	17	479.2	221.5

Revamping the Statement of Financial Operation

2. Prepare the Statement of Financial Operation by Sector and by Nature

- ✓ More user-friendly and understandable format of the statement
- ✓ Provision of "Net Program Cost by Sector" to improve the usefulness of accounting information for performance evaluation

◆ Change the Statement by Agency into the Statement providing net service cost by sector


- Group Net Program Costs by 15 Sectors under Program Budgeting (e.g., general admin, public safety, foreign affairs, national defense, education, culture and tourism, etc.)
- Net Program Costs from Agency Statement shall be compiled and classified by 15 Sectors (modified from COFOG)

◆ Financial Operation by Nature as the primary statement of operation

- Simplifying the classification of Revenue and Expense line items (Consolidation of related/similar revenue, and expense items)
- Revenue (Tax revenue, Transfer revenue, Operating revenue) / Expenses(Transfer expense, Operating expenses)

Revamping the Statement of Financial Operation - Illustration

Current (6 pages) (Stmt of Financial Operations by Agency)	Revised (1 page) (Stmt of Financial Operations by Sector)
I. Net Operating Costs 1. Office of the President & Office of National Security 2. National Assembly 3. Supreme Court 4. Constitutional Court 5. National Election Commission 6. National Unification Advisory Council 7. Board of Audit and Inspection 8. National Intelligence Service 9. Office for Policy Coordination and Prime Minister's Secretariat 10. Ministry of Economy and Finance 11. Ministry of Education 12. Ministry of Foreign Affairs 13. Ministry of Unification 14. Ministry of Justice 15. Ministry of National Defense 16. Ministry of Personnel Management : 59. Korea Disease Control and Prevention 60. Intragovernmental Transaction Amount II. Non-exchange Revenues and Others 1. Tax Revenues 2. Levies 3. Fines or Penalties 4. Social Insurance 5. Gain on Forgiveness of Debts 6. Other Non-exchange Revenues 7. Other Financing and Transfer III. Net Operating Result(I - II)	I. Net Operating Costs (Costs - Revenue) 1. Social Welfare 2. General and Local Administration 3. Education 4. National Defense 5. Industry, SMEs and Energy 6. Health 7. Agriculture and Aquaculture : 15. Unification and Foreign Affairs II. Administrative Expenses 1. Transfer Expenses 2. Government Operating Expenses III. Indirect Expenses IV. Indirect Revenues V. Net Operating Costs (I + II + III-IV) VI. Tax Revenues and Transfer Revenues 1. Tax Revenues 2. Social Insurance 3. Levies 4. Fines or Penalties 5. Other Transfer Revenues VII. Net Operation Result(V-VI)



III. Statement of Financial Operations by Sector

Current Year: As of December 31, 2021
 Prior Year: As of December 31, 2020

Central Government of the Republic of Korea (Currency: Trillion KRW)

	Notes	Current Year	Prior Year
I. Net Operating Costs (Costs - Revenue)		538.3	508.4
1. General and Local Administration		69.1	79.9
2. Public Order and Safety		6.6	5.5
3. Unification and Foreign Affairs		3	2.7
4. National Defense		45.1	37.3
5. Education		81.4	70.8
6. Culture and Tourism		7.5	6.4
7. Environment		9	8
8. Social Welfare		204	202.2
9. Health		24.4	15
10. Agriculture and Aquaculture		17.6	15.5
11. Industry, SMEs and Energy		32.8	31.2
12. Transportation and Distribution		22.1	18.9
13. Communication		1.3	2.5
14. Land and Regional Development		5.6	4.7
15. Scientific Technology		8.8	7.8
II. Administrative Expenses		31.9	28.6
1. Transfer Expenses		1.1	1.2
2. Government Operating Expenses		30.8	27.4
III. Indirect Expenses		67.1	24.9
IV. Indirect Revenues		98.1	54
V. Net Operating Costs (I + II + III-IV)		539.2	507.9
VI. Non-exchange Revenues and Others		475.8	407.3
1. Tax Revenues	11	353.7	293.6
2. Social Insurance	12-1	78.4	74.9
3. Levies	12-2	18.9	17.3
4. Fines or Penalties	12-3	5.6	5
5. Other Transfer Revenues	12-4	19.2	16.5
III. Net Operation Result (V-VI)		63.4	100.6

Revamping the Statement of Financial Operation - Illustration

Current as RSI (4 pages)	Revised (1 page)
I. Net Program Costs	I. Revenues
1. Goods and Services Costs	1. Tax Revenues
2. Payroll Expenses	
⋮	2. Transfer Revenues
II. Program Revenues	Social Insurance
1. Goods and Services Revenues	Levies
2. Pension Revenues	Fines or Penalties
⋮	Other Transfer Revenues
III. Administrative Expenses	3. Government Operating Revenues
1. Payroll Expenses	Goods and Services Revenues
2. Welfare Expenses	Pension Revenues
⋮	Interest Revenues
	Dividend Income
	Gain on Asset Disposal
	Gain on Asset Revaluation
	Other Government Operating Revenue
IV. Indirect Expenses	II. Expenses
1. Goods and Services Costs	1. Transfer Expenses
2. Payroll Expenses	Government subsidies
⋮	Grants
	Social Insurance Expenses
	Local Government Subsidies
	Other Transfer Expenses
V. Indirect Revenues	2. Government Operating Expenses
1. Goods and Services Revenues	Goods and Services Costs
2. Interest Revenues	Pension Expenses
⋮	Payroll Expenses
	Interest Expenses
	Operating Expenses
	Depreciation Expenses
	Loss on Asset Revaluation
	Other Government Operating Expenses
VI. Intragovernment Transaction Costs	III. Net Operating Result(II - I)
VII. Intragovernment Transaction Revenues	
VIII. Net Operating Costs	
(I - II + III + IV - V + VI + VII)	
IX. Non-exchange Revenues and Others	
1. Tax Revenues	
2. Levies	
⋮	
X. Net Operating Result(VIII-IX)	

II. Statement of Financial Operations by Nature			
Current Year: As of December 31, 2021			
Prior Year: As of December 31, 2020			
Central Government of the Republic of Korea			(Currency: Trillion KRW)
	Notes	Current year	Prior year
I. Revenues		636.8	506
Tax Revenues		353.7	293.6
Transfer Revenues	11	122.1	113.7
Social Insurance	12	78.4	74.9
Levies	12-1, 8	18.9	17.3
Fines or Penalties	12-2	5.6	5
Other Transfer Revenues	12-3	19.2	16.5
Government Operating Revenues	12-4	161	98.7
Revenues from providing Goods and Services	13	15.8	14.2
Pension Revenues	13-1	13.2	13.1
Interest Revenues	13-2, 6-1	11.1	10.7
Dividend Income	13-3	9.2	7.5
Gain on Asset Disposal	13-4, 2-4	49.8	22.2
Gain on Asset Revaluation	13-5	39.6	12.6
Other Government Operating Revenues	13-6, 3-3	22.3	18.4
II. Expenses	13-7	700.2	606.6
Transfer Expenses		410.9	379.1
Government subsidies	14	129.7	117.6
Grants	14-1	47.1	42.3
Social Insurance Expenses	14-2	82.4	87.1
Local Government Subsidies	14-3, 8	124.4	108.5
Other Transfer Expenses	14-4	27.3	23.6
Government Operating Expenses	14-5	289.3	227.5
Costs from providing Goods and Services	15	6.4	4.9
Pension Expenses	15-1	65.9	58.3
(Civil Official · Military)	15-2, 6-1		
Payroll Expenses	15-3	48.4	46.5
Interest Expenses	15-4	18.7	17.5
Operating Expenses	15-5	17.7	13.1
Depreciation Expenses	15-6, 3	17.1	17.7
Loss on Asset Revaluation	15-7, 3-3	71.4	12.6
Other Government Operating Expenses	15-8	43.7	56.9
III. Net Operating Result (Expenses - Revenue)		63.4	100.6

Introducing Cash Flow Statements

3. Introduction of Cash Flow Statement

- ✓ Present cash inflows and outflows from government operations grouped by operating, investing, and financing activities

◆ Add Cash Flow Statement as one of the statements required by the National Accounting Act

- Statement of reconciliation of budget surplus (or deficit) to financial operating results shows the difference between cash and accrual-based accounting information
- Cash-basis revenue/expenditure settlement (originally expected to provide necessary cash flow information) does not provide adequate cash flow information for financial analysis

◆ Cash Flow Statement (direct method) organizes cash flow consequence of government operation into three groups: Operation, Investment, Finance

- (Operating Activities) Cash inflow (e.g., tax revenue) and cash outflows (e.g., salary and wage payments) from ordinary government activities
- (Investing Activities) Cash flows from acquisition/disposal of investment securities, PP&EE, etc.
- (Financing Activities) Cash flows from issuance of Sovereign Bonds, Borrowing, etc. / the retirement of the bonds or loan repayment, etc.



Presentation of Cash Flows

I. Cash Flows from Operating Activity
1. Cash Inflows from Operating Activity
- Tax
- Levies
- Social Security Contributions
- Interest Revenues
⋮
2. Cash Outflows from Operating Activity
- Payroll Expenses
- Local Government Subsidies
- Government Contribution
- Interest Payment
⋮
II. Cash Flows from Investing Activity
1. Cash Inflows from Investing Activity
- Disposal of Deposits and Investment Securities
- Disposal of PP&E and Infrastructure Assets
- Repayment of Loans
- Disposal of Intangible Assets
- Disposal of Other Assets
⋮
2. Cash Outflows from Investing Activity
- Acquisition of Deposits and Investment Securities
- Acquisition of PP&E and Infrastructure Assets
- Payment of Loans
- Acquisition of Intangible Assets
- Acquisition of Other Assets
⋮
III. Cash Flows from Financing Activity
1. Cash Inflows from Financing Activity
- Issuance of Sovereign and Public Bonds
- Borrowings
⋮
2. Cash Outflows from Financing Activity
- Repayment of Government Bonds
- Repayment of Borrowings
⋮
IV. Net Cash Flows (Increase and decrease in cash)
V. Cash Balance at the beginning of the accounting period
VI. Cash Balance at the end of the accounting period

Operational Performance of Government Activities

Information for Asset Management

Information for Liability management

Orderly Presentation of Footnote Information

4. Reorganization of Footnote Disclosure

- ✓ Integrate Footnote, Required Supplementary Information, and Appendix into one comprehensive financial statement footnote system
- ✓ Expand Footnote disclosure to increase understandability of the National Financial Report

◆ All supplementary information to the financial statements is incorporated into Financial Statement Footnote

- RSI (7 types) and Appendix (12 supplementary schedules) are integrated into the footnote system (59 items in 22 Sections)
- Detailed account-specific information is presented to compensate for potential information loss from the F/S simplification

Comprehensive Footnote System

Current version
[8 Notes to Financial Statements]
1. Significant accounting policies
2. A Schedule for Repayment of Long-term Interest Bearing Liabilities
3. Long-term Provisions
4. Assets and Liabilities denominated in Foreign Currencies
5. Commitments and Contingencies
6. Accounting Changes and Corrections of Errors
7. Details of Net Asset Adjustments
8. Other Matters that have significant impact on the financial statement, or are necessary in understanding the financial statements
[12 Appendices]
1. Statement of Cash and Cash Equivalents
2. Statement of Deposits
3. Statement of Short-term Investment Securities
4. Statement of Long-term Investment Securities
5. Statement of Accounts Receivables
6. Statement of Loans
7. Statement of General Property, Plant and Equipment
8. Statement of Infrastructure Assets
9. Statement of Intangible Assets
10. Statement of Sovereign and Public Bonds
11. Statement of Borrowings
12. Statement of Government Contributions
[7 Required Supplementary Information]
1. Types, quantities and status of heritage assets
2. Pension report ^{1j}
3. Insurance report ^{1j}
4. Social Security report ^{1j}
5. Statement of reconciliation of budget surplus(or deficit) to financial operations results
6. Statement of financial operations by nature of revenue and expenses
7. Other information deemed significant
1j Details of pension, insurance, and social security reports among the required supplementary information are provided separately (Major information provided in notes)



Revised version	
[Grouping notes into 22 categories]	
1. Significant accounting policies	
1-1. Central government accounting entity	
1-2. Description of all significant accounting policies	
1-3. Major changes due to Financial Statement	
Framework Revision	
2. Financial Assets	Assets
2-1. Cash and Cash Equivalents	
2-2. Financial Instruments	
2-3. Investment Securities	
2-4. Government Contributions / 2-5. Loans	
2-6. Accounts Receivables / 2-7. Other Financial Assets	
3. Tangible and Intangible Assets	
3-1. General Property, Plant and Equipment	
3-2. Social Infrastructure Assets	
3-3. Asset Revaluation	
3-4. Intangible Assets	
3-5. Types, quantities and status of heritage assets	
4. Other Assets	
5. Interest Bearing Liabilities	Liabilities
5-1. Sovereign Bonds	
5-2. Borrowings	
5-3. Government payables	
5-4. Other Interest Bearing Liabilities	
6. Provisions	
6-1. Provision for Public Employee Pensions	
6-2. Provision for Public Employee Retirement Benefit	
6-3. Provision for Guarantees	
6-4. Provision for Insurances / 6-5. Other Provisions	
7. Other Liabilities	
11. Tax Revenues	Revenues, Expenses
12. Transfer Revenues	
12-1. Social Insurance / 12-2. Levies	
12-3. Fines or Penalties / 12-4. Other Transfer Revenues	
13. Government Operating Revenues	
13-1. Revenues from providing good and services / 13-2. Pension / 13-3. Interest	
13-4. Dividend Income / 13-5. Gain on Disposal of Assets / 13-6. Gain on Revaluation of Assets	
14. Transfer Expenses	
14-1. Government subsidies	
14-2. Grants	
14-3. Social Insurance / 14-4. Local Government Subsidies /	
14-5. Other Transfer Expenses	
15. Government Operating Expenses	
15-1. Costs from providing goods and services /	
15-2. Pensions Expenses/ 15-3. Payroll Expenses	
15-4. Interest Expenses / 15-5. Operating Expenses /	
15-6. Depreciation Expenses / 15-7 Others	
8. Social Security Fund	Others
9. Pension Program	
10. Assets and Liabilities denominated in foreign currencies	
16. Details of net asset adjustments	
17. Accounting changes and corrections of errors	
18. Cash Flows	
19. Commitments and Contingencies	
20. Account-specific (general, special) and agency specific financial information	
21. Statement of reconciliation of budget surplus (or deficit) to financial operating results	
22. Other material information	

In Summary

- ◆ Reshaping the Korean Government's Financial Statement Presentation is intended to (1) increase the **readability** of the financial statements and (2) improve the **understandability** of the year-end fiscal report, the National Financial Report
 - For **readability**, financial statement simplification is implemented to provide **one-page statements** of the financial position and the financial operation of the Korean Central government
 - Also, various supplementary information scattered around the footnote, RSI, and the appendix is reorganized into one comprehensive footnote disclosure system
 - For **understandability**, the cash flow statement is introduced as a new statement bridging the gap between accrual-based financial accounting and cash-based budgetary accounting information
 - Also, the presentation of the balance sheet items departs from current/non-current distinction and the liquidity order presentation and follows financial/non-financial distinction and the order of liquidity + policy relevance

- ◆ Additional Fiscal Reports Streamlining effort is warranted for (1) cash-basis Rev/Exp Reports (1000+ pages) and (2) annual performance reports

