

# EDITORIAL

## Greetings!!!

The financial management of any organization must have a prudent financial system backed by sound and effective accounting procedures and internal controls. A well-designed and well managed accounting system helps to ensure proper control over funds. Accounting policies and procedures are designed to compile accounts fulfilling procedural requirements that govern financial control.

Public sector accounting is an accounting method applied to non-profit pursuing entities in the public sector including central and local governments and quasi-governmental special corporations. Public Sector Accounting aims to improve the quality of general purpose financial reporting by public sector entities leading to better informed assessments of the resource allocation decisions made by governments, thereby increasing transparency and accountability. The public sector accounting is an integrated accounting system connecting important aspects of financial accounting, management accounting and auditing techniques.

Accounting standards are authoritative standards for financial accounting and reporting developed through an organized standard-setting process and issued by a recognized standard-setting body. Accounting standards specify how transactions and other events are to be recognized, measured, presented and disclosed in a public sector entity's financial statements. The objective of such standards is to meet the needs of users of financial statements by providing the information needed for accountability and decision making. The International Public Sector Accounting Standards focus on the accounting, auditing and financial reporting needs of national, regional and local governments and address the need by issuing and promoting benchmark guidance. It also facilitates the exchange of information among accountants and other employees of different sectors.

Accounting reform is an expansion of accounting rules that goes beyond the realm of financial measures for both individual economic entities and national economies. Significant changes in public sector accounting and financial reporting systems around the world and their increasing convergence to an accrual basis for accounting over the last two decades have underlined the need for a review of existing Government accounting practices in India as well. By following accrual system of accounting, government would be better positioned to assess their financial performance and financial positions. Accrual system of accounting helps in estimating cost of services more appropriately which could form a crucial input for managerial decision making.

Public governance refers to the formal and informal

arrangements that determine how public decisions are made and how public actions are carried out from the perspective of maintaining a country's constitutional values while facing changing problems and environments. The principal elements of good governance refer to accountability, transparency, efficiency, effectiveness, responsiveness and rule of law.

Public governance paradigm announces that the public sector needs to strengthen its transparency, stimulate the participation of the citizens, reinforce its managerial capacity, orient and accompany contracts, encouraging the formation of public networks for public interest. Public accounting is as important as the accounting applied to organizations of the private sector. However, in the past, public accounting was limited to accounting of public organs and it set aside using its information and control in order to better conduct public negotiations. Public governance consists of the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

Good system of public governance results in more efficient and effective use of public finances for attaining policy objectives, while flawed governance opens up opportunities for errors, abuses and a waste of public monies. Accountability therefore is an essential component of public governance. Here the Cost and Management Accountants (CMAs) can act as a consultant, tax service professional in various organizations, record and analyze financial information of the organizations in which they are employed.

The developments and challenges faced by the public sector undertaking are well taken care by the government forming new laws and statutes. Public sector accounting is moving towards efficient accounting practices to meet the obligations of the stakeholders and to render services to the society.

This issue presents a good number of articles on the cover story theme 'Public Sector Accounting' by distinguished experts and authors. We look forward to constructive feedback from our readers on the articles and overall development of the journal. Please send your mails at editor@icmai.in. We thank all the contributors to this important issue and hope our readers enjoy the articles.

