

Overview of the Japanese government accrual-based information

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ABSTRACT

The Japanese government maintains Cash-basis accounting. However, we also recognize the importance of utilizing accrual accounting information.

We introduce the Japanese government's efforts to promote the utilization of accrual-based information from both macro and micro perspective.

From a macro perspective, Government Financial Statements are useful for grasping overall picture of the central government which has deteriorated further due to COVID-19.

From a micro perspective, we have disclosed full-cost information of each government project. This is beneficial both to the public and to the government that implements the project.

Keywords: excess costs; the difference between assets and liabilities; full-cost information; cost per unit

1.Introduction

1.1 Theme of this presentation

The Japanese government financial statements have been prepared and have improved in various ways, but we need to utilize these informations. In the symposium, we introduce the history and the utilization of accrual accounting in Japan and the Japanese government fiscal position indicated by government financial statements.

1.2 Basic information on accrual accounting for central and local governments

In Japan, the preparation of the accrual based financial statements is not mandatory (Only special account financial statements are mandatory) . Financial statements of the central government have been prepared by the Budget Bureau of the Ministry of Finance since 2003. Japanese central government (Ministry of Internal Affairs) have requested all local governments to prepare financial statements on an accrual basis, and

fixed asset records since 2015.

The accounting standards of the central government [Reference1] has been set by Ministry of Finance and those of local governments [Reference 2] has been set by Ministry of Internal Affairs. Neither has auditing standards.

There is no major difference between these standards, except that local governments need to prepare an accurate fixed asset records.

2. History of Accrual Accounting in Japan

2.1 Budget and settlement of the central government of Japan

Regarding Japanese government's budget and settlement, The Public Finance Act mandates cash-basis budget and settlement. Cash-basis budgets are effective in terms of certainty, objectivity, and clarity. Cash-basis budget and settlement require an approval in the Diet. However, we also recognize the advantages of accrual accounting. Accrual accounting can provide the entire picture of the government financial position. And accrual accounting is effective in assessing the cost of administrative services. We have disclosed accrual-based financial statements of Japanese Government, as supplemental information for settlement of account.

2.2 Central government's accrual accounting efforts

Financial Statements of Japanese Government are prepared and published based on the concept of business accounting. The Japanese government makes an effort to promote the utilization of accrual-based information from both a macro and micro perspective. From a macro we have disclosed the situation of the entire central government assets liabilities and costs revenues can be understandable.

Table 1. shows efforts of accrual-based information so far. From FY 2003, we have started preparation and publication. And from FY2011, we have disclosed the information in more timely manner. While, from a micro perspective, to examine each government activity, we prepare and publish full-cost information of each government project to promote the efficiency and optimization of government projects. And from FY2014, we have disclosed full-cost information on a trial basis and from FY2020 we started to prepare full-cost information based on standards for full cost information.

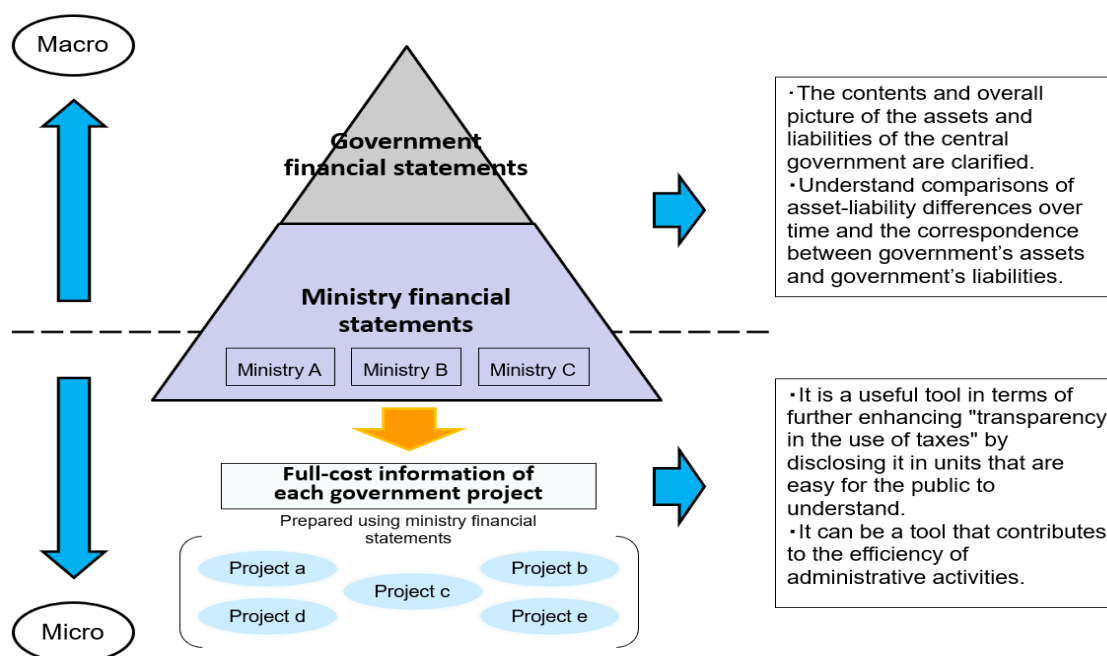
Table 1. Efforts of accrual-based information

FY2003	Preparation and publication of “Government Financial Statements” (September 2005)
FY2007	Submission of “Special Account Financial Statements” to the Diet (January 2009)
FY2011	Shorten the time to publication of “Financial Statements of Japanese Government” (January 2013)
FY2014	Trial preparation and publication of “Full-cost information of each government project” (January 2016)
FY2020	Preparation and publication of “Full-cost information of each government project” (March 2022)

2.3 Utilization of accrual accounting

Figure 1. shows utilization of accrual accounting. Financial Statements of Japanese Government are prepared and published to understand the entire picture such as the situation of assets liabilities and costs revenues from macro perspective of the central government. And from micro perspective of each government activities, we prepare and publish full-cost information of each government project to promote the efficiency and optimization of government projects.

Figure 1. Utilization of accrual accounting



3. Composition of Government Financial Statements

3.1 The composition of "Financial Statements of Japanese Government"

Government Financial Statements including all ministries and agencies are prepared by

the Ministry of Finance. There are three types of financial statements. (“general account and special accounts”, “general account only”, and “consolidation including incorporated administrative agencies”). So-called “Financial Statements of Japanese Government” refers to “general account and special accounts”.

Financial statements by each ministry are prepared and published by each ministry and agency. There are also three types (“general account and special accounts”, “general account only”, “consolidated”).

Financial Statements of Japanese Government are prepared in accordance with the “Accounting Standards for Financial Statements by Ministries” established by an advisory council of the Ministry of Finance. And “Accounting Standards for Financial Statements by Ministries” is based on the concept of business accounting and taking into account the peculiarities of public institutions.

Figure 2. The composition of "Financial Statements of Japanese Government"

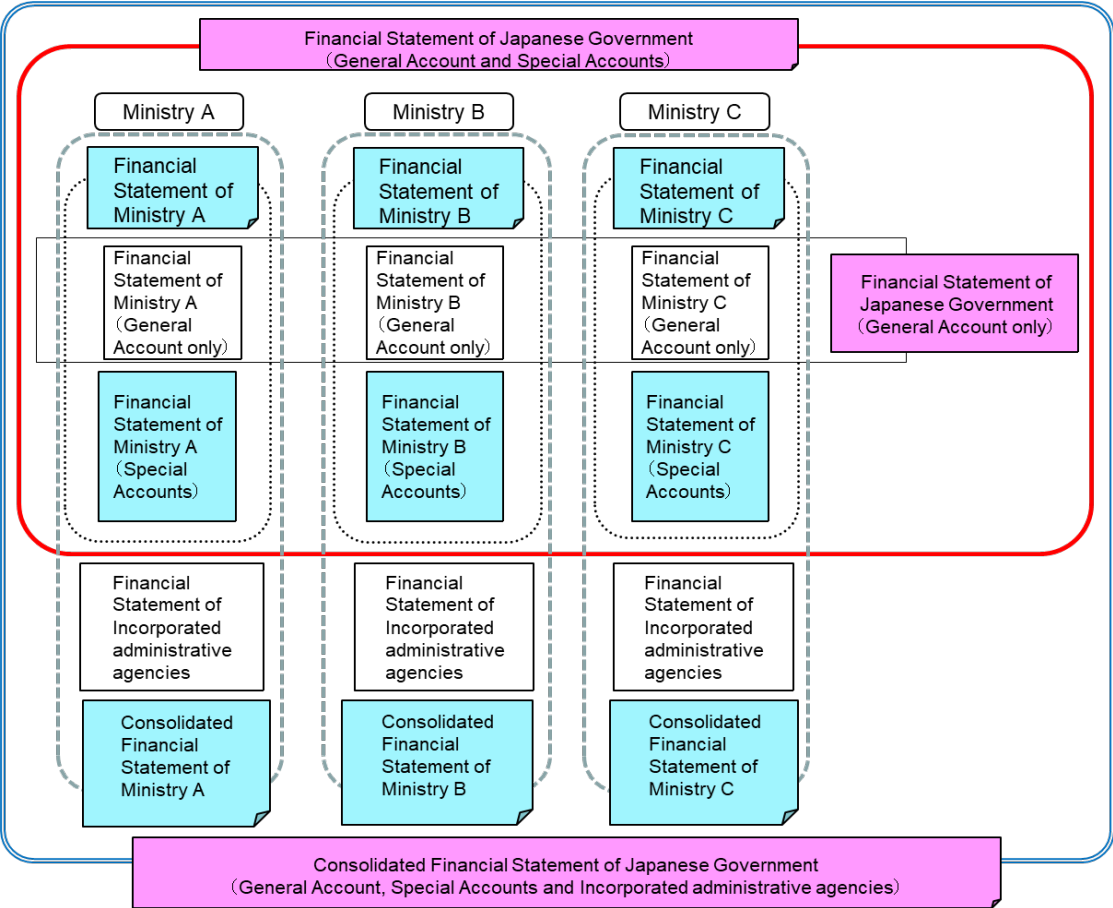


Figure 3. General Account, Special Accounts, The consolidated corporations

General Account	Special Accounts (13)
<ul style="list-style-type: none"> ◇Imperial Household expenses ◇National Diet ◇Court ◇Board of Audit ◇Cabinet ◇Cabinet Office ◇Ministry of Internal Affairs and Communications ◇Ministry of Justice ◇Ministry of Foreign Affairs ◇Ministry of Finance ◇Ministry of Education, Culture, Sports, Science and Technology ◇Ministry of Health, Labour and Welfare ◇Ministry of Agriculture, Forestry and Fisheries ◇Ministry of Economy, Trade and Industry ◇Ministry of Land, Infrastructure and Transport ◇Ministry of the Environment ◇Ministry of Defense 	<ul style="list-style-type: none"> ◇Local allocation tax and local transfer tax ◇Earthquake reinsurance ◇National debt consolidation fund ◇Foreign exchange fund ◇Government investment and loan fund ◇Measures for energy ◇Worker's insurance ◇Pension ◇Stable supply of food ◇Debt management of National forest and field service * transitional account ◇Patents ◇Motor vehicles safety ◇Reconstruction from the Great East Japan Earthquake

The consolidated corporations

"corporations that carry out businesses related to government's operations"

The number of the consolidated corporations of Consolidated Financial Statement of Japanese Government for FY2020 is below.

◇Incorporated administrative agencies: 87	◇Government Finance Company: 1
◇National University Corporation: 89	◇Other Special Corporation: 4
◇Special Company: 15	
◇Government-authorized corporation: 4	
◇Promotion and Mutual Aid Corporation for Private Schools of Japan: 1	

Total 201

3.2 Statements included in "Government Financial Statements"

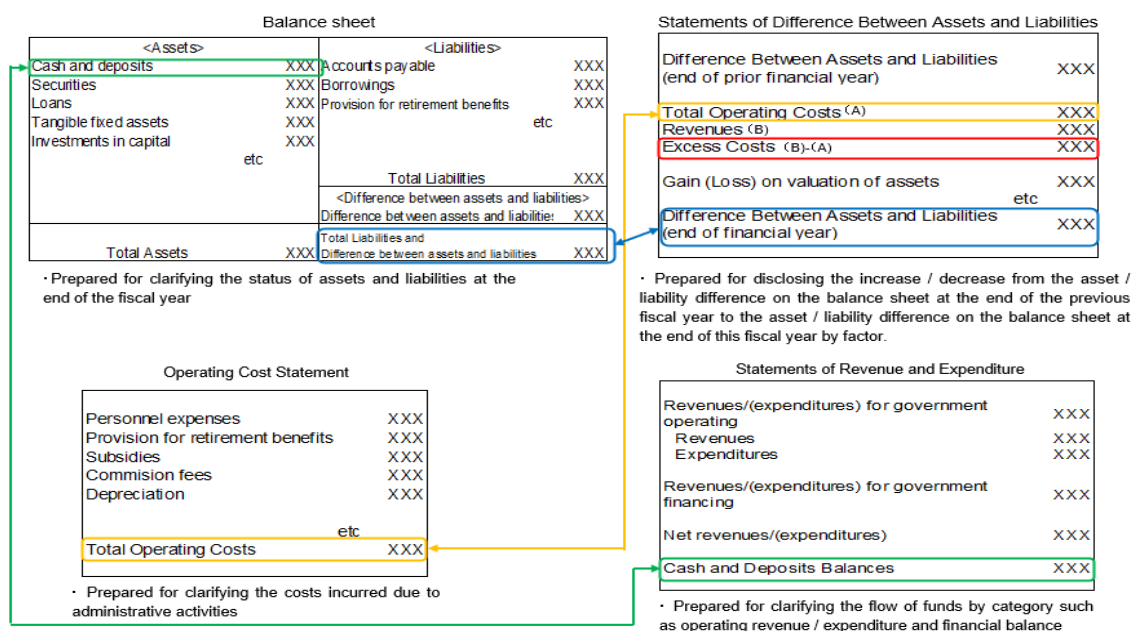
There are 4 statements in "Government Financial Statements". Balance Sheet is prepared for clarifying the status of assets and liabilities at the end of the fiscal year.

Operating Cost Statement aggregates only the costs. In Operating Cost Statement, it is important to compare the total cost with its effect. Therefore, only the cost is aggregated on Operating Cost Statement.

Statement of Difference Between Assets and Liabilities is prepared for disclosing the change of assets liabilities difference during the fiscal year by factor. This statement also contains information on cost and revenue comparisons. And it shows "Excess costs", which is the difference between "revenues" and "costs".

Statement of Revenue and Expenditure is prepared for clarifying the flow of funds by category such as operating revenue expenditure and financial balance.

Figure 4. Statements included in "Government Financial Statements"



3.3 Characteristics of "Government Financial Statements"

Regarding Position of "Government Financial Statements", there are two characteristics. Firstly, the government cash based financial documents are prepared based on the Public Finance Act, but "The Government Financial Statements" are supplemental information. So, it is not required by law.

Secondly, "Government Financial Statements" are prepared with reference to the methods and ideas of business accounting, but they are prepared based on cash-based financial information, and in alignment with cash based financial documents.

Therefore, Government Financial Statements are not exactly the same as those in business accounting.

In terms of differences from business accounting", there are three characteristics.

Firstly, there is existence of receipt and disbursement arrangement period in Japanese government. In Government cash basis accounting, there is a "balance adjustment period (deadline is July 31 of the following year)" in order to complete the balance work of income and expenditure when preparing the settlement of accounts. Therefore, the value of cash and deposit on Government Financial Statements include the value of receipt and payment of cash during receipt and disbursement arrangement period.

Secondly, for infrastructure assets such as roads and ports, the acquisition cost is estimated and recorded by accumulating costs. In other words, infrastructure assets are recorded by a simple method.

Thirdly, our pension system adopts pay-as-you-go, and the obligation to pay a pension arises by satisfying the eligibility for pension. Therefore, future payment obligations are not recognized as a liability. However, the central government holds reserve funds for a part of future pension benefits, and the central government records the fund assets and "Deposit reserved for the public pension" as liabilities.

4. Utilization from a macro perspective

4.1 Revenue and Expenditure (cash basis) in FY2020

In the central government, there are general account and 13 special accounts. For example, foreign exchange fund, Government investment and loan fund, and pension. Table 2. shows net total cash basis figures (general account and special accounts). These mean the amount after deducting transactions between the general account and the special accounts. Net total figures show the scale of the central government's finances. However, it is not clear at a glance how severe the financial position is from these figures.

Table 2. 2020 Revenue and Expenditure (cash basis)

(Unit: trillion yen)

	Revenues	Expenditures	Difference
General Account	184.6	147.6	37.0
Special Accounts	417.6	404.5	13.0
Total (General Account and Special Accounts)	602.1	552.1	50.0
Excludes: duplication between accounts and refinancing bonds	(248.9)	(246.3)	(2.6)
Net Total (General Account and Special Accounts)	353.3	305.8	47.4

1 trillion yen = 9 billion USD (as of March 31/ 2021)

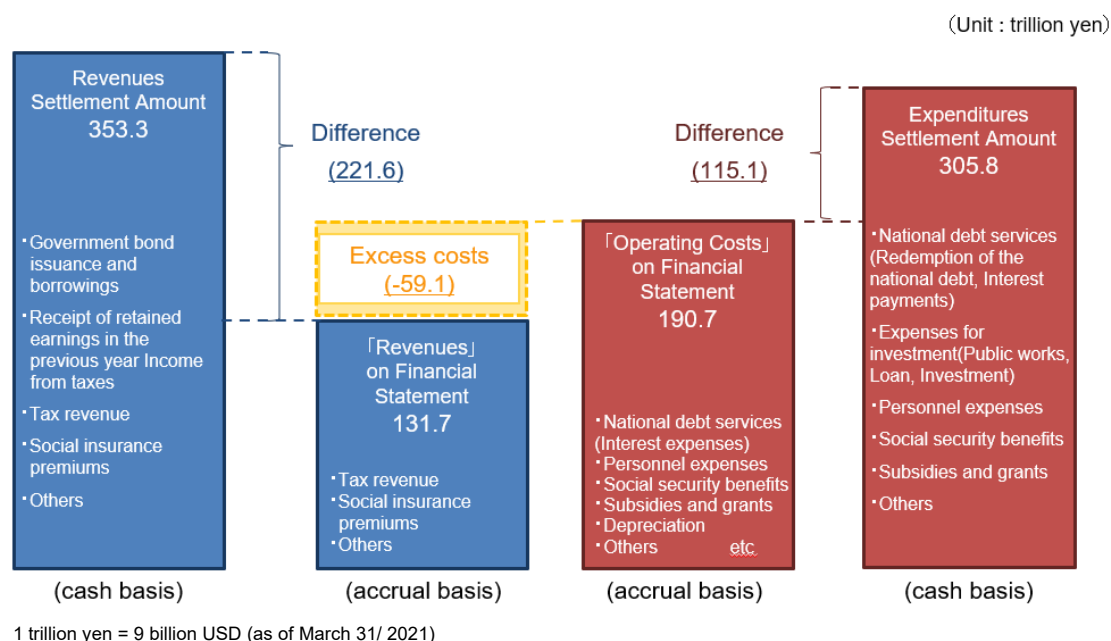
4.2 Relation between "Revenue and Expenditure (cash basis)" and "Revenues and Operating Costs (accrual basis)"

Figure 5. shows the difference cash accounting and accrual accounting.

"Revenues" on the financial statements do not include revenues such as issuance of government bonds, and "Operating costs" on the financial statements do not include expenditure such as debt redemption expenses. In addition, depreciation and provisions with no cash outlay are recorded.

"Excess costs" which is the difference between revenues and costs indicates "net loss" in business accounting. From this point of view, it is clear that the financial situation of the Japanese government is severe. The most important point is that we can more easily recognize the tightness of finances with accrual accounting than with cash accounting.

Figure 5. The difference between "revenue and expenditure (cash basis)" and the "revenues and operating costs (accrual basis)" in FY2020



4.3 What you can see from the Balance Sheet (general account / special accounts total)

Some people say that "Does the government have assets that can be sold?" and "Does the government hide assets in special accounts?". There are two questions that we would like to answer.

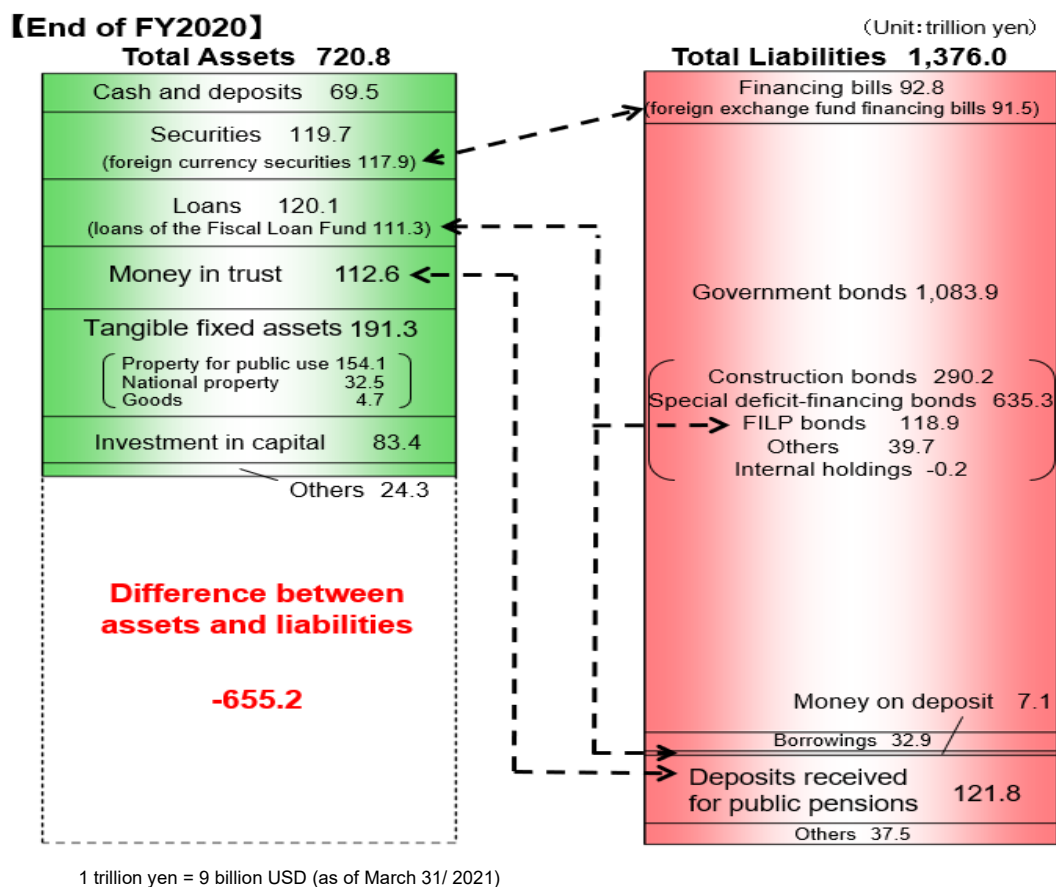
Firstly, most of financial assets and liabilities are earmarked to each other (Figure 6).

For example, regarding foreign currency securities (part of the securities), Financial sources for purchasing the securities are provided by issuing foreign exchange fund financing bills (part of the financing bills). Regarding Loans of the Fiscal Loan Fund (part of the loans), financial sources for these loans consist of funds provided by issuing FILP bonds and money on deposit. Money in trust is a part of funds accumulating social security contribution etc., saved for future benefit disbursement. And the corresponding amount is also listed on the liability side as the deposits for public pensions.

Secondly, there are also a considerable amount of assets which are not expected to be converted into cash. For example, tangible fixed assets are property for public use, etc. such as roads and ports.

Thus, we can explain most of assets cannot be converted into cash to make up fiscal resources for other policies by using Balance Sheet.

Figure 6. Balance Sheet (general account / special accounts total)



4.4 Outline of "Government Financial Statement" (general account / special accounts total) for FY2020

While the impact of COVID-19 was small in FY2019, the impact of COVID-19 was large in FY2020 [Figure 7.] [Reference 3] . For example, Cash and deposits increased by 23 trillion yen due to postponement of part of budget execution related to measures against covid-19 to the next fiscal year. Loans increased by 12 trillion yen and investments in capital increased by 7 trillion yen to support small and medium-sized enterprises. As for liabilities, the shortfall of tax revenue was covered by issuing Special deficit-financing bonds, so government bonds increased by 85 trillion yen. As a result, total liabilities were 1,370 trillion yen. And the difference between assets and liabilities at the end of 2020 was negative 650 trillion yen and deterioration of 63 trillion yen from the previous year. The total operating cost for FY2020 was 190 trillion yen. Significant increase is due to an increase in subsidies and grants and subsidy program for sustaining businesses etc. On the other hand, as for Statement of Difference Between Assets and Liabilities, the total revenues were 131 trillion yen. And the total revenues include tax revenues, social insurance premiums.

“Excess costs”, which is the difference between “revenues” and “costs”, was 59 trillion yen and was the largest since the preparation of Government Financial Statements.

Figure 7. Government Financial Statements (FY2019 VS FY2020)

Balance sheet				(Unit : trillion yen)			
	FY2019	FY2020	Increase/(decrease)		FY2019	FY2020	Increase/(decrease)
<Assets>				<Liabilities>			
Cash and deposits	46.1	69.5	23.4	Accounts payable	12.1	12.1	0.1
Securities	126.5	119.7	(6.8)	Financing bills	77.5	92.8	15.3
Inventories	4.3	4.1	(0.1)	Government bonds	998.8	1,083.9	85.1
Accounts receivable	11.7	12.7	0.9	Borrowings	32.4	32.9	0.5
Prepaid expenses	4.2	3.7	(0.5)	Money in deposit	5.9	7.1	1.2
Loans	107.2	120.1	12.9	Insurance liabilities	9.5	9.5	(0.0)
Money in trust	113.2	112.6	(0.7)	Deposit reserved for the public pension	121.2	121.8	0.6
Other credits	4.3	5.2	0.9	Provision for retirement benefits	6.3	6.1	(0.2)
Allowance for doubtful accounts	(1.4)	(1.6)	(0.2)	Other liabilities	9.4	9.8	0.4
Tangible fixed assets	188.7	191.3	2.6				
Intangible fixed assets	0.3	0.4	0.0				
Investments in capital	76.3	83.4	7.1	Total liabilities	1,273.1	1,376.0	102.9
				<Difference between assets and liabilities>			
				Difference between assets and liabilities	(591.8)	(655.2)	(63.4)
Total assets	681.3	720.8	39.5	Total liabilities and difference between assets and liabilities	681.3	720.8	39.5

1 trillion yen = 9 billion USD (as of March 31/ 2021)

Operating Cost Statement				Statement of Difference Between Assets and Liabilities			
(Unit : trillion yen)				(Unit : trillion yen)			
	FY2019	FY2020	Increase/(decrease)		FY2019	FY2020	Increase/(decrease)
Personnel expenses	5.2	5.1	(0.0)	Difference Between Assets and Liabilities (end of prior financial year)	(583.4)	(591.8)	(8.5)
Social security benefits	50.4	54.6	4.2	Total operating costs	149.8	190.7	40.9
Subsidies and grants	53.9	85.3	31.5	Tax revenues	62.2	64.9	2.8
Subsidy program for sustaining businesses, etc.	-	7.2	7.2	Social insurance premiums	55.1	55.2	0.0
Local allocation tax grants	19.8	19.4	(0.4)	Other revenues	12.2	11.6	(0.7)
Depreciation	5.1	5.1	(0.1)	Revenues	129.5	131.7	2.1
Interest expenses	6.9	6.4	(0.4)	Excess costs	(20.3)	(59.1)	(38.8)
Other operating costs	8.6	7.5	(1.0)	Except for the above			
Total Operating Costs	149.8	190.7	40.9	Gain (loss) on valuation of assets	8.4	(1.5)	(9.9)
				Foreign exchanges gain (loss)	(0.6)	(4.2)	(3.6)
				(Increase)/decrease of deposit reserved for the public pension deposits	(0.4)	(0.6)	(0.2)
				Other difference between assets and liabilities	4.4	2.0	(2.4)
				Difference Between Assets and Liabilities (end of financial year)	(591.8)	(655.2)	(63.4)

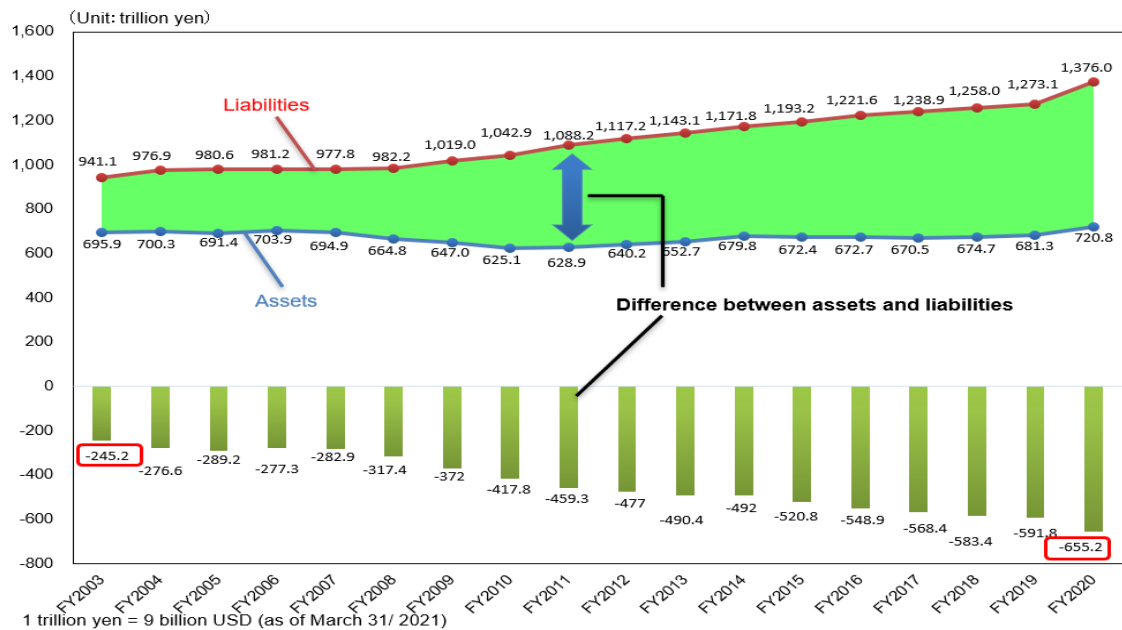
1 trillion yen = 9 billion USD (as of March 31/ 2021)

4.5 Changes in the difference between assets and liabilities

Figure 8. shows changes in assets, liabilities, and changes in the difference between assets and liabilities. FY2003 is the first year of preparation of the Government Financial Statements. Assets have not increased significantly from 695 trillion yen at

the end of 2003 to 720 trillion yen at the end of 2020. On the other hand, liabilities have increased from 941 trillion yen at the end of 2003 to 1,300 trillion yen at the end of 2020. As a result, the difference between assets and liabilities has deteriorated from negative 245 trillion yen to 655 trillion yen.

Figure 8. Changes in the difference between assets and liabilities

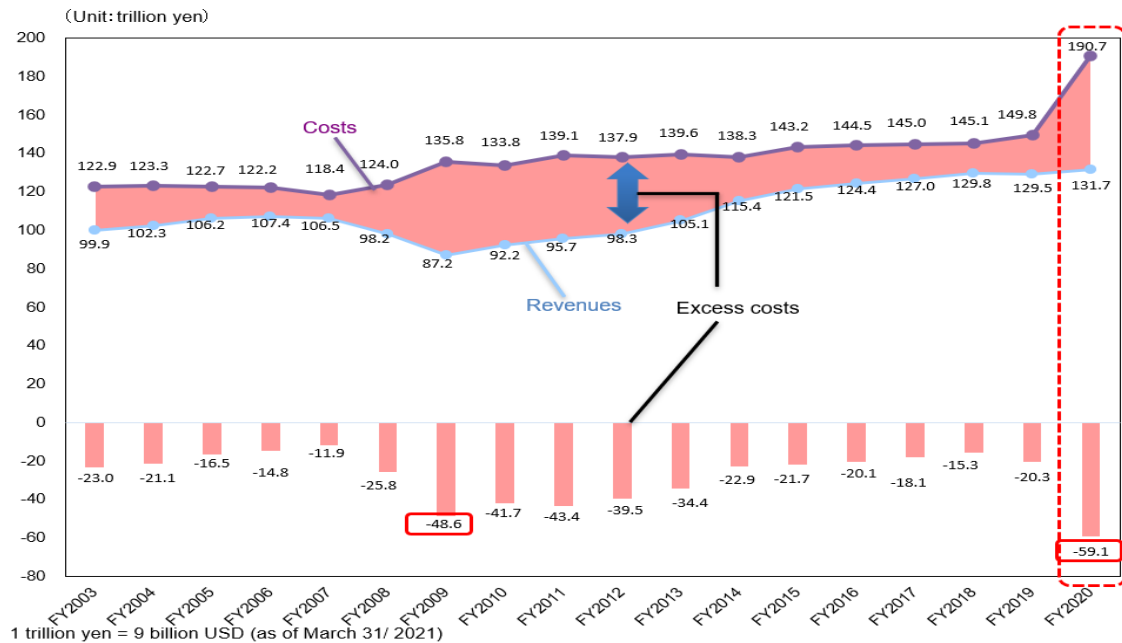


4.6 Changes in Excess costs

Figure 9. shows that changes in costs, revenues, and changes in excess costs.

Excess costs temporarily increased significantly in FY2009 due to the impact of the Lehman shock in FY2008 and have been on a downward trend since then. However, in 2020, it increased significantly again due to COVID-19 measures etc.. As a result, FY2020 is the largest since the preparation of Government Financial Statements.

Figure 9. Changes in Excess costs



4.7 Difference between assets and liabilities

Table 3. shows components of the difference between assets and liabilities from FY2003 to FY2020. The difference at the end of FY2003, when Government Financial Statements was first prepared, was negative 245 trillion yen. In FY2020, the difference was negative 655 trillion yen. it is about 2.7 times compared with FY2003. And the difference between assets and liabilities fluctuated by negative 410 trillion yen, which is due to the accumulation of excess costs.

Figure 10. shows changes in difference between assets and liabilities and amount of Special deficit-financing bonds. Since difference between assets and liabilities is the accumulation of excess costs in the past, this means the burden on the current generation is postponed to future generations.

The main factor of excess costs is social security costs and the financial resources to cover the shortage are Special deficit-financing bonds. Therefore, the difference between assets and liabilities and the balance of Special deficit-financing bonds are almost the same amount.

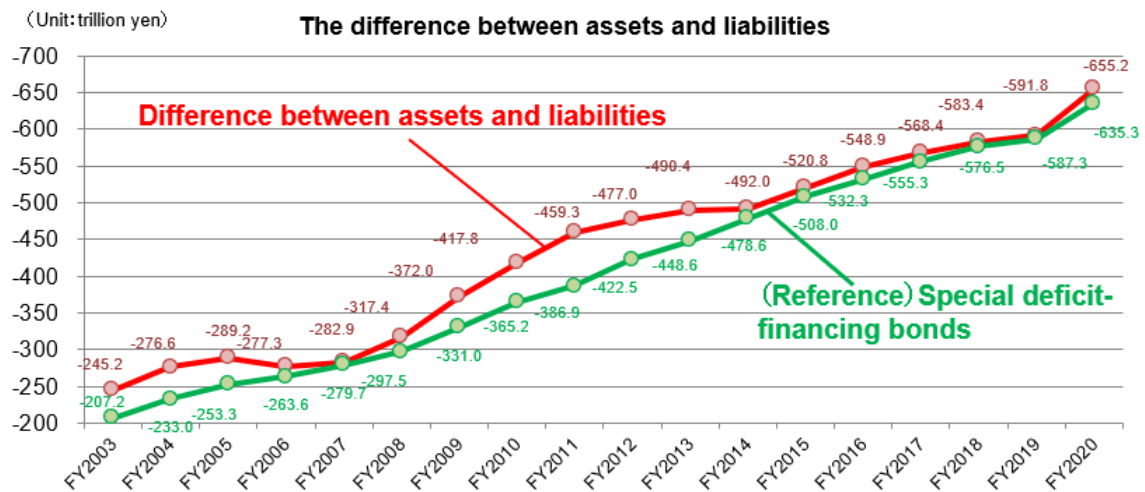
Table 3. Components of the difference between assets and liabilities

(Unit: trillion yen)

		End of FY2003	Changes from 2003 to 2019	End of FY2019	Changes in FY2020	End of FY2020
Components of the difference between assets and liabilities	Difference between assets and liabilities at the end of 2003(A)	-245.2	-	-245.2	-	-245.2
	Total changes(B)	-	-346.7	-346.7	-63.4	-410.0
	Excess costs	-	-416.0	-416.0	-59.1	-475.1
	Gain (loss) on valuation of assets	-	27.8	27.8	-1.5	26.3
	Foreign exchanges gain (loss)	-	0.4	0.4	-4.2	-3.8
	(Increase)/decrease of deposit reserved for the public pension deposits	-	28.9	28.9	-0.6	28.3
	Others	-	12.2	12.2	2.0	14.2
Difference between assets and liabilities as the end of 2020(A+B)		-245.2	-	-591.8	-	-655.2

1 trillion yen = 9 billion USD (as of March 31/ 2021)

Figure 10. The difference between assets and liabilities



1 trillion yen = 9 billion USD (as of March 31/ 2021)

4.8 Consolidated Financial Statements

The consolidated financial statements include "corporations that businesses related to national policy". The consolidated corporation is defined as "a corporation in which the government has the authority to supervise the corporation and receives financial revenues from the government". The number of consolidated corporations in FY2020 is 201. And Central bank of Japan is not subject to consolidation because the government has limited authority to supervise them, and the amount of government investment is small.

The consolidated financial statements show a smaller difference between assets and liabilities compared with standalone basis. This reason is due to the rise in stock price of the pension reserve managed by Government Pension Investment Fund in FY2020.

However, stock prices fluctuate every year and pension reserves are used only for part of future pension benefits. Therefore, it does not mean that the public finance has directly improved or deteriorated due to the increase or decrease in the market value of the pension reserve.

Figure 11. Consolidated Financial Statements

Balance sheet [In comparison to standalone basis]

(Unit : trillion yen)

	Standalone Basis	Consolidated Basis	Difference		Standalone Basis	Consolidated Basis	Difference
<Assets>				<Liabilities>			
Cash and deposits	69.5	166.3	96.8	Accounts payable	12.1	15.8	3.7
Securities	119.7	440.2	320.5	Financing bills	92.8	92.8	-
Inventories	4.1	5.0	0.9	Government bonds	1,083.9	986.9	(97.0)
Accounts receivable	12.7	15.1	2.4	Incorporated administrative agencies bonds	-	57.6	57.6
Loans	120.1	166.3	46.2	Borrowings	32.9	40.4	7.5
Money in trust	112.6	-	(112.6)	Money on deposit	7.1	2.2	(4.8)
Allowance for doubtful accounts	(1.6)	(3.7)	(2.0)	Postal deposits	-	187.9	187.9
Tangible fixed assets	191.3	280.2	89.0	Insurance liabilities	9.5	90.0	80.5
Intangible fixed assets	0.4	1.4	1.0	Deposit reserved for the public pension	121.8	126.0	4.2
Investments in capital	83.4	19.3	(64.1)	Provision for retirement benefits	6.1	10.9	4.8
Customers' liabilities for acceptances and guarantees	-	2.4	2.4	Acceptances and guarantees	-	2.4	2.4
Other Assets	8.8	28.4	19.6	Other liabilities	9.8	48.3	38.4
				Total Liabilities	1,376.0	1,661.2	285.3
				<Difference between assets and liabilities>			
				Difference between assets and liabilities	(655.2)	(540.3)	114.9
Total Assets	720.8	1,121.0	400.2	Total Liabilities and Difference Between Assets and Liabilities	720.8	1,121.0	400.2

1 trillion yen = 9 billion USD (as of March 31/ 2021)

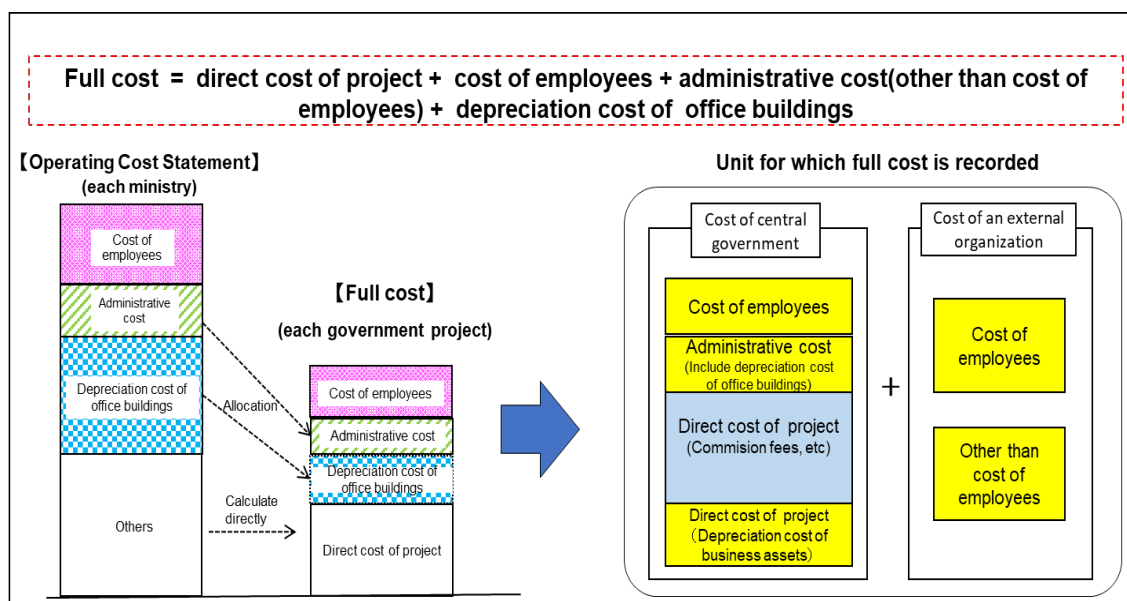
5. Utilization from a micro perspective

5.1 Preparation of “full-cost information”

This effort had started from FY2014 as trial of full-cost information. To develop this effort, in January 2021, the advisory council of the Ministry of Finance set the standard for full-cost information of each government project [Reference 4] . Since FY2020, full-cost information has been disclosed in accordance with this standard.

Figure 12. shows Calculation method of full-cost information. Full cost is the sum of direct cost of project, cost of employees, administrative cost (other than cost of employees), depreciation cost of office buildings. And it is prepared on the basis of Operating Cost Statement of each ministry. And if the central government uses an external organization to carry out a government project, the cost of the central government and the cost of the relevant organization are added up.

Figure 12. Calculation method



5.2 Type of projects (preparing full-cost information)

Full-cost information is not required for all projects in the central government, but it is required for the following three types that contribute to utilization by the accrual accounting.

Firstly, projects that provide subsidies and benefits, this is a project in which the government grants subsidy and other benefit to citizen and businesses. Secondly, Projects partially borne by the beneficiary, this is a project in which the beneficiary pays fees, etc. for the project. Thirdly, other projects, this is a project that owns operating assets etc..

Each department of each ministry selects a representative project that corresponds to each type, and prepares and publishes full-cost information.

In FY2020, full-cost information was prepared for about 160 government projects and more full-cost information may be disclosed in FY2021. For reference, there are about 5,000 government projects in Japanese government.

Index is very important to utilize this information. For example, cost per unit shows an index divided by units such as the number of users and the number of days of use of the administrative service. And Ratio of revenue to full cost shows the ratio of revenue such as commissions from those who received administrative services to the full cost. And Ratio of the indirect cost shows the ratio of administrative expenses required for the grant, to the total amount of subsidies and benefits to the people.

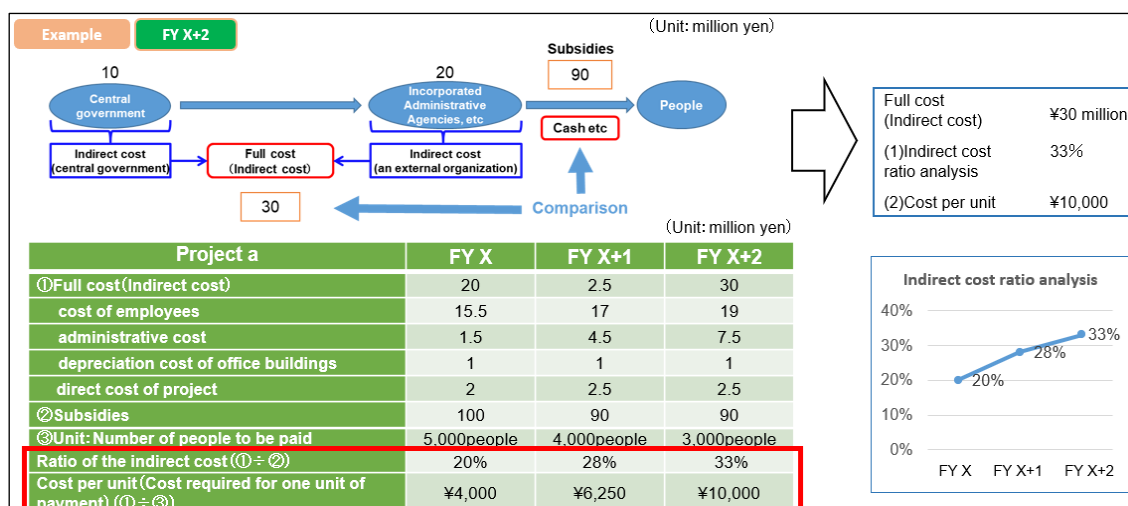
5.3 Projects that provide subsidies and benefits

Figure 13. illustrates the use of full cost information for projects that provide subsidies and benefits. This example is a project that provides cash subsidies of 90 million yen to 3,000 people. And for this project, the indirect cost of the central government is 10 million yen, and the indirect cost of the incorporated administrative agency is 20 million yen. So, the full cost (total indirect cost) is 30 million yen. By dividing full cost 30 million yen by subsidies 90 million yen, the indirect cost rate is 33%. By dividing full cost 30 million yen by 3,000 people, the cost per unit is 10,000 yen. The indirect cost rate has risen 20% 28% 33%.

By indirect cost ratio analysis, the percentage of indirect costs of this project can be seen that it has increased year by year. The project processes that provide cash may be inefficient. And by cost analysis per unit, the number of people to be paid can be seen that they decreased, while the full cost has increased. The project processes that provide cash may be inefficient.

Such information would improve the financial efficiency and transparency of government projects.

Figure 13. Projects that provide subsidies and benefits



5.4 Projects partially borne by the beneficiary

Figure 14. illustrates the use of full cost information for projects partially borne by the beneficiary. For this example project, full cost of the project is 12 million yen and the revenue is 4.8 million yen. And the number of users has decreased from 10,000 people in FY X to 8,000 people in FY X + 2.

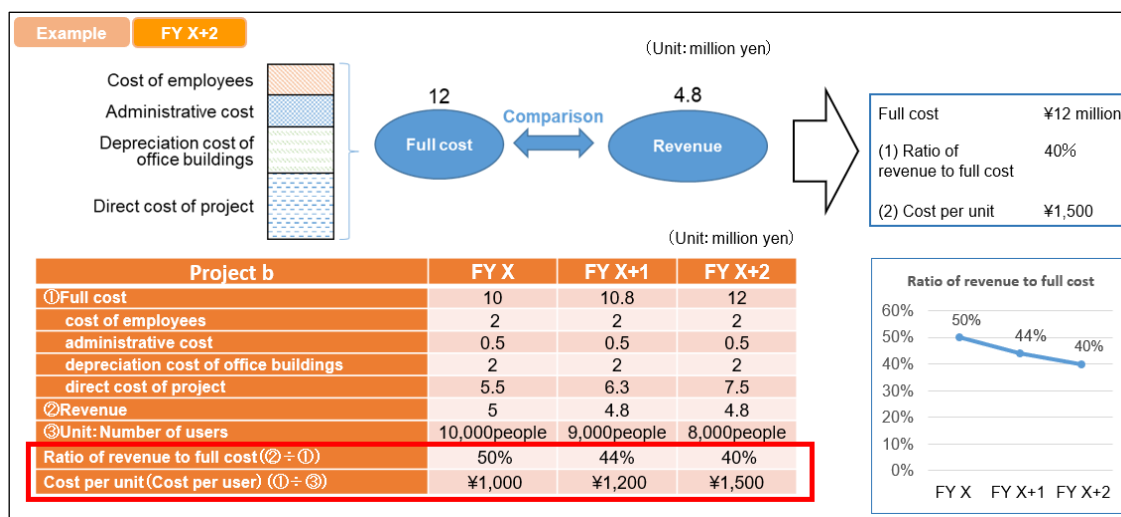
By dividing revenue 4.8 million yen by full cost 12 million yen, ratio of revenue to full

cost is 40%. And by dividing full cost 12 million yen by 8,000 people, cost per unit is 1500 yen.

Given that ratio of revenue to full cost is declining year by year 50% 44% 40%, the service provided by the government and the service charge are possible not to be commensurate with each other. if there is a similar project, comparing each cost information may be helpful to set an appropriate price.

And while the number of users is decreasing, the full cost is increasing and the cost per user is increasing. Given that the number of users is decreasing, it may be necessary to consider reducing the project cost or reviewing the content of this project.

Figure 14. Projects partially borne by the beneficiary



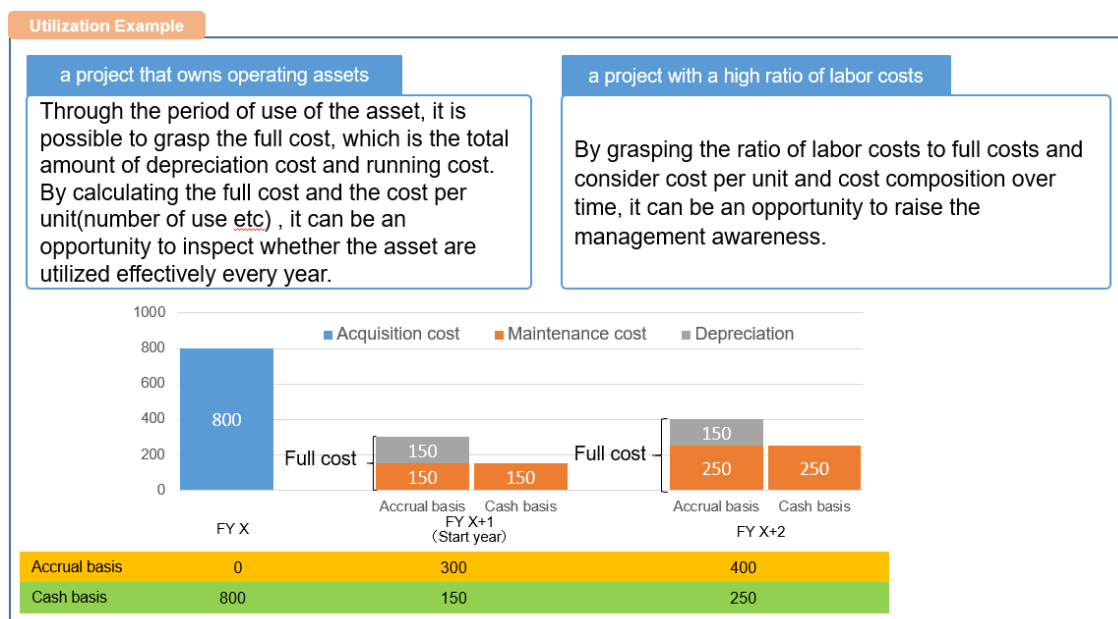
5.5 Other projects

Figure 15. illustrates the use of full cost information for other projects other than “Projects that provide subsidies and benefits” and “Projects partially borne by the beneficiary”.

For example, in the case of “a project that owns operating assets”, it is possible to grasp the full cost, which is the total amount of depreciation cost and running cost and obtain information that cannot be seen by cash basis. Therefore, the full cost and the cost per unit is useful to verify whether the asset is being used effectively.

And in the case of “a project with a high ratio of labor costs”, it is possible to grasp the ratio of labor costs to full costs and consider cost per unit and cost composition from year to year, it can be an opportunity to improve management awareness

Figure 15. Other projects



5.6 Full-cost information examples in FY2020

In FY2020, full-cost information was prepared for about 160 government projects [Reference 5] , and among them, Figure 16. shows two examples for Projects that provide subsidies and benefits and two examples for Projects partially borne by the beneficiary (Government project of Grant-in-Aid for Scientific Research, Unemployment benefit, Judicial scrivener examination, Tax accountant examination).

And, as an index, such as cost per unit, ratio of indirect costs, ratio of revenue to full cost are shown.

Recently in the Diet, a member of Diet questioned about Tax accountant examination by using full cost information. He said "Ratio of the tax accountant exam had dropped from 92% to 56%, but ratio of the judicial scrivener exam had dropped from 81% to 78%. Why was the tax accountant exam dropping so much from last year?"

The bureau in charge of the tax accountant examination explained the reason in the Diet politely. Using Full-cost information in a Diet improve cost awareness of a person responsible for the business, and may lead to increased accountability and operational improvements.

Figure 16. Full-cost information example in FY2020

Projects that provide subsidies and benefits						
(*) the previous fiscal year						
	The competent authorities	Full cost (Indirect cost) (①)	Number of payments (②)	Cost per unit (① ÷ ②)	Subsidies (Cash) (③)	Ratio of indirect costs (③ ÷ ①)
Grant-in-Aid for Scientific Research	Ministry of Education, Culture, Sports, Science and Technology	¥2.61 bn (¥2.67 bn)	169,010 cases (162,647 cases)	¥15,464/case (¥16,431/case)	¥240.15 bn (¥237.51 bn)	1.0% (1.1%)
Unemployment benefit	Ministry of Health, Labor and Welfare	¥54.71 bn (¥61.81 bn)	44,351,503 people (44,131,438 people)	¥1,233/person (¥1,400/person)	¥1411.93 bn (¥1671.05 bn)	3.8% (3.7%)

Projects partially borne by the beneficiary						
(*) the previous fiscal year						
	The competent authorities	Full cost (①)	Number of application for exam (②)	Cost per unit (① ÷ ②)	Revenue (③)	Ratio of revenue to full cost (③ ÷ ①)
Judicial scrivener examination	Ministry of Justice	¥146 mil (¥164 mil)	14,431 people (16,811 people)	¥10,169/person (¥9,804/person)	¥115 mil (¥134 mil)	78.6% (81.6%)
Tax accountant examination	Ministry of Finance	¥303 mil (¥190 mil)	35,135 people (36,701 people)	¥8,627/person (¥5,192/person)	¥169 mil (¥176 mil)	56.0% (92.5%)

6. Conclusions

We conclude by making following three points.

Firstly, Parliament and the government are interested in the cash-basis budget of the general account, but it is useful to consider the finances from the accrual accounting information. In addition, combined accrual information for general and special accounts may be very useful.

Secondly the difference between assets and liabilities, which is the accumulation of excess costs, shows that the burden is being postponed to future generations. Citizens need to be aware of this fact.

Thirdly, full-cost information has disclosed for projects where utilization is beneficial. Though full cost information is just getting started, the purpose of full-cost information is to improve cost awareness of each government worker and to increase the transparency of tax usage to the public. We hope that it will be utilized for budgeting by enabling various analysis with the increase in the number of disclosures of full-cost information and the increase in aging comparison information in the future.

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