Debit—Grant Reserves
Credit—Income & Expenditure Res.

Revaluation gains are to be credited to revaluation reserve where the corresponding grant in aid has been credited to general reserve or to the Government Grant Reserve where the grant had been credited to that reserve.

Changes in Accounting Policy

The Accounting Standard (IPSAS 3) states that an entity shall change an accounting policy only if the change:

1) Is required by the standard (IPSAS): or
2) Results in financial statements providing reliable and more relevant information about the effects of transactions, other events and conditions on the entity's financial position, financial performance or cash flow.

Determining Accounting Policy Change

The following are deemed to be changes in accounting policies:

* A changes from one basis of accounting to another ; and
* A change in the accounting treatment, recognition or measurement of a transaction, event or condition within a basis of accounting.

The following are not deemed to be changes in accounting policies:

* The application of accounting policies for transactions, other events or conditions that differ in substance from those previously occurring: and
* The application of a new accounting policy for transactions, events or conditions that did not occur previously or were immaterial.

Presentation of Budgeted Information in Financial Statements

An Executive Agency shall present for comparison with actual amounts an additional budget column in the financial statements, this may be presented separately in a "*statement of comparison of budget and actual amounts*" or a similarly titled statement where the financial statements and the budget are prepared on a comparable basis

The financial statements of executive agencies should include:

1. A comparison of actual amounts with budgeted amounts
2. An explanation of material differences between budget and actual amounts; and
3. A reconciliation of actual budget amounts and actual amounts presented in the financial statements where the basis for preparation of both statements differ.

Changes from Original Budget

An entity shall present an explanation of whether changes between the original and final budget are a consequence of reallocations within the budget, or of other factors:

a) By way of note disclosure in the financial statements; or
b) In a report issued before, at the same time as, or in conjunction with the financial statements, and shall include a cross reference to the report in the notes to the financial statements.

Ministry of Finance and Planning

The Executive Agencies Monitoring Unit
Of the
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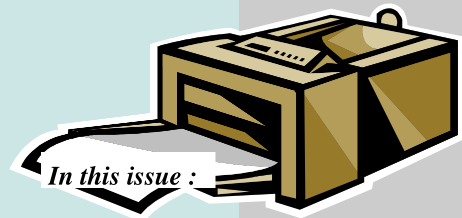
Ministry of Finance & the Public Service

Public Expenditure Policy Co-ordination Division

FACT SHEET #04-09



We highlight changes in the Revised Financial Instructions to Executive Agencies which include:

1. ***Executive Agencies Investments***
2. ***Grants and Grants in Aid***
3. ***Changes in Accounting Policies***
4. ***Budgeted Information in the Financial Statements***

March 31, 2009

Introduction

The Financial Instructions to Executive Agencies (FIEA) has been amended and became effective on January 1, 2009. This Fact Sheet seeks to highlight some of the significant areas revised in the new FIEA and include the following:

* Executive Agencies Investments
* Grants & Grants in Aid
* Changes in Accounting Policies
* Budgeted Information in Financial Statements

Executive Agencies Investments

Model B and C Executives Agencies may invest cash which is surplus to their usual day to day requirements in an approved financial institution that is regulated by the Banking Act, the Financial Institution Act, the Building Societies Act or the Financial Services Commission Act. Money shall only be invested in the following investment instruments:

- GOJ Treasury Bills
- GOJ Local Registered Stocks
- GOJ Debenture and Bonds
- GOJ Repos
- Demand Deposit Accounts
- Certificate of Deposits
- Any other investment instruments authorised by the Ministry of Finance & the Public Service.
- The Executive Agency shall not at any time have more than *twenty-five percent (25%)* of its total portfolio of investment invested in a single type or with a single financial institution except where the investment is secured by Government of Jamaica securities.

Interest earned from investments during the financial period must be recorded as Interest Income. The interest earned can be rolled over until redeemed or lodged to the agency's bank account as required.

Grants & Grants in Aid

Monies received for the purchase of Property, Plant and Equipment (PP&E) is recognized as Grants or Grants in Aid and not income. Grants are amount received to procure specific PP&E whilst Grants-in-Aid are amounts received for general purchase of PP&E. Grants and Grants-in-Aid should be accounted for in income and expenditure reserve. If it can be proven that grants or grants in aid are provided in return for goods and services they should be accounted for as income.

Executive Agencies should account for grants or grants in aid received for purchase of PP&E as follows:

- ***Grants****—receipts from any source for specific PP&E should be* ***credited to a government grant reserve*** *(not to deferred income) and released to the income and expenditure account over the useful life of the asset in amounts equal to the depreciation charge in the asset and any impairment.*
- ***Grants-in-aid****—for general PP&E should be* ***credited to the income and expenditure reserve****. However, it will not be necessary to release amounts to the income and expenditure account to offset the depreciation charge.*

Accounting for Grant and Grants in Aid

Grants

1. Upon receipt of the funds the Agency should:

   Debit—Bank Account
   Credit—Government Grant Reserve

2. An amount equal to the depreciation charge and any impairment should be released to the Income and Expenditure Account over the useful life of the asset.

   Debit—Government Grant Reserve
   Credit—Income and Expenditure Account

Grants in Aid

1. Upon receipt of the funds the Agency should:

   Debit—Bank Account
   Credit—Income & Expenditure Reserve

3. Depreciation charge should be taken directly to the income and expenditure account as it is not necessary to release amounts from the income and expenditure reserve account to offset the depreciation charge. Therefore the Agency should:

   Debit– Income & Expenditure Account
   Credit—Depreciation Account

Disposal of Assets bought from Grants

The profit or loss on disposal of an asset financed by a grant is taken to Income and Expenditure (I&E) account, a similar amount is transferred from government grant reserve to Income & Expenditure to offset this transfer. The balance on the government grant reserve in respect of that asset should be equal to the proceeds and is transferred to the Income and Expenditure Reserve. If the asset has been financed by a ***grant in aid***, the profit or loss on disposal is taken directly to the Income & Expenditure account.

1. Loss on disposal of assets purchased from grants:

   Debit—Income & Expenditure
   Credit—Asset account
   The opposite would hold for gains on disposal

2. Transfer an amount equal to the loss on disposal from Grant Reserves to Income & Expenditure.

   Debit—Grant Reserves
   Credit—Income & Expenditure
   The opposite would hold for gains on disposal

3. The balance on Government Grant Reserves should be equal to the proceeds from disposals and transferred to Income & Expenditure.