

Accounting Standardization System Public Administrations Standard 27 - Management Accounting an Approach and Application

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Abstract

In this work, a analysis of standard 27 – Management Accounting of the Accounting Standardization System for Public Administrations (SNC-AP).

The objective was to carry out a critical analysis, while trying to understand how the standard is applied at the national level, focusing on the Entities that can apply the standard.

For a better understanding, this work is divided into three parts, intending, in this way, a greater understanding of what standard 27 – Management Accounting represents.

In the first part of the work, an analysis of the main theoretical and historical concepts about standards is carried out. Then, an approach was made to the way in which accounting records were made before the entry into force of standard 27 and the way in which the evolution to the current text took place. After the first two parts, the study of the application of the standard in an Entity was carried out.

The study includes a presentation of the entity and its framing in the public sphere and, then, the analysis of the DFs, while at the same time a comparison of what should be done and what is being applied is carried out.

Keyword: SNC-AP; NCP27; Management Accounting; Public Accounting

1. System in Normalization accounting for administrations Public

Pereira, Vaz, Silva, and Andrade (2019) define accounting as the tool to be used by all those interested in the accounts of public entities. They characterize it as a means of comparing the different forms of accounting records through reporting.

“Over time, public sector accounting in Portugal has been confronted with several reforms, namely the largest and most profound one started in 1990, with the approval of Law no. 8/90, of 20 February – Basic Law of Public Accounting, which allowed greater flexibility and stricter management in public services” (Rosa, 2017, p. 2)

The reforms brought a new perspective to public accounting, it was no longer just a matter of recording obligations, rights and their recognition when there were inflows and outflows of money.

With the implementation of the Official Public Accounting Plan (POCP) in 1997, accounting records no longer have only one aspect of budget application and begin to have a register aspect with a view to decision-making. Public accounting is thus similar to private accounting. Like the POC, the POCP was also based on accounting principles that served as “rules” for entities to make their accounting records.

With globalization, the Financial Statements (DF's) had a different reading for each of the different entities (different countries), emphasizing that there was no global standardization of how accounting movements should be accounted for. It is in this context that the Accounting Standardization System for Public Administrations (SNC-AP) emerges, “in the sense of adopting standards adapted from international accounting standards (IAS/IFRS)” (Ministry of Finance, 2015). Thus, on January 1, 2018, SNC-AP becomes the new accounting system intended to promote harmonization in the public sector, through the preparation of Df's., allow public accounting to meet the needs of users and Public Administration users, with budget reports.

According to (Marques) the diploma is not seen with the necessary credibility, as it implies many successes due to its technical inconsistency, affecting the consolidation of accounts in the Public Administration. “Accounting must seek answers to new information needs, in order to guarantee the usefulness of the information it produces” (Oliveira, Sousa, & Teixeira, 2010, p. 13).

On the other hand, Carvalho (2018) describes the SNC-AP as a chance and a stimulus for Certified Accountants (CC) of public entities. They will be given the mission of implementing the standards, adjusting the previous models, creating the conditions for controlling and verifying their implementation and adapting the existing accounting systems to the SNC-AP.

With the entry into force of this accounting system, there is a proximity between the SNC-AP and the Accounting Standardization System (SNC), through the implementation of

international standards:

- International Financial Reporting Interpretations Committee (IFRIC);
- International Accounting Standards Board (IASB);
- International Financial Reporting Standard (IFRS) and International Accounting Standard (IAS).

2. Standard 27 - Management Accounting

It is through Accounting that management manages to obtain the information necessary for decision-making, at the same time, it has the ability to adapt to the area and economic nature of the entity.

The main function is the preparation of documentation (Financial Statements) which will be analyzed by the managers and which must be prepared under the law and existing rules (International and national).

Thus, the SNC-AP *"imposes that the subsystems of Public Administration present an efficient and effective management. In this sense, the information provided by management accounting will be useful in supporting managers in the internal processes of public management (internal aspect) and, on the other hand, in contributing to the purposes of accountability for accountability (external aspect)"* (Borralho, Pires, Basílio, & Reis, 2017, p. 2).

According to Law 192/2015 *"Management accounting makes it possible to evaluate the results of activities and projects that contribute to the realization of public policies and the fulfillment of objectives in terms of services to be provided to citizens"* (Ministry of Finance, 2015, p. 7586)

2.1 Purpose of the standard

"The purpose of this Standard is to establish the basis for the development of a management accounting system in Public Administrations, defining the general requirements for its presentation, providing guidelines for its structure and development and providing for mandatory minimum requirements for its content and disclosure" (Ministry of Finance, 2015, p. 7776).

According to Law 192/2015, of September 11, the norm intends to satisfy information needs in the following domains, among others: in the assistance of internal processes and in the rendering of accounts to interested parties; intends to facilitate its implementation in all public bodies; clarify the cost concepts used and share the information with stakeholders; create guidelines for the development of the standard and how it should be disseminated; in the planning and inspection functions, and in the rationale for a cost reduction plan and the measurement and evaluation of performance (economy, efficiency, effectiveness and quality) of programs.

2.2 Concepts

Since the standard values costs, it is necessary to define what is to be understood as a cost. Thus, cost "represents the monetary value of the resources used or consumed by each cost object (activity, service, asset, division, etc.), which originates from a sum of expenses shared based on allocation criteria defined by the entity" (Ministry of Finance, 2015, p. 7777), and the expenses may be direct, indirect or common. Common expenses "is specifically identified with a single object" and indirect or common expenses "is that which cannot be specifically identified with a given cost object, and it is necessary to divide it into several activities, functions, goods or services, using criteria of appropriate imputation" (Ministry of Finance, 2015, p. 7777).

Management Accounting is intended to support management in internal processes and analyses, that is, it can allow for a more focused analysis on certain cost centers. A cost center allows management to assess a specific reality from the point of view of its profitability. An example of a cost center would be the Masters and the Masters in Management of Organizations – Public Sector would be the cost object. The Study Cycle can be analyzed in terms of revenue (tuition fees), as well as other components such as certificates, registration for improvement. And as expenses, the remuneration of the Faculty and other expenses for the normal functioning of the Masters. It should be noted that the value of the remuneration of teachers must be applied proportionally to the hours of teaching in the study cycle and only that period, with the remaining hours,

Costs and expenses in Management Accounting are classified according to their nature and function. As for nature, they are classified as being direct; fixed and real, as for function, can be indirect; variables and theoretical.

2.3 Qualitative Characteristics of SNC-AP Information 27

The SNC-AP 27 standard establishes that the information produced by accounting must be free from errors and inaccuracies. It is necessary that the information is reliable, that it conveys confidence and credibility in the Financial Statements.

Accounting must produce the information in a timely manner, and guarantee the opportunity for interested parties to consult the information at any time. Delay in management response can lead to unnecessary costs.

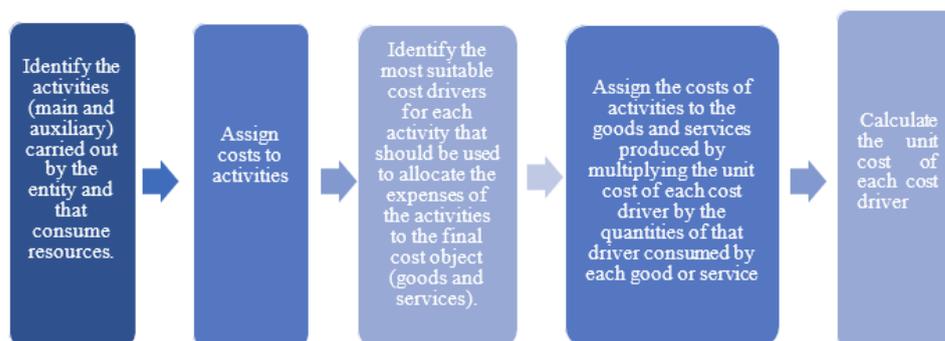
The records of operations carried out by the entity must be carried out in a consistent and similar manner, in order to be able to compare other entities with the same characteristics and the same economic activity.

Management accounting must record operations and events consistently and uniformly, in order to be able to compare entities with similar characteristics or belonging to the same sector of activity.

2.4 ABC costing system

The ABC Costing System is “Activity-Based Costing is a method of calculating costs in accounting, which provides a separate analysis for the different activities of the company” (Financial Dictionary).

Figure 1 - ABC Costing System



Source: IPCA

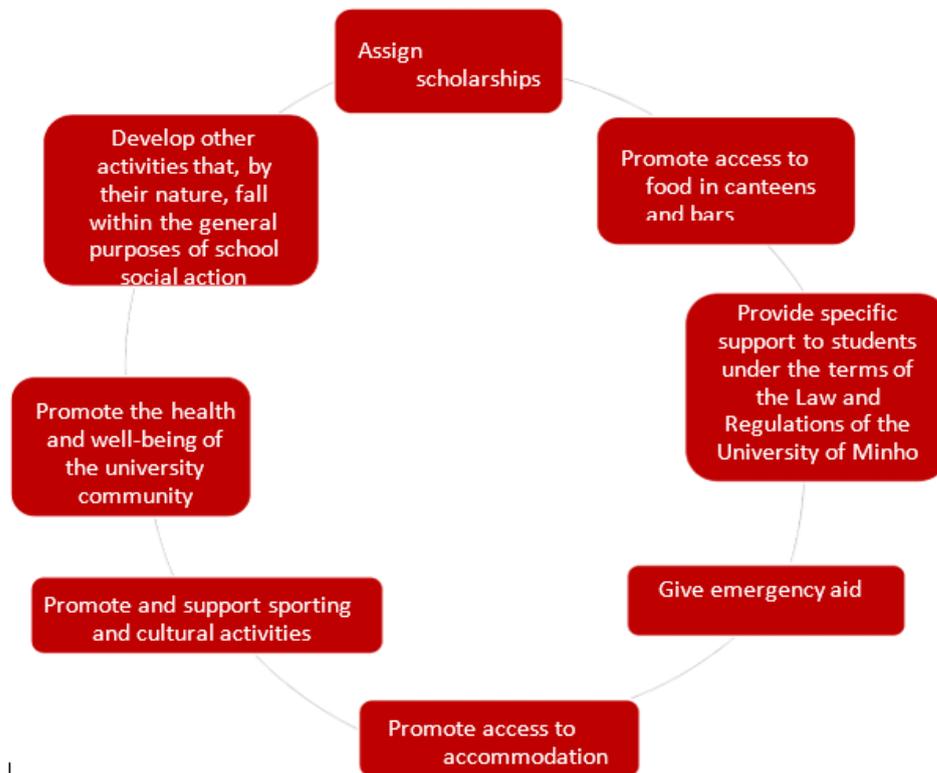
“The activity-based costing, applied in public services, is a full costing method which recognizes the relationship between costs, activities, and products/services of public administration” (Tuccillo, 2016, p. 1).

3. Practical application of the standard - Social Action Service of a Higher Education institution

The value of the case study approach is well recognised in the fields of business, law and policy, but somewhat less so in health services research. That what is going to be our study methodology in this paper.

3.1 - Assignments

Figure 2 - Responsibilities of the Social Action Service



Source: Susana Silva, IPCA

Some Service numbers:

- 22 food units;
- 233 employees;
- 38 business units;
- 663,018 meals served.

3.2 Application of cost accounting in the Social Action Service

Concepts:

Advantage - is the value of the goods or services for sale, recognition of income regardless of receipt.

Cost - is the value of resources sacrificed for a purpose or objective, recognition of cost regardless of payment.

direct costs - are directly imputed to a certain product or service, such as: direct labor and raw materials.

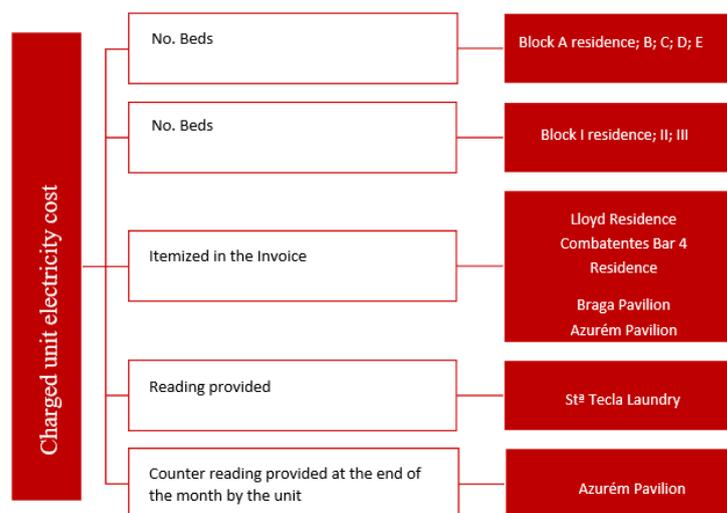
Indirect costs - may include costs from several departments, that is, they are common to several departments, and thus cannot be charged to a product, such as general manufacturing costs (electricity, gas, water).

Intermediate or auxiliary activities - are the services or tasks that support the achievement of the entity's final objectives, such as administrative and financial services. They do not generate revenue for the Services.

Final or main activities - are the services or tasks where a final product is obtained, such as meal cost, bed cost, etc., they are activities that generate their own income.

3.3 Cost distribution

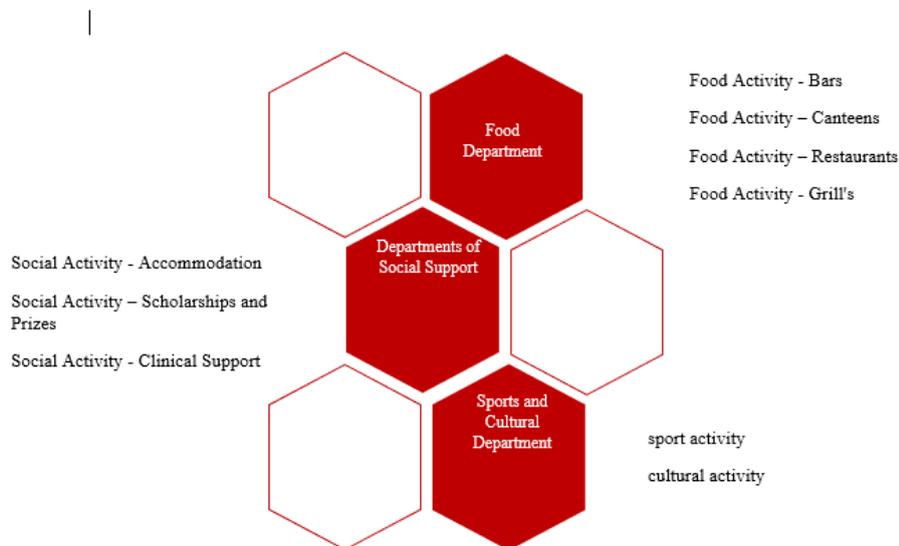
Figure 3 - Water cost distribution



Source: Susana Silva, IPCA

3.4 Service activities

Figure 4 - Service Activities



Source: Susana Silva, IPCA

3.5 Accounting Information for Management

Figure 5 - Support activities or services (direct costs)

| Activity or cost center | Non-teaching staff | Operation | Amortizations and provisions | Total costs | Allocation criteria |
|-------------------------|----------------------|--------------------|------------------------------|----------------------|---------------------|
| Management Board | 279 287.36€ | 6,997.69€ | 255.23€ | 286,540.28€ | |
| Administrative services | 694 259.04€ | 257 144.27€ | 52 825.99€ | 1 004 229.30€ | |
| Maintenance services | 85,768.86€ | 23 160.50€ | 6,359.18€ | 115 288.54€ | |
| Total | 1 059 315.26€ | 287 302.46€ | 59 440.40€ | 1 406 058.12€ | |

Source: Susana Silva, IPCA

Figure 6 - Cost breakdown of Maintenance Services by activities

| Activities | No. of Interventions | Non-teaching staff | Operation | Amortizations and provisions | Amount to be shared |
|---|----------------------|--------------------|--------------------|------------------------------|---------------------|
| Administrative services | 31 | 684.91 € | 184.95€ | 50.78€ | 920.65€ |
| Subtotal | 31 | 684.91 € | 184.95€ | 50.78€ | 920.65€ |
| Food Department | | | | | |
| Food Activity - Bars | 529 | 11,687.72 € | 3,156.08€ | 866.57€ | 15,710.37€ |
| Food Activity – Canteens | 279 | 6,164.22 € | 1,664.55€ | 457.04€ | 8,285.81 € |
| Food Activity – Restaurants | 92 | 2,032.65€ | 548.88€ | 150.71 € | 2,732.24€ |
| Food Activity - Grill's | 48 | 1,060.51€ | 286.37€ | 78.63€ | 1,425.52€ |
| Subtotal | 948 | 20,945.10€ | 5,655.88€ | 1,552.95€ | 28 153.94€ |
| Departments of Social Support | | | | | |
| Social Activity - Accommodation | 2,572 | 56 825.74 € | 15 344.88 € | 4,213.24 € | 76,383.85 € |
| Social Activity – Scholarships and Prizes | 1 | 22.09€ | 5.97€ | 1.64 € | 29.70€ |
| Social Activity - Clinical Support | 3 | 66.28€ | 17.90€ | 4.91€ | 89.09€ |
| Subtotal | 2,576 | 56 914.11€ | 15 368.75 € | 4 219.79 € | 76 502.64 € |
| Sports and Cultural Department | 327 | 7 224.73 € | 1 950.92€ | 535.67€ | 9 711.32 € |
| Total | 3 882 | 85 768.85 € | 23 160.50€ | 6 359.19€ | 115 288.55€ |

Source: Susana Silva, IPCA

Figure 7 - Distribution is based on cost drivers for each magnitude

| Distribution Criteria No. hours | People | Operation | Amortizations |
|--|--------------|--------------|---------------|
| Management Board + Administrative Services | 974 231.31€ | 264 326.91€ | 53 132.00€ |
| imputation coefficient | 2.70€ | 0.73€ | 0.15 € |

Source: Susana Silva, IPCA

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Figure 8 - Breakdown of costs with management bodies and administrative services by final activities

| Coefficient imputation x number of hours of each final activity | Non-teaching staff | Operation | Amortizations | TOTAL |
|---|--------------------|--------------------|-------------------|----------------------|
| Food Activity - Bars | 238 696.07€ | 64 762.64 € | 13 017.85€ | 316 476.56€ |
| Food Activity – Canteens | 299 699.05€ | 81 313.88€ | 16 344.79€ | 397 357.72€ |
| Food Activity – Restaurants | 42 149.58 € | 11,435.96 € | 2 298.73€ | 55 884.27 € |
| Food Activity - Grill's | 64 706.98€ | 17 556.20€ | 3 528.95€ | 85 792.13 € |
| Social Activity - Accommodation | 157 842.62€ | 42 825.61€ | 8,608.32 € | 209 276.55€ |
| Social Activity – Scholarships and Prizes | 67 823.97 € | 18 401.89€ | 3 698.94€ | 89 924.81€ |
| Social Activity - Clinical Support | 14 913.87€ | 4 046.41 € | 813.36€ | 19 773.64 € |
| Sport activity | 88 399.16 € | 23 984.32€ | 4 821.06€ | 117 204.54 € |
| Cultural activity | - € | - € | - € | - € |
| Total | 974 231.31€ | 264 326.91€ | 53 132.00€ | 1 291 690.23€ |

Source: Susana Silva, IPCA

Figure 9 - User support activities (total costs)

| Activity or cost center | Non-teaching staff | Operation | Amortizations and provisions | total costs | imputation units | Number of imputation units | Cost per unit of imputation |
|---|----------------------|----------------------|------------------------------|-----------------------|------------------------------|----------------------------|-----------------------------|
| Food Department | | | | | | | |
| Food Activity - Bars | 739 075.61€ | 1 162 839.87€ | 64 742.19€ | 1 966 657.67€ | Number of services | 1 300 531 | two |
| Food Activity – Canteens | 961 346.99 € | 1 533 494.01€ | 75 450.68 € | 2 570 291.69€ | No. of meals | 565 053 | 5 |
| Food Activity – Restaurants | 149 718.84€ | 175 276.34€ | 56 722.75 € | 381 717.94€ | No. of meals | 23,075 | 17 |
| Food Activity - Grill's | 217 091.36€ | 321 147.41€ | 24 025.55€ | 562 264.31€ | No. of meals | 74 890 | 8 |
| Subtotal | 2 067 232.80€ | 3 192 757.63€ | 220 941.17 € | 5,480,931.61 € | | | |
| Departments of Social Support | | | | | | | |
| Social Activity - Accommodation | 634 653.31€ | 696 172.21€ | 288 044.53€ | 1 618 870.05€ | No. of Beds | 16 668 | 97 |
| Social Activity – Scholarships and Prizes | 273 499.55€ | 221 184.67€ | 12 656.65€ | 507 340.87€ | Number of students benefited | 10 986 | 46 |
| Social Activity - Clinical Support | 16 252.82 € | 78 322.55€ | 4 316.97€ | 98 892.34 € | No. Queries | 3 291 | 30 |
| Subtotal | 924 405.68€ | 995 679.43 € | 305 018.15€ | 2 225 103.26€ | | | |
| Sports and Cultural Department | | | | | | | |
| Sport activity | 260 396.66€ | 787 217.26€ | 113 011.24 € | 1 160 625.15 € | No. Uses of Facilities | 195 330 | 6 |
| Cultural activity | 0.00 € | 182 405.09€ | 0.00 € | 182 405.09€ | No. of Cultural Groups | 11 | 16 582 |
| Subtotal | 260 396.66€ | 969 622.35 € | 113 011.24 € | 1 343 030.24€ | | | |
| Total | 3 252 035.14€ | 5 158 059.41€ | 638 970.56 € | 9 049 065.11 € | | | |

Source: Susana Silva, IPCA

4. Conclusion

With this work, it was possible to apply and understand the SNC-AP 27 standard – Management Accounting in a real context. The Public Higher Education entity that was used as an example allowed us to investigate and understand how cost centers work in Public Administration.

This work had a practical aspect, since it was possible to analyze the different cost centers of the Higher Education Institution and verify how they are accounted for and classified. In view of all the available elements, the existing accounting records allow for an analysis from the point of view of expenses, as well as income. We are allowed to understand how information is handled and recorded. At the same time, it enabled the creation of a set of documents that allow for an analysis from a management point of view.

In conclusion, we can state that the preparation of this work allowed us to obtain a practical sample of the size and complexity that represents the preparation of the documents necessary for a manager to make a decision in relation to a good, or goods, services and services of an entity. . The practical application of the knowledge studied in class allowed the assimilation and a better understanding of the analysis possible through Management Accounting.

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