CIPFA urges Greece to use International Public Sector Accounting Standards for true debt position

Pat Sweet, Reporter, Accountancy Daily [2010-2021]
11 Aug 2015

As Greece achieves a last-minute re-negotiation with its lenders in its third bailout deal in five years, CIPFA is urging its government to use International Public Sector Accounting Standards (IPSAS), to more accurately reveal Greece's real debt position and correct a potential over-statement of debt

Ian Ball, chair of CIPFA International, said there had been a widespread misunderstanding of Greek finances which had resulted in policies and agreements that may only exacerbate the fiscal and economic problems Greece faces. The country has only recently adopted IPSAS.

Ball said: 'While the debt burden is commonly cited as being 175%-180% of GDP, this number is incorrect and indefensible because it based on the face value of Greece's debt that doesn't take into account long maturities and concessional interest rates, as well as grace periods.

'Greek debt, calculated on an IPSAS basis is significantly lower, and at the end of 2013 was 68% of GDP. If this is not an appropriate method for measuring debt then every company on major stock exchanges around the world has got its debt measurement wrong. In neither accounting standards nor economic principle is debt measured at face value.'

Early this morning Greece agreed a fresh bailout deal worth up to €86bn with its lenders following all-night talks. If the agreement is ratified by the Greek parliament on Wednesday or Thursday, it will then be examined by Eurozone finance ministers at the end of the week. Greece has a €3.2bn debt payment due to the European Central Bank on 20 August.

However, there remain a number of sticking points in the deal, including how Greek banks should deal with non-performing loans.

CIPFA says that as identifying the real debt position, IPSAS could clarify debt relief, restructurings and how they have helped Greece's balance sheet position. This would make explicit the extent of the losses suffered by creditor nations, which have not been recognised.

It would also avoid further losses as it could be used to evaluate any major decision by reference to its impact on Greece's net debt and net worth. In addition, using IPSAS would help build public trust and confidence in the Greek government through transparent financial statements, CIPFA argues.

Ball said: ‘Confronting the actual position faced by Greece, and the losses already incurred by the creditors, would give both Greece and its creditors a fresh start in addressing the very real issues facing the Greek economy and would help prevent the situation from worsening.’

If you think this article would be useful to a friend, click the **'Share with a Friend'** button below

Pat Sweet | Reporter, Accountancy Daily [2010-2021]

Pat Sweet was the former online reporter at Accountancy Daily and contributor to the monthly Accountancy magazine, pub...

View profile and articles

Insight Business