

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

July 23, 1987

To: Members of the Executive Board
From: The Secretary
Subject: Final Minutes of Executive Board Meeting 86/186

The attached corrected page 44 of the final minutes of EBM/86/186 (11/21/86) is reissued to delete the decision number in the penultimate line.

Att: (1)

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Department Heads

down more precisely investment expenditures but to single out a all nonrecurring expenditures, for example, annual meetings' costs. Second, it should not be necessary to have a highly sophisticated solution. Instead, we must aim at obtaining a financial statement which will be easier to understand, without incurring any significant additional administrative costs for establishing new accounts.

The staff representative from the Treasurer's Department confirmed that the Fund was not subject to any particular set of accounting principles, as it fell outside the jurisdiction of any particular national authority. The External Audit Committee had supported the adoption of depreciation accounting as a refinement of the Fund's procedures but had not suggested in any way that such a system would be necessary because the Fund's practice was consistent with generally accepted accounting principles. He also agreed, as a number of Directors had indicated, that the method of financial accounting had no direct relevance for the evaluation of investment expenditures and cost-benefit analysis or for making investment decisions. Rather, its purpose was to present as clear a picture as possible of the activities of the organization. Finally, the staff had no problem with the wording suggested by Mr. Al-Assaf to be included in the notes to the financial statements.

The Deputy Director of the Administration Department remarked that it would be possible to implement option 2 for presenting the Administrative Budget utilizing current personnel resources, although it would place additional pressure on the staff, particularly at certain times of the year. A number of Directors had questioned the staff's reference to the fact that depreciation accounting might assist in reducing the present incentive to rent or lease, rather than purchase. It was possible that a department would have insufficient funds within its budgetary allocation to purchase a piece of equipment but would have sufficient resources to lease the equipment in that year. In such a case, it was the responsibility of the Administration Department, often through the Executive Committee on Computing Services, to determine the rationale for leasing rather than buying equipment.

Should option 2 for the presentation of the Administrative Budget be adopted, the staff intended to present the two budgets to the Executive Board at the same time, the Deputy Director commented. There would be two separate decisions, and a project that was part of the capital budget would be approved by the Executive Board for the entire life of the project, rather than for just one year.

The Acting Chairman noted that some Directors had distinguished between capital expenditures and recurring expenditures and some had referred to recurring and nonrecurring expenditures. However, there might be some types of nonrecurring expenditures that were not capital expenditures. He wondered whether recurring administrative expenditures would be presented on a multiyear basis in the budget.

The Deputy Director of the Administration Department remarked that there were no clear guidelines on what should be considered a capital expenditure and what should be considered a current expenditure; there was room for interpretation. That issue would have to be dealt with if either option 2 or option 3 were adopted. The budget for recurring expenditures would be presented on a multiyear basis although not with the same degree of detail as the capital budget. Furthermore, it would not be as binding, in the legal sense, as the capital budget.

The Acting Chairman stated that in order to help in making rational decisions, it would be necessary to present both the capital and current budgets on a multiyear basis and to indicate the relationship between the two budgets.

The Deputy Director of the Administration Department, in response to a question from Ms. Bush, remarked that it would be possible, although difficult, to adopt option 3 relating to the presentation of the Administrative Budget without introducing depreciation accounting.

Ms. Bush commented that she could lend her support to option 2 for the presentation of the Administrative Budget, on the understanding that both budgets would be presented to the Executive Board for approval at the same time.

The Acting Chairman noted that, on accounting for capital assets in the Fund, Directors generally believed that it was not desirable to change from the method currently practiced by the Fund--charging expenditures for fixed assets to current expenditures--to a system under which fixed assets would be capitalized and depreciated over time.

The Executive Board then took the following decision:

The Executive Directors agree to introduce the second option set forth in EBAP/86/84 (4/9/86) for the preparation of the Administrative Budget in the light of the discussion at EBM/86/186 (11/21/86).

Adopted November 21, 1986