

## **VIII Meeting on Accounting and Budgetary Issues in Central Banking**

### **Conclusions and Recommendations**

#### **A. Effects of Inflation on Accounting**

1. Inflation is a phenomenon that in any case is part of the economic dynamics. Inflation, exchange rate fluctuations, and market prices of assets entail the need to keep up-to-date values in Central Banks' balances.
2. Central Banks do not turn to inflation as a regular tool to tally accounting information to currency values of equal purchasing power, perhaps due to the low inflation levels generally registered throughout the region in recent years. However, some partial adjustments by inflation have taken place to revalue foreign currency, fixed assets, quick assets, etc.
3. Conceptually speaking, when high inflation rates do occur they unquestionably distort accounting data and thus hinder the relevant decision-making process. For instance, the Bank's capital could be mistaken for profits. International Accounting Norms (IAN) include important stipulations on the timeliness and conditions for adjustments to be made.
4. It should be noted that provisions in Central Banks Charters could prevent full adjustments by inflation that actually comply with international norms.
5. According to IAN, Central Banks' balance sheets may be adjusted by inflation so that they contain data in homogeneous and comparable currency, thus providing reliable and representative information on the real status of the administration. The methodology used in making the adjustment must cover the quantification of currency devaluation results.
6. Considering that this is an issue of great interest for countries vulnerable to inflation and that IAN establish standards to make adjustments by inflation, the working groups at the VIII Meeting ask the Central Banking Accounting and Budget Committee to draft a accounting principles for adjustments by inflation.

#### **B. New Trends in Accounting, Transparency, and Accounting Information Disclosure in Central Banks**

1. Accounting systems in Latin American and Caribbean Central Banks are almost fully automatized and integrated to all other users' applications.
2. Technology allows for the implementation of accounting systems in Central Banking that lead to a more decentralized practice in registering economic events and to a more centralized processing of information. Thus,

accounting automatization has proved beneficial to improve the quality and timeliness of information in most Central Banks.

3. Accounting systems should be flexible enough to provide the users with the information needed. Since central banking accounting must timely yield the necessary information to make management decisions the preparation of accounting structures should emphasize the economic and financial contents of information rather than keeping a traditional approach where the aim is limited to safeguarding assets and registering liabilities.
4. The adoption of new trends (such as a multiple-structure scheme, as opposed to accounts planning, and the identification of parameters that give access to different scopes of information) is advisable to achieve the required level of flexibility when developing accounting information systems.
5. For the information to be reliable, accounting must be based on generally implemented principles and norms. However, disparities do exist between the International Accounting Norms (IAN) and the Generally Accepted Accounting Principles (GAAP), but an agreement has been reached among international accounting regulation institutions to homogenize these criteria. Moreover, these rules do not include any specifications pertaining accounting practices in Central Banks. Considering that our meetings and those of CEMLA's Central Banking Accounting and Budget Committee have dedicated time to the drafting of principles to register central banking operations, the group recommends the inclusion of these issues in a specific chapter of the forthcoming international rules.
6. Regarding central banks transparency and disclosure of accounting information, most banks abide by the local legislation and make their financial statements available to the general public via the Official Gazette, and are working on further dissemination via their web pages, where some of them include the results of external audit processes. The current trend indicates that financial statements should be prepared according to organic laws, internal regulations, and international accounting norms. Likewise, regular publications in bulletins and records, or provided as requested by either internal or external users are common and statistically grounded for financial and accounting purposes. We must keep the momentum in facing the challenge of disclosing financial and accounting information that benefits all users.