

## Identifying the Components of Public Sector Debt Reporting in Iran<sup>1</sup>

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Research Paper

### Introduction

Public sector debt is one of the macroeconomic indicators that due to its prominent role in the stability and resilience of the economy, has been considered by policy makers and scientific and professional institutions. Economically, public debt means shifting the financial burden to future periods and has the potential to make not only governments and corporations but the entire economy vulnerable to debt default and liquidity problems. In the macroeconomic and public finance environment, if debt growth is greater than the economy as a whole, more financial liabilities will be passed on to future generations. Long-term debt repayment is related to the concept of intergenerational rights and is an integral part of the concept of public accountability. Therefore, long-term debt accounting and reporting is one of the basic features of an accounting and reporting system based on accountability. Therefore, in order to formulate economic policies, comprehensive and transparent information on all public sector debts should be prepared and provided to economic policy makers. Recently in Iran, due to the existence of hidden debts and socio-political responsibilities of the government, public sector debts have been considered by economic policymakers and the study of various aspects of reporting public debt and liabilities and moving towards financial transparency in the public sector, it seems even more necessary. Therefore, the main purpose of this study is to identify the dimensions and

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components of the public sector debt reporting model in Iran by conducting comparative studies and using the opinion of experts.

**Methodology**

In this research, a qualitative method and an approach based on theme analysis have been used. In the form of semi-structured interviews with public sector experts, the factors affecting the reporting of public sector debts in four areas; public sector scope, type of public sector debt and liabilities (instrumental inclusion), debt measurement, and appropriate public sector debt reporting framework were questioned. Each of the experts must have at least one of the following characteristics: 1. A member of the faculty of the university and having expertise in the field of public sector and 2. Have at least a master's degree in accounting, management or economics and have at least 10 years of experience in financial and executive management in the public sector. Finally, to find public sector debt reporting teams and components in Iran, qualitative data from interview reviews were coded and categorized.

**Results and Discussion**

Using the theme analysis method, from a total of 494 open source; 12 Sub-themes (Level 1), 33 Sub-themes (Level 2) and 5 main themes including; Importance and necessity, classification criteria, measures and reporting layers, classification and reporting were identified as components of public sector debt reporting.

Table (1) presents the results of the team analysis, along with conceptual categories.

**Table 1: Results of Theme Analysis: Components of Public Sector Debt Reporting**

Main Themes	Sub-themes (Level 1)	Sub-themes (Level 2)	Conceptual categories
Importance and Necessity	Hidden debts / financial crisis		
	Socio-political responsibilities of the government		
	Intergenerational rights		
	The growing trend of public sector debt		
Classification Criteria	Criteria for determining the public sector	Reporter Unit	
		Control	Power (dominance) over another unit Enjoying the benefits (positive / negative) of having a relationship with another unit

Main Themes	Sub-themes (Level 1)	Sub-themes (Level 2)	Conceptual categories	
			Ability to use power (dominance) over another unit	
		Type of Activity	Exchange	
			Non-exchange	
	Type of debt	Legal debt		
		Customary debt		
		Contingent reserves and liabilities		
		Debt arising from social obligations		
		Off-balance sheet debt		
	Measures and Reporting layers	Measures	Measurement focus	Financial resources measurement focus
				Economic resources measurement focus
Mixed resources measurement focus				
Measurement approach			historical cost) (Prime cost	
			Revaluation	
			Mixed approach	
		The balance between relevance and reliability		
Reporting layers		Fund layer		
		Reporting entity layer		
		Reporting group layer		
	Governance layer			
Classification	General classification	Current / non-current debt		
		Debt arising from borrowing		
		Debt arising from the issuance of securities		
		Debt arising from contracts and agreements		
		Debt arising from guarantees		
		Debt arising from social obligations		
		Debt arising from public-private		

Main Themes	Sub-themes (Level 1)	Sub-themes (Level 2)	Conceptual categories
		partnership projects	
Classification (continuation)	Detailed classification	Presentation of the From-Whom-to-Whom Approach	
		By principal and interest of domestic and foreign debts	
		By original maturity	
		By currency of denomination	
		Changes in the debt situation during the period	
Reporting	Reporting location	Report in explanatory notes	
		Supplementary Report (Public Debt Statement)	
		Statement of contingent public sector debt-consolidated	
	Develop a comprehensive reporting framework	Simulation (localization) of international standards	
		Special audit of public sector debts	
		Transparency and Open access to information	

**Conclusion**

The findings of this study show that public sector institutions, public non-governmental organizations, state-owned companies, especially insurance and pension funds, have hidden debts that can cause a crisis for the entire. In public sector financial management, the government, due to its socio-political responsibility, must also monitor the debts of other sectors, including the private sector. Although their debt information is not included in government debt statistics, it is used to analyze government financial sustainability. For example, in risk analysis, the probability of a shock for each sector (even the private sector) is examined and its financial effects on the government's financial system are calculated. Necessary measures should be taken before creating a financial crisis and a negative impact on the country's macro-economy. Therefore, due to the existence of hidden debts and socio-political responsibilities of the government, the study of various aspects of reporting public debt and liabilities and moving

towards financial transparency in the public sector, seems even more necessary. In addition, the findings of this study show that from the perspective of accountability, all citizens as right holders (respondents) have the right to free access to information, and on the other hand, officials are obliged to publish unclassified information. By open access to information, data and information needed to raise public awareness, especially for research and development, analysis, monitoring the performance of public institutions, participation in decision-making will be available to them. Therefore, financial regulators and public sector accounting standardizers should pay attention to these components in financial implementation and reporting.

**Keyword:** Public Sector, Control Criteria, Debts and Public Sector Amounts and Theme Analysis.

**JEL Classification:** M41