

UDC 657.222

The problematic aspects of fixed assets accounting in the public sector and in budgetary institutions

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The issues of formation of changes in accounting process of major means of organization that belong to the public sector and budgetary institutions due to the update with relevant regulations is stated in the article. Inconsistencies and contradictions of legislative support, which are due to the adoption and implementation of the national situation (standard) on accounting of fixed assets in the public sector, are outlined in this research.

Keywords: fixed assets; accounting in the budgetary institutions; amortization; depreciation; the assets, the non-current assets.

Шматковська Т.О. ПРОБЛЕМНІ АСПЕКТИ ОБЛІКУ ОСНОВНИХ ЗАСОБІВ В ДЕРЖАВНОМУ СЕКТОРІ ТА В БЮДЖЕТНИХ УСТАНОВАХ

В статті викладено проблематику щодо формування змін в обліковому процесі основних засобів організацій, що належать до державного сектору та бюджетних установ, обумовлену оновленням вимог відповідних нормативних документів. Окреслено неузгодженість та суперечливість законодавчого забезпечення, що обумовлено затвердженням та введенням в дію національного положення (стандарту) бухгалтерського обліку щодо основних засобів в державному секторі.

Ключові слова: основні засоби; облік в бюджетних установах; амортизація; знос; активи; необоротні активи.

Шматковская Т.А. ПРОБЛЕМНЫЕ АСПЕКТЫ УЧЕТА ОСНОВНЫХ СРЕДСТВ В ГОСУДАРСТВЕННОМ СЕКТОРЕ И В БЮДЖЕТНЫХ УЧРЕЖДЕНИЯХ

В статье изложено проблематику по формированию изменений в учетном процессе основных средств организаций, которые относятся к государственному сектору и бюджетным учреждениям, обусловленных обновлением требований соответствующих нормативных документов. Определено несогласованность и противоречивость законодательного обеспечения, что обусловлено утверждением и введением в действие национального стандарта бухгалтерского учета для основных средств, что используется в государственном секторе.

Ключевые слова: основные средства; учет в бюджетных учреждениях; амортизация; износ; активы; необоротные активы.

Formulation of the problem. The fixed assets of budgetary institutions gradually wear down physically and mentally during its exploitation. Depreciation – is a loss of fixed assets or physical properties, or technical and economic characteristics, and therefore – cost. The main difference of non-state subjects is that in budgetary institutions amortization on fixed assets does not hold, and only accrue depreciation, and therefore the amount of depreciation does not affect the total value of fixed assets and decreases during the disposal of fixed assets from the operation.

The necessity to adjust the accounting standards in the public sector of Ukraine emerged from the transition to a market economy. Differences in financial statements, accounts in the public sector and other sectors of the economy create problems with the free convertibility of account relations, transparency of through controls legis-

tical and financial assets. Accounting in budgetary institutions with multi separate self-supporting structural units required implementation of the consolidated accounts. Methodology of accounting of fixed assets, depreciation, liquidation of fixed assets in the public sector and self-supporting carried out by different methods, as legal backgrounds for this were different.

Analysis of recent research and publications. Problems of accounting in the public sector were considered in the works of famous domestic and foreign scientists and economists like F. Butynets [1], R. Dzhoga [2], G. Kireytshev [3], S. Svirko [4], N. Sushko [5], T. Homulyak [6], A. Chechulina [7] and several others [8; 9]. Almost all the works covered issues of accounting in the public sector, including those mentioned and some problems related to differences of accounting standards in different sectors of the economy. However, currently very few publi-

cations related to the introduction of the national accounting standards, which will consolidate the method of accounting in the public sector with other sectors and international regulations (standards) and practical publications.

Formulation of article purposes. The purpose of the article is to highlight and explain the major changes that have occurred in the methodology of accounting in budgetary institutions in connection with the entry into force of accounting standards in the public sector. In this article we focus on the accounting standard «Fixed assets», because the fixed assets are the most important component in the functioning of any institution. Fixed assets as the costliest part of the budget balance of institutions undergo to the constant monitoring of the various regulatory agencies and services, as representatives of the state – the actual owner of budgetary assets.

The main material. In legacy of the administrative-command system in Ukraine remained the inconsistent accounting systems in various fields of national economy. For example, accounting in institutions financed from the budgets of different levels, formed by taking into account their specific features.

By 2015, in budgetary institutions depreciation accrued on fixed assets that were on their balance and were in operation. The object for depreciation was the Initial (replacement) value of fixed assets.

The amount of depreciation is determined on the last business day of December in the national currency for the total number of calendar months of their stay in operation in the corresponding period in accordance with wear. Monthly amount of depreciation determined, respectively, by dividing annual depreciation by 12.

The amount of depreciation of each object could not exceed 100% of its original value. However, the depreciation of 100% of the original purchase price was not the reason for its cancellation of the balance. Writing off depreciation was carried out during writing off the assets. Here at, we should take into account that the total original value of fixed assets equals to the amount of the fund in fixed assets and depreciation of fixed assets.

In other sectors of the national economy the depreciation on fixed assets continues to accrue, the essence of which is the gradual transfer of amounts amortized to cost of production, is included in the cost of production.

Amortization – is systematic allocation of the cost of fixed assets is depreciated (initial minus residual value) during their operation [10].

An amortization deduction is a specific type of financial resources. On the one hand, amortization deductions are the costs the company because their amount charged to manufacturing non-current assets include the cost of products and services. However, in the earnings (income) from sales amount of depreciation is considered as a trust fund, part of financial resources for reproduction worn in the production of non-current tangible assets [10].

Accounting for accumulated depreciation carried on the control account «Accumulated Depreciation» while increasing costs. The choice of accounts cost depends on the version of the accounting:

– If cost accounting is conducted by the elements, we reflect the depreciation:

Debit account «Amortization»,

Credit account «Accumulated Depreciation».

– If cost accounting is carried out on functional grounds, depreciation reflected record:

Dt account «Production overheads»,

Dt account «General and administrative expenses» and others.

Kt account «Accumulated Depreciation».

It should be noted that the term useful life may be revised, and that will lead to change in the amount of accumulated depreciation using straight-line methods cancellation, and reduce cumulative balance [11].

Depreciation (amortization) is displayed on the credit account «Depreciation (amortization) of fixed assets» write-off (decrease) in amounts previously accrued depreciation – debit. Reducing the amount previously accrued depreciation may occur as a result:

– disposal of non-current assets in connection with their implementation;

– contribution to the charter capital of other companies;

– with a free transfer;

– the liquidation of fixed assets;

– when the write-off due to shortage or damage. Analytical accounting depreciation of fixed assets is in accordance by type of property, other tangible fixed assets and intangible assets.

Depreciation (amortization) accrued monthly all businesses and organizations that are legal entities.

During the repair of objects in a simple and depreciation (amortization) comprise in general terms. For library funds, livestock and facilities transferred under the established procedure for conservation, depreciation does not charge.

We calculate the amount of depreciation (amortization) based on the availability of fixed

assets in the first number of the reporting month. In items received during the reporting month, wear comprise the first of the following month; on objects leaving the operation ceased depreciation on the first day of the month following the month of retirement.

Similarly, we determine the amount of depreciation for the next month.

With accounting entries amount of depreciation (amortization) include production costs, while fixing shift part of the cost of fixed assets of the working capital. The amount of depreciation to be written off simultaneously with the depreciation of the retired object.

Depreciation is carried out over the useful life (operation) of the object that is set as the object of assets (for admission to the balance), and stops for a period of reconstruction, modernization, completion, equipping, conservation [12].

It is noteworthy that in these instructions clearly defined that depreciation and amortization are the identical concepts. Account «Depreciation of fixed assets» is to summarize the information about accrued depreciation and indexation of depreciation (accumulated depreciation) of fixed tangible and intangible assets subject to amortization and analytical accounting depreciation (accumulated depreciation) of fixed assets is in accordance by type of property, other tangible fixed assets and intangible assets [12].

With the transition to a market economy, integration into the global system of accounting, Ukraine has to take into account the system of international standards. The transition to the new system of national standards (regulations) of accounting in the public sector has intensified with the signing the agreements of European integration.

According to Part II, Article 6 of the Law of Ukraine «On Accounting and Financial Reporting in Ukraine» and the Strategy for modernization of the accounting system in the public sector for 2007-2015 from January 1, 2015 came into force national standard «Fixed assets» [13, 14, 15].

Order of the Ministry of Finance of Ukraine from 23 January 2015 № 11 approved Methodical recommendations on the accounting of fixed assets of the public sector, which regulate the procedure of depreciation of fixed assets of budgetary institutions [16]. In chapter 4 is recommended value of the fixed assets allocated on a systematic basis over its useful life (operation) by calculating depreciation at the reporting date each quarter by dividing the annual amount of depreciation. By the decision of director of the entity in the public sector in the direc-

tive document accounting policies may provide for of depreciation on the annual balance date (first paragraph of paragraph 4 of section V was amended by order of the Ministry from Finance of Ukraine of 25.09.2015, № 840).

Depreciation starts from the month following the month in which fixed asset becomes available for use and put into operation (second paragraph 4 of section V was amended by order of the Ministry of Finance of Ukraine dated 25.09.2015, № 840).

In the section 8 of the same recommendations there is a method of de recognition of fixed assets through liquidation, disposal, etc. :

1. Recognition of fixed assets of the public sector asset subject discontinued in the event of liquidation, disposal through sale, transfer without payment, shortage or non recognition criteria for assets.

2. Disposal of fixed assets carried out in accordance with the law.

3. To the write-off of fixed assets subject some that cannot be disposed in the prescribed manner, donated and for which cannot be applied other methods of control (or use may be economically impractical) in the event that such fixed assets morally or physically worn out, unsuitable for further use subject to the public sector, particularly in connection with the construction, expansion, reconstruction and technical re-equipment, or damaged by accident or natural disaster and cannot be recovered or identified as a result of inventory shortages.

This write-off of fixed assets identified as a result of a lack of inventory is carried out after reimbursement of their value, except when to make such compensation is not possible.

According to terms of the standard «Fixed assets» amortization – is systematic allocation of the cost of fixed assets is depreciated over their useful life (operation), and depreciation of fixed assets – is depreciation of fixed assets since its useful life.

Carefully comparing, we can conclude that the depreciation is the amount of distributed value of fixed assets that are exploited, used and under wear over their useful life (operation), and amortization, respectively, is allocated depreciation of fixed assets since its useful, or as in determining the systematic allocation of the cost of fixed assets that wear out. So where is the difference? Why it was necessary to keep these two almost identical concepts in the accounting of fixed assets, if depreciation is not charged, is unclear. If there was a need only brings to national standards, in this case, it would be totally remove the concept of depreciation and identify it with the

concept of depreciation and appropriate process of calculation, and in this case, in our opinion, has no logic to keep these two concepts in position (standards). A more detailed analysis of this innovation occurs and issues, as well as to write off fixed assets, as previously the basis for the write-off was full depreciation, in accounting standard «Fixed assets» full accrual depreciation is not provided.

Also in the Methodical recommendations of Ministry of Finance in p. 10 Section V stated that depreciation accrued in the amount of 100% of the facility and equipment that is suitable for further use, cannot be the basis for its write-off [17].

Section VIII of the same recommendation again clearly stated that to the write-off of fixed assets are liable some that may not be in the prescribed manner alienated, donated and for which cannot be applied other methods of control (or use may be economically impractical) in the case when such fixed assets mentally or physically worn unsuitable for further use subject to the public sector, particularly in connection with the construction, expansion, reconstruction and technical re-equipment, or damaged by accident or natural disaster and cannot be recovered or identified by the a lack of inventory.

The question arises, how in the act the commission may indicate the extent of deterioration when depreciation is not charged, and the accounting standard 7 determine the concept depreciation and amortization officially with a different interpretation, so theoretically mentally or physically worn out fixed assets cannot be written off as just wear and no depreciation is grounds for write-off, and fixed assets will continue to be reflected in the reporting forms and «hang» on

the balance of institutions and reflected in the reporting forms.

Another equally problematic issue is and the process of depreciation. Substantially accountant must simultaneously maintain depreciation and amortization, depreciation so that was the reason for the write-off of fixed assets and depreciation, so to provide the compliance national regulation (standard) NS «Fixed Assets» to the forms of reporting.

Conclusions. Thus, making only superficial analysis of national regulation (standard) «Fixed assets» that were introduced with effect since 1 January 2015, we can draw the following conclusions – this national regulation (standard) decision is not consistent with other regulations practices of accounting in the public sector. This is a reason based on the findings of inconsistency mechanism write-off of fixed assets. Problematic and the process of depreciation, as it leads to increased costs of physical labor into account, and quite significantly, especially in large institutions and with absolutely no impact on the final annual amount of fixed assets of budgetary institutions, but the virtual «soap» amount which creates useless, since the process of acquisition of fixed assets in budgetary institutions is not like other sectors of the national economy.

Having considered various approaches to accrual accounting and reduce the amounts of depreciation of fixed assets in various sectors of the national economy, we consider it is necessary to identify in national regulation (standard) «Fixed assets» concepts of depreciation and amortization, and the amount of accumulated depreciation liquidate in accordance with waste practices reduce the amount of depreciation.

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