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IN THE STATE SECTOR OF THE REPUBLIC OF KAZAKHSTAN:
ON CASH BASIS AND ACCRUAL BASIS METHOD OF ACCOUNTING**

Abstract. The article is devoted to methodical aspects of recognition and accounting of incomes and expenditures of state institutions in the conditions of reforming the accounting system in the public sector of the Republic of Kazakhstan. The article presents the results of the conducted study on the transition from the cash method to the accrual method in accordance with international standards of financial reporting of the public sector. In the course of the research, methods of critical analysis and comparison of the methodological foundations of historically developed accounting practices and a new evolving accounting system were used.

Keywords: public sector, accounting, cash method, accrual method, international public sector financial reporting standards (IPSAS).

As part of the transition program on reforming the accounting system in public institutions to the accrual basis method, there were identified tasks for the formation and implementation of new accounting rules and other regulatory legal acts on the organization of accounting and the formation of financial statements in accordance with a new methodological basis.

The traditional methodological basis of accounting in public institutions on a cash basis allowed to fulfill the primary tasks of providing accounting information on the implementation of financing plans and control over the targeted use of budget resources.

In the article "Transition to Accrual Accounting. Technical notes and manuals", prepared by employees of Fiscal Affairs Department IMF Abdul Khan and Stephen Mayes stressed the importance of switching to the accrual basis: "At the macrofiscal level, the importance of accrual accounting for macroeconomic policy arises from the fact that it measures assets and liabilities that are relevant to the overall stance of fiscal policy and fiscal sustainability, but which are not measured by cash accounting. An accrual accounting framework is essential to systematically determine the full costs of a government's activities. Full cost information (including noncash costs such as depreciation, and accrued civil service pensions) is essential for assessing the efficiency of government services and thus is a key element of any public sector performance management framework".

In the conditions of accounting organization in public institutions which act in accordance with a cash basis method the classification by the source of financing was adopted as a methodological foundation for the record expenditures.

This methodological approach allowed to realize accounting and operational control of the targeted use of allocated budget funds, so far as the accounting records for each type of expenditure corresponded directly with the appropriate accounts of allocated funding.

For the accounting of budget financing processes by public institutions, the following accounts of the "Financing" section were set aside: expenditure financing of the public institution and other activities from the budget; financing of capital investments from the budget; financing from other budgets; transfers

financing; other funds for the maintenance of a public institution; financing of projects from external loans and related grants [1].

For expenditure record purposes of budget funds by public institutions, the accounts were set aside to reflect the process of using budget funds on a cash basis in order to compare the amounts of received financing and their intended use.

For the purposes of expenditure records by the government agencies, the following accounts were provided, which were combined into a single group, called "Expenditures on the Budget" [1]:

At the end of the accounting period, the expense accounts were closed to the corresponding accounts of the received financing, which allowed to estimate their intended use.

Thus, the distinctive feature of the pre-existing accounting system on the cash basis method was the recognition and subsequent closing of the accounting expenditure records to the accounts of the relevant type of financing, which was not aimed to determine the financial results for the accounting periods.

The accrual method is aimed to recognize and correctly correlate income and expenses for reporting periods in order to assess the effectiveness of resource use.

In the article of Yuri Biondi and Michela Soverchia "Accounting Rules for the European Communities: A Theoretical Analysis" pointed out the following: "The accounting system shall first establish expenses that correspond to the period of reference and then match revenues that accrued to that period, covering those expenses over time. This period – based matching avoids difficulties related to determining the imputation of expenses to the activities accomplished during the period, in order to match all the corresponding contributions to the same activities (Anthony, 1978). In our framework, contributions and expenses can be matched by taking the occurrence period as a reference. In this way, expenses are considered to be independent of contributions. Contributions are then matched not only with expenses and corresponding activities but also with the period of reference (this is usually done for taxes and assimilated inflows)" [3].

In the conditions of transition to the accrual basis method in accordance with the new methodological fundamental, the expenditure records in public institutions is organized by separate accounts in order to account for costs by item, by type of expenditure.

Thus, within the framework of the new methodological fundamental, the expenditure record of the public institution is organized according to the types of expenses and the records for the accounting of expenses are intended for the separate expense bookkeeping: wages (salaries), depreciation of long-term assets, social tax, rent, municipal payments, etc.

In accordance with the new methodological fundamental the accounts for the expenditure record of public institutions do not have no direct relationship with the accounts of the relevant types of financing, and accordingly do not directly correspond with the financing accounts, and allow to determine the financial result at the end of the reporting period on an accrual basis method by closing the accounts of expenses and incomes to the final account for recording the financial result of the reporting year.

To disclose the full information, straightforwardly in the profit and loss statement or in the footnote each entity must provide with the expense breakdown into the subclasses using the classification which is based on the nature of expenses or by its functional purpose.

Items of expenses are divided into subclasses in order to highlight costs and reimbursement of costs for specific programs, activities or other segments.

To record for expenses, the accounts are assigned to the classification groups: operating expenses, budgetary payments, asset management costs, and other expenses.

Subsection "*Operating expenses*" includes separate articles by types of expenses: labor costs; expenses for the payment of scholarships; the cost of additional pension contributions; expenses for social tax; expenses for compulsory insurance; expenses for reserves; travel expenses; expenses for utility payments and other services; expenses for current repairs; expenses for depreciation of long-term assets; expenses for settlements with the budget; expenses on rent; other operating expenses.

Subsection "*Expenses on budget payments*" contains the following items: Transfers costs; Expenses for the payment of pensions and benefits; subsidy costs; expenses related to the payment of subventions.

Subsection "*Expenses on asset management*" includes the following articles: expenses on remuneration; other expenses for asset management.

The sub-section "*Other expenses*" consists of items for recording expenses from changes in fair value; expenses on retirement of long-term assets; foreign exchange losses; costs from impairment of assets; expenses for creation of reserves and other expenses.

The transition to the accrual basis method allows to include in the content of profit part of the profit and loss statement income from asset management, including the receipt of a part of the net income of the investment object, dividends on state shareholdings and income on equity interests in legal entities, income from property leases that are income of the budget [2].

The structure of the report about the financial activity of the public institution is also constructed by types of costs, which makes it possible to substantially simplify the preparation of the report, and to increase transparency in order to implement the principles of completeness, clarity, control and accountability. So sections "Expenses of the public institution" and "Expenses on budgetary payments" contain an itemized classification of expenses, allowing to implement the principle of reporting the results of financial activity by type of expenditure [2].

Subsection "*Expenditures of a public institution*" includes the following itemized breakdown: wages; scholarships; taxes and payments to the budget; expenses for reserves; travel expenses; utility expenses; lease payments; the content of long-term assets; communication services; depreciation of assets; impairment of assets; other operating expenses.

Subsection "*Expenses on budgetary payments*" contains information in the context of the following articles: pensions and benefits; subsidies; transfers.

Income in the profit and loss statement is presented in three sections: income from exchange transactions, income from non-exchange transactions and income from asset management.

Subsection "*Revenues from non-exchange transactions*" contains the following items: financing of current activities; financing of capital investments; transfers; sponsorship and charitable help and others.

Subsection "*Revenues from exchange transactions*" includes: income from the sale of goods, works, services; incomes on remuneration; other revenues from asset management [2].

For the accounting records of income of public institutions the following account are set aside which allow to distinguish income from non-exchange transactions and income from exchange transactions. To record income from non-exchange transactions, the separate accounts by types of income are provided: income from financing current activities; income from financing of capital investments; income from transfers; income from financing for the payment of subsidies; income from sponsorship and charity; income on grants; income from financing from external loans; other income from non-exchange transactions. And separately there is an account for adjusting the recognized income if there is a return of budget balances.

To account income from exchange transactions, there are accounts for the accounting of income from the sale of goods, works and services; income on remuneration; other income from asset management. And for the separate accounting record of other income, which is related mainly to the need to adjust the value of articles in accordance with the requirements of international standards and with non-monetary items of income, including: income from changes in fair value; income on disposal of long-term assets; income from gratuitous receipt of assets; income from exchange rate differences; income from compensation for losses and other income [3].

Accounting of income and expenses on non-exchange transactions. Financing of public institutions is classified by the following types: financing of operating activities and financing of capital investments.

Financing of operating activities is aimed for the spending of allocated funds at the amount of planned purposes for payment of obligations of a government agency in accordance with the plan. Monthly for the amount of allocated financing of operating activities, the public institution recognizes income in the current period, with the correspondence on the debit of the accounting records of planned purposes(cash) and on the credit side accounts income from financing of operating activities.

In accounting of the income from financing of capital investments, the following accounting problem was identified: the reporting period in which funding is allocated does not coincide with the reporting period in which services will be rendered or work performed.

Thus, the established order of accounting of income from financing of capital investments is not directed to get solution of the correct recognition and income and expense assignment tasks for reporting periods.

In the process of reformation of the accounting system for the purpose of gradual transition to the accrual basis method, two alternatives of recognition and accounting of operations for financing of capital investments were consistently applied.

At the first stage of the accounting system reform from January 1, 2013 to January 1, 2016, the first version of the transitional rules for accounting for financing of capital investments was developed to ensure a smooth, gradual transition from the cash basis method to the accrual basis method in the public sector of the economy [3, 4].

In accordance with the original version of the accounting, the amount of financing received for capital investments was recognized on the credit side 5011 "Financing of capital investments", which is a balance sheet item "Net assets/equity", followed by write-off to the income account (account 6020 "investments") in the amount equal to accrued depreciation expense [3, 4].

At the first stage of the reform this allowed to balance (equalize) the recognition of expenses for depreciation of long-term assets and amounts of recognized income for reporting periods.

This approach is close to the modified accrual basis method.

The initial version of accounting for financing of capital investments was almost borrowed from the practice of accounting for government subsidies in the private sector, which also indicates possible situations for the convergence of the methodological provisions of international standards for private (IFRS) and public sectors (IPSAS).

Accounting of income and expenses for of exchange operations, accounting for settlements with the budget for amounts that are budget revenues. The particularity of the accounting organization by a public institution of the settlements with the budget for revenues which is subject to the transfer to the budget is the adoption of a methodological approach for the simultaneous recognition of accrued income from exchange transactions and accrued expenses for corresponding revenues subject to transfer to the budget.

This methodological approach allows not only to simultaneously recognize accounts receivable on accrued income, but also accounts payable for settlements with the budget. The content of this methodological approach can be illustrated by the following example.

This methodological approach has several advantages.

First, it allows us to take into account not only the incomes and expenditures of a separate public institution in the context of relative isolation of accounting subjects with allocated separate resources, but also incomes from exchange operations administered by public institutions, but which are budget revenues.

Secondly, the simultaneous recognition of accrued income and expenses will allow, at consolidation, at the same time to exclude mutual settlements between the "Resource Provider" and the "Recipient of Resources", as well as the relevant financial authorities.

When calculating income from exchange operations, an accounting entry is made on the debit side by accounts receivable account 1231 "Short-term accounts receivable of buyers and customers" and on the credit side by the income from exchange operations account. At the same time, the public institution's obligation to the budget for funds received from the sale of assets is recognized as reflected in the entry: the debit side by 7120 "Costs for settlements with the budget" account and the credit side by 3131 "Short-term payables to the budget for income from sale of assets" sub account.

When paying accounts payable to the budget, an entry is made on the debit side by 3131 "Short-term accounts payable to the budget for income from sale of assets" sub-account and a credit side by 1231 "Short-term accounts receivable of buyers and customers" sub-account, corresponding subaccount / cash account of the Chart of Accounts [5, 6].

The methodological approach applied at the first stage of the reform made it possible to compare incomes and expenditures by periods in equal amounts, i.e. to counterbalance them, which for the compilers of financial statements of public institutions that used the cash basis method of recognizing income and expenses before the reform, it was more familiar and understandable.

At the second stage of the reform, the changes were introduced to recognize operations to finance capital investments.

Taking into account the amendments made to the Accounting Rules, the amount of allocated funding for capital investments in the budget account of a public institution is subject to recognition as part of income: on the debit side by the planned appointment, under the credit side by the income account 6020 "Incomes from financing of capital investments" [3, 4].

Based on the results of the study, the following methodological aspects of the developing accounting system in the public sector of the Republic of Kazakhstan should be determined:

– firstly, in the transition from the cash basis method to the accrual basis method, the changes was implemented to the classification approach that accounts incomes and expenditures, from the classification that allows the record of expenditures to be carried out in close coordination by sources of financing, to a detailed classification of expenditures by type of expenditure;

– secondly, from the intermediate version of the organization of accounting of incomes and expenditures on capital investments, which reflects the modified accrual basis method, proceed to full compliance with the accrual method requirements;

– thirdly, the opportunity to apply methodological approaches to recognize non-monetary items of income and expenses, including such as depreciation of long-term assets, impairment of assets, income and expenses from adjustments to the value of assets at fair value, exchange rate differences and others.

– fourthly, a lot of work is being done to create a single balance holder, which is based on a new methodological basis for transferring and recognizing assets on the balance sheet of a single authorized state body.

Thus, the financial statements prepared on the accrual basis method allow to implement the conceptual principles with respect to the accounting of public resources, as well as assessing the effectiveness of activities, and assessments not only from the point of view of their target, but also their effective use.

Reforming the accounting system is aimed at solving urgent problems in assessing the effectiveness of using budget funds, and will later allow the introduction of a results-based budgeting system, which is the basis for improving the level of governance, accountability and control in the public sector of the economy.

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ҚАЗАҚСТАН РЕСПУБЛИКАСЫ МЕМЛЕКЕТТІК СЕКТОРЫНДАҒЫ БУХГАЛТЕРЛІК ЕСЕПТІҢ ӘДІСТЕМЕЛІК АСПЕКТІЛЕРІ: КАССАЛЫҚ ӘДІСІ ЖӘНЕ ЕСЕПТЕУ ӘДІСІ

Аннотация. Мақалада Қазақстан Республикасының мемлекеттік секторында бухгалтерлік есеп жүйесін реформалау жағдайында мемлекеттік институттардың кірістер мен шығыстарды есепке алудың әдістемелік аспектілеріне арналған. Мақала мемлекеттік сектордың халықаралық қаржылық есеп стандарттарына сәйкес қасалық әдістен есептеу әдісіне көшу бойынша зерттеу нәтижелерін ұсынады. Зерттеу барысында жаңа дамып жатқан бухгалтерлік есеп жүйесін және тарихи тәжірибесінің әдістемелік негіздерін салыстыру әдістері және сыни талдау қолданылды.

Түйін сөздер: мемлекеттік сектор, есепке алу, қасалық әдісі, есептеу әдісі, мемлекеттік сектор халықаралық қаржылық есеп стандарттары (ҚСХҚЕС).

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**МЕТОДОЛОГИЧЕСКИЕ АСПЕКТЫ ОРГАНИЗАЦИИ БУХГАЛТЕРСКОГО УЧЕТА
В ГОСУДАРСТВЕННОМ СЕКТОРЕ РЕСПУБЛИКИ КАЗАХСТАН:
ПО КАССОВОМУ МЕТОДУ И МЕТОДУ НАЧИСЛЕНИЯ**

Аннотация. Статья посвящена методическим аспектам признания и учета доходов и расходов государственных учреждений в условиях реформирования системы бухгалтерского учета в государственном секторе Республики Казахстан. В статье представлены результаты проведенного исследования по переходу с кассового метода на метод начисления в соответствии с международными стандартами финансовой отчетности общественного сектора. В ходе исследования использованы методы критического анализа и сравнения методологических основ исторически сложившейся практики учета и новой развивающейся системы учета.

Ключевые слова: государственный сектор, бухгалтерский учет, кассовый метод, метод начисления, международные стандарты финансовой отчетности общественного сектора (МСФООС).

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