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## SPECIFICITY SPENDING BUDGET INSTITUTIONS IN TERMS OF BUDGET ACCOUNTING REFORM IN UKRAINE

K.V. Kovtunenکو, PhD in economics, Associate Professor

O.V. Lirnyk

E.I. Maslennikov, PhD in economics, Associate Professor

*Odessa National Polytechnic University, Odessa, Ukraine*

*Ковтуненко К.В., Лірник О.В., Масленніков Є.І.  
Специфіка витрат бюджетних установ в умовах  
реформування бюджетного обліку в Україні.*

В статті розглянуто сутність витрат бюджетних установ відповідно до Бюджетного кодексу України, визначено особливості їх обліку в умовах реформування бухгалтерського обліку в державному секторі на основі поетапного переходу на міжнародні стандарти.

*Ключові слова:* витрати, видатки, державний сектор, бюджетні установи, розпорядники державних коштів, асигнування, касовий метод, принцип нарахування

*Ковтуненко К.В., Лірник О.В., Масленніков Є.І.  
Специфика расходов бюджетных учреждений в  
условиях реформирования бюджетного учета в  
Украине*

В статье рассмотрена сущность расходов бюджетных учреждений в соответствии с Бюджетным кодексом Украины, определены особенности их учета в условиях реформирования бухгалтерского учета в государственном секторе на основе поэтапного перехода на международные стандарты.

*Ключевые слова:* затраты, расходы, государственный сектор, учреждения, распорядители государственных средств, ассигнования, кассовый метод, принцип начисления

*Kovtunenکو K.V., Lirnyk O.V., Maslennikov E.I.  
Specificity spending budget institutions in terms of budget  
accounting reform in Ukraine.*

The paper considers the nature of budgetary spending agencies in accordance with the Budget Code of Ukraine, the peculiarities of accounting in the accounting reform in the public sector in a phased transition to international standards.

*Keywords:* costs, expenditures, public sector, public institutions spending public funds, appropriations, cash basis, accrual basis of accounting

Today globalization processes influence all sectors of domestic economic and have reflection in theory and practice of different industry sectors. This aspect demands appropriate changes in accounting system except according to budget sector.

Tool of transition the national accounting system to international standards is taking the strategy of using finance's international standards in Ukraine which is based on reforming. Transition the accounting system in Ukraine to international standards is coming step by step but there are some hardships which appear by national specific accounting objects except budget companies' expenses. The budget companies' expenses for service compensate by corresponding budgetary estimates unlike commercial sector where expenses compensate by revenue.

A national specific of expenses as accounting object need adaptation to international standards that as consequence will lead to the unification expenses' accounting of public sector's subjects according to international demands.

The peculiarities of accounting in the public sector are defined by the Ukrainian Budget code, Law of Ukraine "About the budget of Ukraine", the chart of accounts of budgetary institutions and organizations and the Procedure for its application, approved by the Main Department of the State Treasury of Ukraine order, Law of Ukraine "About accounting and financial statements in Ukraine" and other normative documents.

### Analysis of recent researches and publications

There are many scientific researches and publications as R.T. Joggi, L.M. Sinelnik, O.O. Londarenko, P.I. Atamasa, O.D. Vasilik, V.T. Alexandrova where learning expenses is the major object [6-10]. Terms "expenses" and "cost" in budget sector were paid attention. The separate problems connecting to budget expenses and cost were described in scientific works. We ought to pay attention to learning term expenses of budget companies according to the Ukrainian Budget code.

*The aim of the article* is to determine the specific expenses of budgetary companies and its accounting

in terms of accounting reform in the public sector on a phased-in transition to international standards.

### The main part

The budget companies' activity is significantly different from the commercial so there are features in the determination of the main objects of its account. According to point 43 and 56 of the Ukrainian Budget code procedure of accounting and financial reporting about budgets execution of budgetary institutions should be done according to national regulations (standards) of accounting approved by the Ministry of Finance in Ukraine [1]. That's why the Cabinet of Ministers approves the resolution "About approval the modernization of the accounting system's strategy in the public sector for 2007-2015" in 2007 [2].

National position (standard) of public sector accounting (NP(S)PSA) 135 "Expenses" define the methodological framework for compiling accounting information about costs and its disclosure in the financial reporting [5]. The expenses of public sector companies are classified into the following groups: exchange expenses, the expenses from exchange transactions. In turn each group classified by the elements. Following cost components includes such exchange expenses: wages, deductions for social activities, material costs, depreciation, financial expenses other expenses from exchange transactions.

The expenses from exchange transactions include transfers, other charges on unexchange operations.

In this position there is determination of charges "on condition that the estimation of charges can be for exactly certain in case of economic benefit reduction and/or potential of utility in particular as leaving of asset or increases of obligation that result in reduction of property asset (except for reduction to the capital due to its exception or distribution a proprietor)" [5]. Also charges are confessed the charges of certain period simultaneously with confession of profit for the receipt of that they are carried out. The exchanges of budget company defrayed due to charges because companies do not have own current asset.

The Budget code also introduces the concept of expenses which it is determined that it should be recognized as asset towards the realization of programs and activities under the appropriate budget exception of funds for repayment of principal and overpaid in the budget [1].

Capital charges are intended for purchase of items, more than one year service equipment, stocks of goods, intangible assets or unsustainable payments which are intended for the assets or compensation of losses associated with the destruction or damage of fixed assets.

Current costs are incurred during the year to the urgent needs of the institution (table 1).

Table 1. Structure of Charges of Budget Company

Expenses:	
1. Current expenses	The salaries of employees of budget company
	Salary accounting
	The purchase of goods and services
	Transport expenses
	Materials, equipment, construction, overhaul and special events destination of national importance
	Utilities and energy
2. Capital expenses	Research and development, government programs
	Acquisition of fixed capital
	The creation of state reserves and reserves
	The purchase of land and intangible assets
	Capital transfers

The concept of exchanges is revealed through the nature of costs and expenses in turn – through costs. In the Code: "the budget is a spending budget and funds for the repayment of the principal" [1]. Charges and expenses of budget company is known as independent objects of account but in accounting of budget company they are examined together because they have case consequence connection (fig. 1). Accounting of incomes and charges of budget is provided by the system of budgetary account on the basis of budgetary classification. The requirement of the use the classification of profits and charges is ratified in the Budget code [1]. In the budget

classification is also provided a classification of income and expenses. It consists of these parts:

- classification of budget revenues;
- classification of expenses (including lending without repayment) budget;
- classification of budget financing;
- classification of the debt.

According to the budget classification costs are divided into:

- function (for the main sections and subsections of the budget);
- departmental structure (education, science, culture, art, health, and other);

- economic characteristics (group, subgroup, article, sub-article);
- budget programs.

Functional classification of budget charges is used for international comparison of budget charges. This

classification is used in analytical and statistical documents. On the basis of functions the analysis of charges that can serve for forming of branch politics at the level of the state, is conducted.

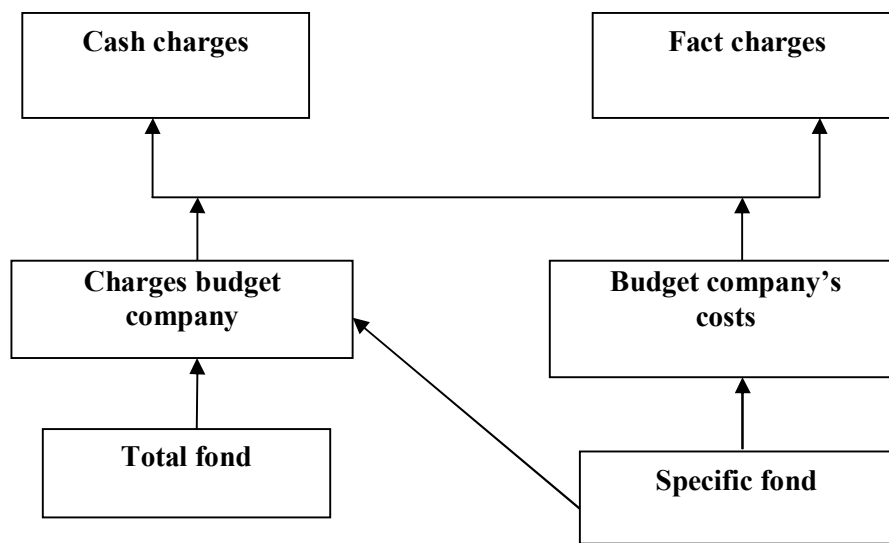


Fig. 1. Connection of charges and costs

During economic classification charges are understood as irretrievable state payments. They are divided by current and capital; payment or irredeemable. Department classification of charges of the state budget is certain in Law on the state budget of Ukraine (part II, article 22 of the Budget code of Ukraine).

During this classification the list of main managers of budgetary facilities is determined. The state treasury of Ukraine and local financial organs on its basis conduct the register of managers of budgetary facilities. Department classification of charges of local budget is certain in accordance with a decision about a local budget (part III, article 22 of the Budget code of Ukraine).

During budget forming after the budgetary programs programmatic classification of charges of the state budget (in accordance with part III, article 38 of the Budget code of Ukraine every year it is determined in Law on the State budget of Ukraine) is used. At first there is planning during that charges are formed and distributed, in basis – the expected implementation of budget on charges for previous period. The charges of budgetary company are made by subjects during the stage of exchange, when bilateral motion of costs is formed there is an exchange on the equivalent of cost of commodities or services.

Charges are part of prime price forming of commodities and services that will be realized by managers. Therefore charges are conducted after the

sphere of budget relations and behave to the final use of budgetary resources. Thus charges at certain terms become charges (payment of salary, payment of building services).

But also, maybe, charges cannot grow into costs but distinguished budgetary facilities move farther (redemption of loans, payment on social help, and others like that). Connection of charges with costs is presented at fig. 2, where motion of budgetary facilities is shown as carried out charges from the state to the managers.

Through managers there is implementation of expense part of budget. Managers can be leaders of companies, authorized persons on the receipt of budgetary assignments, realization of charges and taking of budgetary obligations. The charges of budget company confess in the period of its realization together with confession of profits. Therefore the account of charges in a public sector is represented after a cash method.

According to international standards the account of charges is made by principle of extra charge, that is based on the reflection of it in case of its occurring, but not its actual receipt or payments of monetary resources.

During the use of this principle it is envisaged: a reflection of operations in accounting of that period in that it was conducted; confession of operation in the moment of its realization; a forming of information about an obligation to the receipt, but not only about the actually conducted payments and got profits [4].

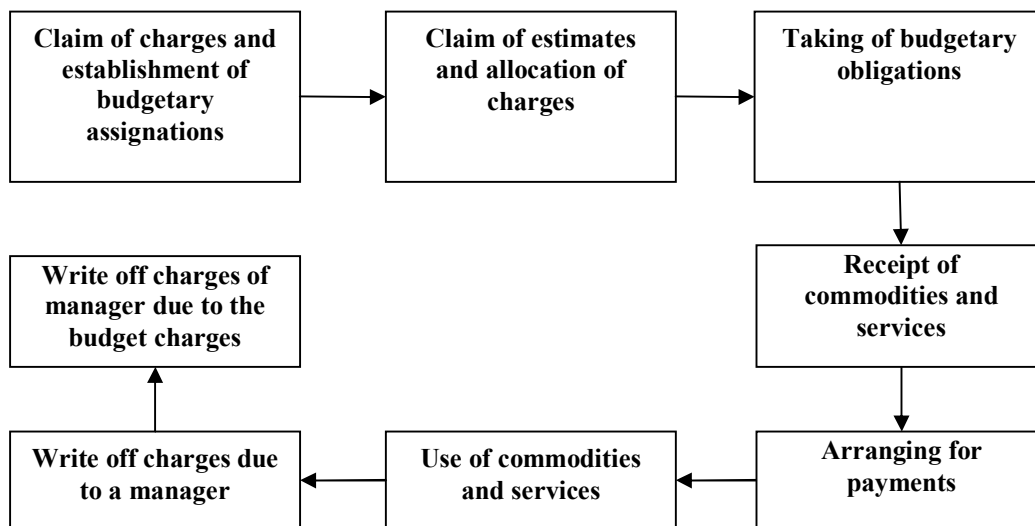


Fig. 2. The relationship of costs and expenses of budgetary funds' managers

By international standards the reflection of charges takes place in the moment of origin its consumption. Therefore accounting, that formed on this principle contains not only information about past operations but also about operations related to payment of monetary resources in the future.

#### Conclusions

At comparison of the Budget code of Ukraine based on the national standards of accounting and international standards it is possible to do a next conclusion.

The account of charges in a public sector is using on a cash method, that's why it is impossible fully to represent separate charges. By international standards the account of charges is made on principle of extra charge. It is possible to reflection the essence of operations and economic events using method extra charges. It will result to its timely and complete reflection at public companies.

Therefore the improvement of account of charges in budget companies envisages reformation of methodological approaches at determination of charges according to international standards.

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Ковтуненко Ксенія Валеріївна / Xenia V. Kovtunenکو  
*odmitrij-kovtunenکو@yandex.ru*

Лірник Оксана Василівна / Oksana V. Lirnyк  
*oksana-lirnyк@yandex.ua*

Масленніков Євген Іванович / Evgen I. Maslennikov  
*evgenmaslennikov@ukr.net*

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