

Financial Reporting of Budget Users in the Republic of Serbia

Scientific article

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ABSTRACT - According to positive regulations in the Republic of Serbia, budget accounting is used by legal persons that perform non-economic activities and are funded from budget assets. The need for information about the use of budget assets has played an important role in creating accounting practice and the practice of composing and revealing financial statements for budget users. In the financial reporting of budget users, the International Public Sector Accounting Standards (IPSAS) are used. IPSAS determine the rules for recording individual business transactions as well as composing and revealing financial reporting. Financial statements composed on the basis of IPSAS present information grounds for reporting on the government's business. The paper points out the similarities and differences between budget accounting and the accounting of profit-oriented enterprises, accounting bases for the financial reporting of budget users and the financial statements of direct and indirect budget users in the Republic of Serbia.

Znanstveni prispevek

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KLJUČNE BESEDE: računovodsko poročanje, proračunski uporabniki, računovodski standardi, Republika Srbija

POVZETEK - V skladu z veljavnimi zakoni Republike Srbije imajo proračunsko računovodstvo subjekti, ki opravljajo negospodarske dejavnosti in se financirajo iz proračunskih sredstev. Potreba po informacijah o porabi proračunskih sredstev igra pomembno vlogo pri oblikovanju računovodske prakse ter pripravah in razkritju računovodskih izkazov za proračunske uporabnike. Za finančno poročanje proračunskih uporabnikov se uporabljajo mednarodni računovodski standardi za javni sektor – MRS JS. Ti določijo pravila za registracijo posameznih poslov ter za pripravo in razkritje računovodskih izkazov. Računovodski izkazi, pripravljani na podlagi MRS JS, predstavljajo informacijsko osnovo za poročanje o poslovanju države. Prispevek opozarja na podobnosti in razlike med proračunskim in računovodstvom k dobičku usmerjenih podjetij, predstavlja računovodske osnove finančnega poročanja proračunskih uporabnikov in računovodske izkaze neposrednih in posrednih proračunskih uporabnikov v Republiki Srbiji.

1 Introduction

Budget accounting is based on specific accounting theory and in practice includes business transactions with budget users. The specific features of budget accounting stem from the activities of the budget users.

Direct budget users are the bodies and organisations of the Republic of Serbia, meaning local authorities. The list of direct and indirect users is reported at the beginning of the year in the Official Gazette of the Republic of Serbia and they all have open estimates of costs for budget and other assets in the Treasury. Direct budget users are all the ministries and agencies, the secretariat and administration for public consumption supported by the budget in full and in specific percentage that is higher than 50 % of the total income of budget users. Indirect budget users are: judicature bodies, local districts, public enterprises, directorates, and funds founded by local authorities that

are financed from public revenues. Their purpose is to establish a special law, institutions founded by the Republic of Serbia, meaning local authorities on which the founder exercises rights in terms of management, financing and budget funds through direct users of budget assets. The paper will point to similarities and differences between budget accounting and profit-oriented enterprise accounting, accrual basis accounting and cash basis accounting, IPSAS for accrual basis accounting and cash basis accounting in the Republic of Serbia.

2 Financial Reporting under Accrual Basis of Accounting

2.1 Accrual Basis of Accounting

Accrual Basis of Accounting is a concept that implies the acceptance of business events and transactions in the moment when they really occur. This accounting concept is comprehensive in terms of the acceptance and presentation of the state and changes in total assets (resources), liabilities and capital of the reporting unit. With profit-oriented enterprises, the application of the concept alongside the principle of business continuity (the principle of entity constancy) is considered a fundamental accounting assumption, which is especially emphasised in the Framework for Preparation and Presentation of Financial Statements in compliance with the International Accounting Standards. In order to achieve their aims, financial statements are prepared based on accounting principles of the creation of a business event. According to this, the outputs of transactions and other events are accepted when they actually occur (not when the cash or cash equivalent is received or paid out), and are recorded in accounting records as well as entered into financial statements of the period they belong to. Financial statements composed based on accounting principles of event occurrence inform users not only of historical transactions that include the payment of money and its reception, but of liabilities that will be paid in the future and of property for which the money will be received in the future. Thus, those statements ensure this type of information on past transactions and other events that are important for users when they make economic decisions.

According to the concept, revenues are acknowledged at the moment of creation (when they are earned) and expenditures at the moment when they really occur for the purpose of creating revenue. Hence, the principle of confronting income and expenditure in the accounting period is created. This means that the expenditure period includes only the part of costs generated for creating revenues in the same period.

As the balance sheet and the statement of income prepared according to this principle do not reveal cash flows, the special statement is created regarding cash flows. The statement reports inflows and outflows and net cash flow arranged according to activities (Djukic, 2005). The function of this statement is monitoring liquidity and solvency, i.e. timely response for the purpose of neutralising causes of illiquidity and insolvency.

Divergence from consistency and full application of the concept of accrual basis can be named a modified concept of event creation. Formulating a concrete account-

ting model depends on a concrete country, i.e. on adapting its specific features and primary aims of financial reporting.

The most frequent modes of adapting the concept of event creation are the following: from total assets, the modified basis excludes infrastructure, cultural heritage and all other assets that are in the phase of acquisition or construction, the larger part of assets and liabilities on accrual basis but with recognition of revenues from cash basis or modified cash basis, short-term financial assets and some other liabilities are recognised, all other liabilities are recognised except for current liabilities such as pension liabilities (IFAC Study 11, 2000).

2.2 Accrual Basis International Public Sector Accounting Standards

The contemporary international accounting budget transformation incites the application of accrual basis in accounting and the public sector (Đukić and Đorđević, 2001). In that sense, the project of adoption and affirmation of IPSAS has been activated. The first IPSAS-Presentation of Financial Statements was published in 2000. Until 2011, a total of 31 IPSAS were published. IPSAS are based on proper IAS/IFRS, meaning that they have overtaken the fundamental principles of acceptance and evaluation of the position of financial statements. At the same time, they comprise supplementary notes, definitions and specific terminology in order that their application by budget users could be possible. There is also the difference between IAS/IFRS and IPSAS because some accounting issues specific for the public sector have not been examined in IAS/IFRS and vice versa.

IPSAS are dedicated to entities of the public sector that are non-profit oriented in contrast to IAS/IFRS that are applied by profit-oriented enterprises. In contrast to IAS/IFRS that have the aim to protect investors and creditors outside the enterprise, IPSAS have been promoted for the purpose of improvement of informing citizens, who are the most important users of financial statements.

Financial statements prepared according to accrual basis international public sector accounting standards recognise fair presentation, materiality and aggregation, offsetting, the consistency of presentation and business stability as well as comparability. The complete set of financial statements of budget users provides information on financial state, financial success, changes in net property/capital and cash flows of public sector entities.

3 Financial Reporting under the Cash Basis of Accounting

3.1 Cash Basis of Accounting

Cash basis implies such a concept where the acceptance of transactions and other business events is performed at the moment when the cash or cash equivalent is received (charged) or issued (disbursed). This accounting concept is still the most widely used concept in national accountings for the public sector. The primary reason for the

domination of this concept lies in the fact that this approach to accounting is useful for controlling the realised consumption of financial resources in relation to the planned, which is a starting point for determining future demands and for establishing the responsibility of financial management in disposal of financial resources. This means that this concept presents a good foundation for controlling compliance with consumption limits and other legal and contractual requirements. Because of its wide application, and in the context of accounting regulation harmonisation, this concept was standardised during 2003 by the International Federation of Accountants by issuing the standard named Financial Reporting under the Cash Basis of Accounting.

Underlying the concept is cash that comprises: disposal of cash, demand deposits in bank institutions and cash equivalents. Cash equivalents are short-term highly liquid investments that can be easily converted to defined cash amounts with minimal risk of value change.

The modified cash accounting concept comprises different varieties of cash basis. The most frequent modification of the cash concept involves the extension of the fiscal year, meaning the compliance with cash inflows and outflows in a specified period after the year for which the statements are prepared. The adapted cash concept measures money and money equivalents in the way that transactions and business events are created at the end of the year if it is expected to result in cash flows and outflows within the certain period after the end of the year.

3.2 Cash Basis IPSAS

IPSAS-cash basis financial reporting presents an important element in the process of consistency and comparability of cash basis financial reporting. This standard is applied to all the entities of the public sector, except to public enterprises.

In the situation when the cash basis of accounting is used, the primal financial statement is a cash flow statement. Cash basis IPSAS are composed of two parts. In the first part, obliged requirements applied to all the entities of the public sector are established. In it, the following issues are considered: the cash basis of accounting, revealing information in financial statements as well as notes and specific issues of reporting (mistakes mending, consolidated financial statements, foreign currency, presentation of budget information in financial statements).

Financial statements are marked as complying with IPSAS only if they completely comply with the requirements from the first part of IPSAS.

In the second, non-obligatory part, an additional accounting policy and revelations are defined and the following additions are given: the illustration of certain revelations from the second part of standards, the presentation of inflows and outflows of cash prescribed in IPSAS 2 – cash flow statement, qualitative decisions of reporting, and the establishment of control over other entities for the needs of financial reporting. At the same time, the entities of the public sector are incited to adopt them in order to improve their financial responsibility and the transparency of financial statements.

The aim of this standard is to prescribe the way in which general financial statements should be presented in compliance with the cash basis of accounting. Information on the inflows and outflows of cash as well as cash balance are necessary for the purpose of establishing responsibility as well as the assessment of entities' capabilities to generate enough cash in the future, including possible resources and cash usage.

In compliance with cash basis IPSAS, the public sector entity prepares and presents financial statements of general purpose that comprise the following parts:

- Cash inflow and outflow statements (all cash inflows are revealed as well as cash outflows and cash balance controlled by the entities, and performance of the payment identification that has been realised by the third party on behalf of the entities).
- Accounting policy and notes with explanations.
- When the entity publicly issues the approved budget, it issues comparisons between the budget and the actual amounts within separate additional financial statements in the form of an additional column in the cash inflow and outflow statement.

4 Financial Statements of the Budget Users in the Republic of Serbia

Taking into account the fact that the state differs from the enterprise in aims and the way of financing, thus financial statements of budget users differ from financial statements of profit-oriented enterprises. The basic aim of a business is to make profit as well as generate and spend financial assets. In contrast, the aims of the state are:

- to provide principles of the state's functioning (the selection of authority system, the way of choosing officials, what is approved and disapproved by authorities, the way of providing income for the financing part of authorities),
- to provide public service crucial to the public interest (education, defence, fire fighting, security, city sanitation, health care service, etc.)
- to provide public service that neither private nor non-profit sector want or can provide from the existing resources (e.g. social care).

Considering that the state secures assets through taxes and distributes them for the realisation of public needs, meaning the realisation of different social and economic aims, it has the responsibility to prove its responsibility for using the assets obtained from taxpayers through financial statements. Liabilities and the regularity of reporting are the fundamental characteristics of financial reporting, which are legally sanctioned.

Legal provisions in the field of accounting define financial statements of budget users. According to Article 79 of the Act on the Budget System from 2006, the annual financial statements of budget users are prepared in compliance with internationally accepted accounting standards and include:

1. balance sheet,
2. income and expenditure account,
3. statement of expenditures for acquisition of non-financial assets and income from selling non-financial assets,
4. financing balance,

5. statements of budget implementation, made that way to reveal the difference between approved assets and performance,
6. explanation of divergence from approved assets and performance,
7. statement of received donations and debt in the money and capital market and performed debt payments,
8. statement of using assets for current and regular budget reserves,
9. statement of guarantees given during the fiscal year,
10. statement of the external audit of financial statements from points 1-9 of Article? in compliance with Article 91 of the Act,
11. statement of output results of programme part of the budget,
12. detailed statement of realisation of programme and project assets funded by budget relating to: subventions of public non-financial enterprises and organisations and private enterprises,
 - non-financial assets funded from funds for the realisation of the National Investment Plan,
 - consumption of earmarked public revenues and own revenues,
 - the usage of assets from approved project loans,
 - the usage of assets for acquiring financial property,
13. notes on accounting policies and additional analysis, explanations and consolidation of statement items and statements included in the final account.

The Act on Amendments and Supplements to the Act on the Budget System issued in the Official Gazette no, 73/2010 implies that the final account of budget users contains:

- annual financial statement of budget implementation with supplementary notes and explanations,
- annual financial statement of plan implementation by organisation for obligatory social insurance as well as annual consolidated financial statements of the Republic Bureau for Health Insurance with supplementary notes and explanations,
- statement of external audit.

The aforementioned annual financial statements that make the final budget account of the Republic of Serbia, the final account of local authorities and the final account of organisations for obligatory social insurance must be in compliance with the content and classification of the budget, i.e. plan, and the financial results in these statements should be in compliance with IPSAS-cash basis. The form and content of supplementary notes and explanations that are submitted with the annual financial statements should have been prepared in accordance with decision of the Minister of Finance until the end of December of 2011. However, to date these explanations have not been given.

Since 1 January 2011, the application of IPSAS has been prescribed in regulations, and the users of budget assets in the Republic of Serbia should apply IPSAS. The aforementioned users have the obligation to apply IPSAS with regard to keeping books, as well as composing, presenting, submitting and revealing data from financial statements.

5 Conclusion

Accounting for budget users should secure information on revenues, and the liabilities and expenditures of direct and indirect users of budget assets. The financial statements of budget users are prepared in compliance with the normative regulation in accounting.

The basic act that regulates bookkeeping and financial statements of budget users in the Republic of Serbia is the Act on the Budget System. The Act defines that IPSAS serves as the professional regulation for financial statements of budget users. IPSAS present the instrument that should provide the comparison between governments of different countries and wider transparency of using the means of taxpayers. There are two categories of these standards: ones that apply accrual basis accounting and IPSAS that are applied in cash basis accounting. In the Republic of Serbia, cash basis IPSAS are declaratively applied.

Dr. Tadija Đukić

Računovodsko poročanje uporabnikov v Republiki Srbiji

Namen tega prispevka je osvetliti nekatere posebnosti računovodskega poročanja med proračunskimi uporabniki v Republiki Srbiji. Računovodstvo proračuna predstavlja določeno računovodsko teorijo in prakso pri obračunavanju poslov proračunskih uporabnikov. Posebnosti proračunskega računovodstva izhajajo iz dejavnosti, ki jih izvajajo proračunski uporabniki.

Neposredni proračunski prejemniki so organi in organizacije Republike Srbije in lokalne uprave. Seznam neposrednih in posrednih prejemnikov je na začetku leta objavljen v Uradnem listu Republike Srbije in vsi ti imajo odprte podračune za proračunske in druge vire v Upravi za javna plačila. Neposredni proračunski prejemniki so vsa ministrstva in agencije, sekretariati in uprave za vse dejavnosti javne porabe, ki se v celoti financirajo iz proračuna ali le v določenem odstotku, ki je višji od 50 % vseh prihodkov proračunskega upravičenca.

Posredni proračunski upravičenci so pravosodni organi, lokalne skupnosti, javna podjetja, službe in skladi, ki jih ustanovijo lokalne oblasti in se financirajo iz javnih sredstev in katerih namen je določen s posebnim zakonom, inštitucije, ki so jih država ali lokalne uprave ustanovile in od katerih kot ustanoviteljice prek neposrednih proračunskih upravičencev uveljavljajo zakonske pravice v zvezi z upravljanjem in financiranjem iz proračunskih sredstev.

V prispevku so prikazane podobnosti in razlike med proračunskim računovodstvom in računovodstvom k dobičku usmerjenih podjetij, obračunsko in gotovinsko osnovo računovodstva, MRS JS za gotovinsko in obračunsko osnovo računovodstva ter finančno poročanje proračunskih uporabnikov v Republiki Srbiji.

V skladu z veljavnimi zakoni Republike Srbije imajo proračunsko računovodstvo subjekti, ki opravljajo negospodarske dejavnosti in se financirajo iz proračunskih sredstev. Potreba po informacijah o porabi proračunskih sredstev igra pomembno vlogo pri oblikovanju računovodske prakse ter priprave in razkritja računovodskih izkazov za proračunske uporabnike.

Za finančno poročanje proračunskih uporabnikov se uporabljajo mednarodni računovodski standardi za javni sektor – MRS JS. Ti določijo pravila za registracijo posameznih poslov ter pripravo in razkritje računovodskih izkazov. Računovodski izkazi, pripravljene na podlagi MRS JS, predstavljajo informacijsko osnovo za poročanje o poslovanju države. Prispevek opozarja na podobnosti in razlike med proračunskim in računovodstvom k dobičku usmerjenih podjetij, predstavlja računovodske osnove finančnega poročanja proračunskih uporabnikov in računovodske izkaze neposrednih in posrednih proračunskih uporabnikov v Republiki Srbiji.

Obračunska osnova računovodstva vključuje priznavanje poslovnih dogodkov in transakcij v trenutku, ko so dejansko nastali. Ta računovodski koncept je celovit v smislu priznavanja in predstavitve stanja in sprememb celotnih sredstev (virov), dolgov in kapitala poročevalske enote. Pri v dobiček usmerjenem podjetju je uporaba tega koncepta ob načelu kontinuitete poslovanja (načelo kontinuitete subjektov) temeljna računovodska predpostavka, ki še posebno izstopa v okviru priprave in predstavljanja računovodskih izkazov v skladu z mednarodnimi računovodskimi standardi. Za dosego svojih ciljev so računovodski izkazi pripravljene na podlagi računovodskih načel nastanka poslovnega dogodka. Na podlagi tega se učinki transakcij in drugih dogodkov priznajo, ko se ti pojavijo (in ne takrat, ko se zanje plača ali prejme denar ali denarni ustreznik) in evidentirajo v računovodskih evidencah ter vključijo v računovodska poročila za obdobje, na katerega se nanašajo. Računovodski izkazi, pripravljene na podlagi računovodskega načela o nastanku poslovnega dogodka, ne obveščajo uporabnikov samo o preteklih transakcijah, ki vključujejo izplačila in prejem denarnih sredstev, ampak tudi o plačilu obveznosti v prihodnosti in o premoženju, za katerega bo denar prejet v prihodnosti. Zato ta poročila zagotavljajo pomembne podatke o preteklih poslih in drugih poslovnih dogodkih, ki so za stranke pomembni pri gospodarskih odločitvah.

Računovodski izkazi, pripravljene po MRS JS na podlagi nastanka poslovnih dogodkov, morajo upoštevati naslednja načela: poštena predstavitve, pomen in združevanje, uveljavljanje, doslednost predstavljanja in poslovna stabilnost ter primerljivost. Celoten sklop računovodskih izkazov proračunskih uporabnikov zagotavlja informacije o finančnem stanju, finančni uspešnosti, spremembi neto sredstev/kapitala in denarnih tokovih subjektov javnega sektorja.

Glede na dejstvo, da se država razlikuje od podjetja po ciljih in po načinu financiranja, se tudi računovodski izkazi proračunskih uporabnikov razlikujejo od računovodskih izkazov pridobitno usmerjenih podjetij. Glavni cilj podjetja je ustvarjanje dobička, finančna sredstva pa podjetje samo ustvarja in porablja. V nasprotju s tem pa so cilji države: zagotavljanje načel delovanja družbe (izbira oblike oblasti, izbira uradnikov, kaj oblast dovoljuje in kaj prepoveduje, način zagotavljanja prihodkov za

financiranje delovanja vlade), zagotavljanje ključnih javnih storitev (izobraževanje, obramba, požarno varstvo, varnost, javna snaga, zdravstvene storitve itd.) in zagotavljanje javnih storitev, ki jih ne zasebni ne neprofitni sektor nista pripravljena ali ne moreta zagotoviti iz obstoječih virov (npr. socialne podpore).

Ker država največji del sredstev zagotavlja predvsem z davki in jih prerazporeja za uresničevanje javnih potreb oz. za doseganje različnih družbenih in gospodarskih ciljev, je njena dolžnost, da s pomočjo finančnih izkazov dokaže svojo odgovornost v zvezi z uporabo davkoplačevalskega denarja. Obvezno in redno poročanje so osnovne značilnosti računovodskega poročanja, ki je tudi zakonsko sankcionirano. Kot zakonski predpisi s področja računovodstva so določeni računovodski izkazi proračunskih uporabnikov.

Računovodstvo proračunskih uporabnikov mora zagotavljati informacije o prihodkih, obveznostih in odhodkih neposrednih in posrednih proračunskih upravičencev. Finančna poročila proračunskih upravičencev se pripravijo ob upoštevanju normativnih predpisov v računovodstvu.

Temeljni akt, ki ureja vodenje poslovnih knjig in finančno poročanje proračunskih uporabnikov v Republiki Srbiji, je Zakon o proračunskem sistemu. Ta zakon določa, da strokovno podlago finančnemu poročanju proračunskih uporabnikov predstavljajo MRS JS. Ti so instrument, ki naj bi omogočil primerjavo med vladami različnih držav in večjo preglednost pri porabi davkoplačevalskega denarja. Obstajata dve vrsti teh standardov - MRS JS, ki veljajo za računovodstva na obračunski osnovi, in MRS JS, ki se uporabljajo pri obračunavanju na podlagi denarnega toka. V Srbiji se deklarativno uporabljajo MRS JS na podlagi plačil računovodstva.

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