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FINANCIAL RESULTS OF GOVERNMENT UNITS SECTOR OF UKRAINE

Abstract: The application of cash method in budget execution accounting and accrued method in budgetary funds administrators (BFA) accounting is the cause of differences in separate operations in actual determination of the same accounting object. The financial results of BFA activity as government units, including social security funds sector institutions, and as primary units of budget system are performed rather as an indicator of budgetary funds efficiency than an indicator of financial results activity.

Keywords: cash method, budget, BFA.

1. Introduction

In the process of integration with the European economic space and the development of economy with market relations the economy of Ukraine needs reorganization of economic relations system. The above-mentioned objective processes demanded changes of priorities and forms in economy that came by cancellation of the economic activity division into productive and non-productive one. Instead, fully grounded came the division of economic activities into entrepreneurial activity and non-commercial economic activity [2].

Just non-market and non-commercial economic activity is an unprecedented regulation lever in the development of economy according to the social-oriented model. The main role in this process belongs to the efficiency of financial-economic activity of the government units (GU), including social security funds sector institutions. Social security funds sector institutions in Ukraine include all state institutions and all non-market and non-commercial institutions (NCI) controlled and financed by government units. This sector consolidates legal entities, the main activity of which is acting as the legislative, executive or judicial authority over other institutional units within a certain region. They have the authority to collect taxes and other obligatory payments and spend them in accordance with public policy.

These participators of budget process were given the status of budgetary funds administrators (BFA) at various levels. They were authorized to receive appropriations, to assume obligations and to effect payments from the budget.

GU sector as an institutional unit of Ukraine is determined according to international classification. The division of GU sector into sub-sectors is executed as follows: central bodies of government units (central government); regional and local bodies of government units; social insurance funds [5].

2. Background

The accounting in GU sector should include the transactions that arise at execution of all its subjects' financial and economic activities on the basis of common principles, methods and procedures.

Methods of BFA accounting are subject to regulation by the Ministry of Finance and State Treasury of Ukraine. However, methodological accounting management by these entities does not cover the activity of institutions that belong to the sub-sector of government units, including social security funds sector: "social insurance funds". Methods of accounting of insurance premiums, their receipts and expenditures in this sub-sector are determined solely on the basis of acts of appropriate funds without following the uniform principles, methods and procedures.

In addition, the accounting in the government units, including social security funds sector, should also reflect the transactions carried out at the national level.

Historically in Ukraine in the government units, including social security funds sector, the accounting is divided into two relatively separate branches: accounting in budgetary institutions (BFA) and accounting of state and local budgets execution, which are recorded on the basis of different accounting principles and different charts of accounts.

In particular, the current chart of budgetary institutions accounts is based on a chart of enterprises accounts and that corresponds to the concept of adapting the elements of budgetary institutions' financial and economic activities both to the sphere of material production and to the sphere of non-material services rendering. The transfer of budgetary institutions to treasury system of servicing, budget formation and execution according to software-based purpose-oriented method caused a tendency towards closer economic integration of budgetary process participants.

Today, the division of the accounting in GU sector into two components leads to slowed-down formation of high-quality information base, which should secure the budget funds management by applying a software-based purpose-oriented method of state budget formation and execution. Thus, this approach to the structure of accounting in GU sector exhausted its possibilities.

The necessity of formation of unified accounting in GU sector on the basis of common principles, methods and procedures is no longer a controversial question [3, p. 156; 4, p. 20; 6].

3. Result of research

The treasury system of budgets execution foresees application of cash method and accrual method in GU sector accounting. The parallel use of both of them requires the determination of expenditures in BFA accounting both at the time of cash payment and at the time of their actual occurrence, and stipulates the division of expenditures into cash expenditures and actual expenditures depending on the stage of budgetary cash flow.

The determination of expenditures in accounting at the moment of appropriate payments execution causes the presence of “cash costs” accounting object in BFA accounting. These “cash costs” represent the whole amount of cash and non-cash payments from accounts recorded by the State Treasury.

BFA accounting object “actual expenditures” foresees the determination of expenditures in accounting at the moment of their occurrence, regardless of the date of cash payment. Actual expenditures are the real and final BFA expenditures stated in relevant documents along with the expenditures under unpaid creditor’s bills and accrued but not paid wages and scholarships. That is, by determining the financial results in budgets execution accounting, the revenues defined by cash method are compared with expenditures defined by the same method, contrary to the accounting of government institutions and non-market and non-commercial organizations where cash expenditures are only an intermediate accounting stage. Thus, the financial results of budgets execution characterize the surplus of financial resources or their shortage (deficit).

Government units and non-market and non-commercial organizations receive revenues that according to their budgets are directed to cover the state political or social functions execution costs without profit receipt purpose. The structure of revenues, which form the financial provision of government units, and directions of their use are defined and classified. In addition to budget receipts the Government units and non-market and non-commercial organizations receive incomes from other sources, most of which are incomes from the sale of goods and services that are the part of non-market products of these institutions and they are directed to the special budgets fund. Multichannel financial provision determines the division of financial and economic activity of GU sector institutions into the activity at the expense of general and special funds. That affects the method of financial results forming, which is determined according to general and special funds separately.

Classification of BFA revenues and budgets [7] and their correlation is presented in Figure 1.

General fund revenues and revenues for account of other BFA incomes make up an amount of appropriations received from the general and special budget funds.

Actually the obligations repayment of general fund and revenues from other sources of special fund of budgetary funds administrators (BFA) has been introduced in Ukraine. The process of obligations repayment involves a sequence of stages [1; 13]:

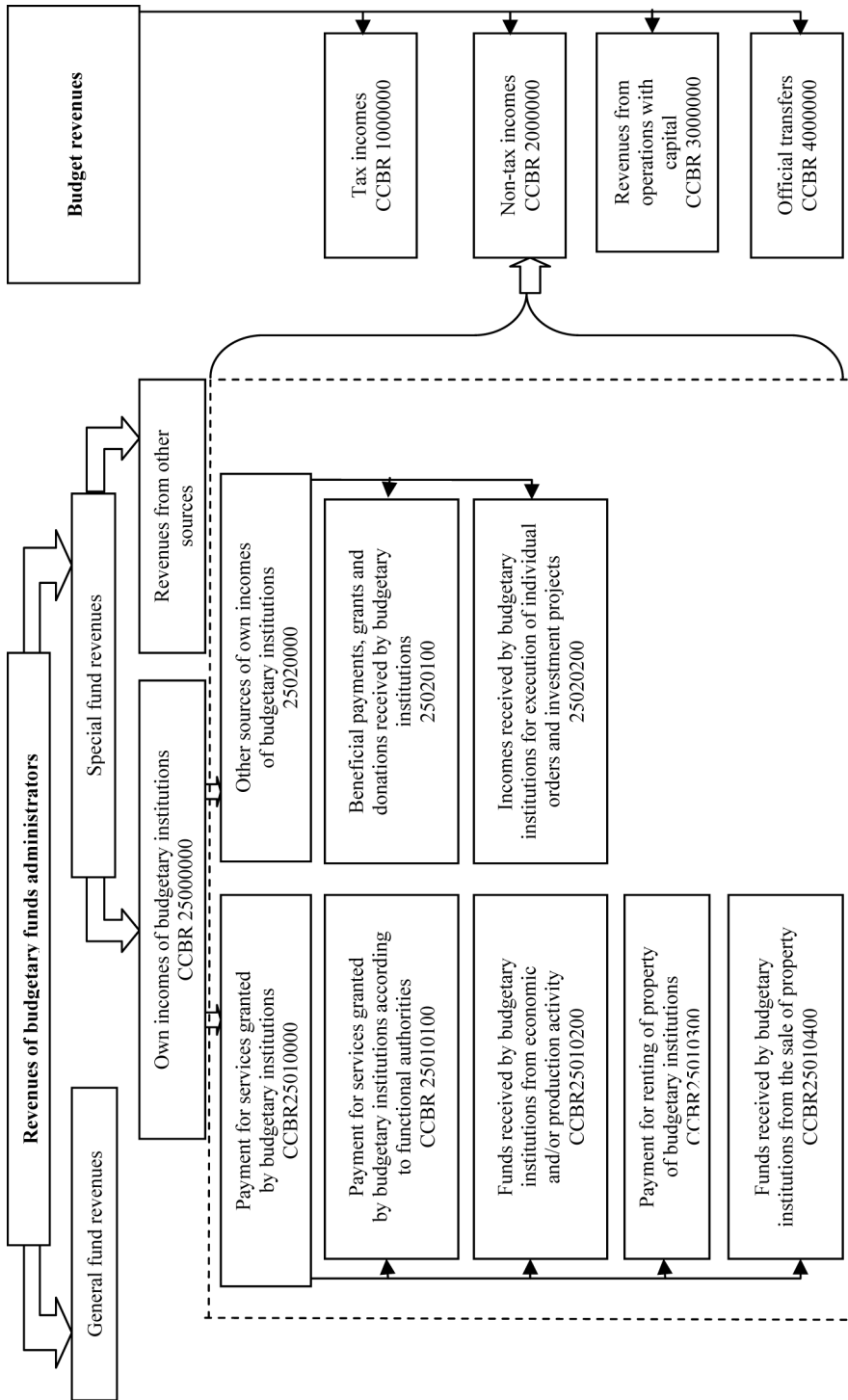


Figure 1. Classification of revenues in government units, including social security funds sector

Source: own preparation.

- 1) confirmation of BFA budget;
- 2) opening of accounts for BFA in bodies of the State Treasury of Ukraine;
- 3) opening and division of BFA appropriations;
- 4) registration of BFA obligations in State Treasury of Ukraine bodies;
- 5) the receipt of values(or receipt of services) by BFA;
- 6) registration of BFA financial obligations in State Treasury of Ukraine bodies;
- 7) putting of appropriations on accounts opened for BFA in State Treasury of Ukraine bodies;
- 8) transfer of funds to settle BFA accounts.

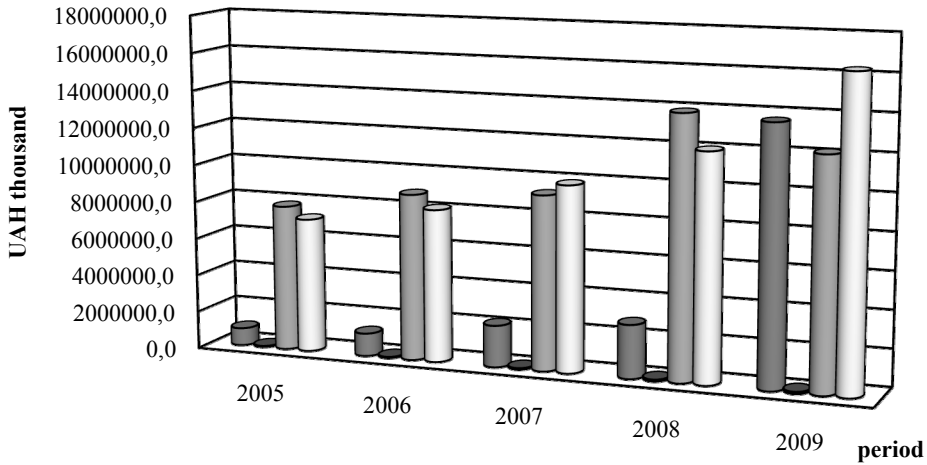
Placing of the aforementioned revenues on the BFA accounts opened in State Treasury of Ukraine bodies is effected simultaneously along with transfer of funds to settle BFA accounts. Revenues of the general fund and other BFA revenues are defined in accounting at the moment of placing of the corresponding sums of appropriations on the accounts. Thus the general fund sums of revenues represented in BFA accounting are consistent with the budget expenses determined in accounting of budget execution by cash method.

Methods of determination of financial results of the activity of government units as well as non-market and non-commercial institutions involve comparison of incomes with actual expenditures. Thus the comparison of general fund revenues and revenues from other BFA sources with actual expenditures, which effected at the expense of corresponding coverage sources, should be equal to the total sum of: difference of accounts receivable at the end of the year and at the beginning of the year, minus difference of accounts payable at the end of the year and at the beginning of the year (both of them are generated from resources of general fund and/or other BFA sources), plus difference of remaining supply at the end of the year and at the beginning of the year (that are purchased at the expense of general fund revenues and/or revenues from other sources BFA)

Thus the financial results of the general fund and relevant part of the BFA special fund are an indicator of state financial resources expenditures for financial provision of the government units and non-market and non-commercial institutions as well as the value of consumed budget resources for performance of their direct functions.

Government units and non-market and non-commercial institutions own receipts participate in forming of the state budget special fund making up in it quite a substantial part. This type of revenues is a prevalent part of non-tax receipts (see Figure 2). In special fund total revenues during the period 2005-2009 specific proportion of BFA own receipts fluctuate from 27 to 31%. The lion's share of BFA own receipts (in several years more than 99%) makes up payment for services rendered by them [8-12].

BFA accounting method assumes the recognition of revenues in form of payment for services in the time of their appearance (irrespective of cash receipt date). In accounting of budgets the execution of the aforesaid revenues is determined only in time of cash record in accounts. That is, the difference between the sum of revenues



	2005	2006	2007	2008	2009
■ 21000000 Income from property and entrepreneurial activity	930497,5	1215837,5	2218631,6	2843184,7	13623612,7
■ 22000000 Administrative collections and payments, proceeds from non-profit	53000,0	55900,0	66232,0	91314,4	100670,0
■ 24000000 Other non-tax proceeds	7789911,9	8863829,2	9268556,1	13864586,9	12166693,6
□ 25000000 Own budget institutions incomes	7168302,7	8133975,0	9865489,4	12000215,0	16302015,4

Figure 2. Dynamics of non-tax receipts in state budget during the period 2005-2009

Source: own preparation.

in form of payment for services according to data in accounting of budget execution and BFA should coincide with the sum of accounts receivable for these receipts that is fixed in BFA accounting by the state at the end of the fiscal year.

Cash expenses of budget differ from actual expenses (which are covered by own incomes of budgetary institutions) of BFA in the amount of: difference of accounts receivable at the end of the year and at the beginning of the year, minus difference of accounts payable at the end of the year and at the beginning of the year (that are generated from the BFA own incomes), plus difference of remaining supply at the end of the year and at the beginning of the year (that are purchased by the BFA own incomes).

4. Conclusions

For comparison of financial results of budget execution and budgetary funds administrators, accounts have to be divided in accounting of budgetary funds administrators: accounts receivable of general fund and special fund; accounts

payable of general fund and special fund; accounts receivable of customers services or values of budgetary funds administrators and accounts receivable budgetary funds administrators to suppliers (prefunding).

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FINANSOWE WYNIKI SEKTORA JEDNOSTEK RZĄDOWYCH UKRAINY

Streszczenie: W księgowości wykonania budżetu wykorzystuje się metodę kasową. W księgowości dysponentów środków budżetowych wykorzystuje się metodę doliczeniową. Ten dualizm metod księgowości pociąga za sobą różnice w obliczeniu oddzielnych operacji. Zatem finansowe wyniki działalności zarówno dysponentów środków budżetowych, jak i instytucji sektora ogólnego państwowego mogą być traktowane jedynie jako indyktor efektywności wykorzystania środków budżetowych.