

Accounting policy of the government sector entity at the current stage of accounting systems development in accordance with international standards

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Abstract

The article defined notion of “accounting policy”, its contest, purpose and practical implementation. Described main levels of accounting policy formation, their instruments that contribute and support the idea of harmonizing the accounting and financial reporting system in accordance with national and international regulations (standards).

Proved the relevance and importance of research of accounting policy formation at the modern stage of development, in conditions where integrity of the accounting system and continuity of the accounting process are the basis for management strategic decisions making.

Determined the peculiarities of formation of accounting policy for government sector entities at the modern stage of accounting system modernization. Considered the method of organization of creation the accounting policy of government sector entities through the system of stage-by-stage actions. Identified the content and elements of accounting policy, main target of which – ensuring the organization of comprehensive accounting process.

Introduced number of risks which appear directly under the conditions of adaptation of public sector entities to the modern requirements of the accounting system, which has impact to the quality of accounting process and to the level of implementation of planned actions. Proved importance of accounting policy formation for government sector entities.

Keywords: accounting policy, accounting, national accounting standards, international accounting standards.

Introduction

The organization of accounting for all, without exception, public sector entities begins with the formation of accounting policy.

Accordingly, the issue of accounting policy formation, at the current stage of accounting system reforming, is of theoretical and practical

interest of this issue.

Accounting policies are the conceptual basis of accounting, an important methodological tool for preparation and submitting of reports, the key to quality management decisions.

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Analysis of recent research and publication

Issues of accounting policies in the public sector and its practical application are constantly studied by leading scientists such as F. Butenets, L. Suk, P. Suk, M. Pushkar [1; 2; 3; 5].

Practical issues of accounting policies organization are studied by professionals who deals with methodological and practical

component of accounting, such as N. Sushko, L. Gizatulin [4].

The purpose of the study is to consider, in its entirety, the basics of accounting policies in the public sector, under the conditions of approaching to international standards.

Results and discussion

Accounting policies are a set of principles, methods and procedures used by the public sector to prepare and submit financial statements. Accounting policies instruments are laws, standards, orders, regulations, instructions, methodological guidelines and recommendations, and other internal regulations of the public sector entity.

In fact, accounting policies formation takes place at three levels.

The first level – is interstate or international level. These are International Public Sector Accounting Standards (IPSAS) – a set of accounting principles, methods and procedures for accounting and financial statements.

IPSAS are the result of integration processes in the economy and aim at the approaching accounting and financial statements in different countries of the world. IPSAS define accounting procedures, describe general rules for evaluation and submission of information in financial statements. They are advisory in nature and are an international benchmark for harmonizing of accounting system and creation of a unified information space.

The second level – is state level. National Public Sector Accounting Regulation (Standard) NPSAR(S) – is a normative legal act approved by the Ministry of Finance of Ukraine, which defines principles and methods of accounting and financial statements, and is compatible with IPSAS. In essence, they are a continuation of the idea of IPSAS taking into account national peculiarities.

National regulations (standards) in the accounting system are applied. They give an

opportunity to reveal the social, economic, legislative peculiarities inherent to our country.

“The development of national accounting standards for the public sector, with the consideration of international standards, is an important premise for the effective functioning and recognition of public sector accounting at the international level” [4].

The third level – is level of the public sector entity, which, taking into account legal framework, requirements of the budgetary unit and its own specific activity - develops accounting policies that are in fact can be founded in two main orders: “On accounting policies for the respective year” and “On the organization of accounting for the respective year”.

Public sector entities (lower level budgetary units) need to formulate accounting policies and work out a number of important issues. Firstly, to study national regulations, sectoral methodological recommendations, unified requirements of the main budgetary unit for accounting policies.

Secondly, to review founding documents and directions of the unit's activities in order to provide management with guidance concerning identification of the main areas of accounting policies. Moreover, it is necessary to involve representatives of different structural units, subordinate institutions and officials in accounting policies formation.

Thirdly, to evaluate the state of unit's accounting, to determine the reasons for changes in order to improve accounting policies. To select accounting entities that need to be described in the accounting policies of the unit and determined with such required accounting policies' elements as: principles, methods, and procedures which are

used for accounting and have, according to legal acts, more than one option of evaluation or accounting.

Accounting policies – are a set of specific methods and forms of accounting, respectively, of individual elements and principles chosen by the unit, based on the current legislation requirements and the peculiarities of its activities for the preparation and submission of financial statements.

Current legislation provides that the unit forms independently its accounting policies. Upon condition that significant part of unified rules and approaches are established at the state level. In part, accounting policies are limited by the recommendations and requirements of key spending unit. In addition, each organization has its own peculiarities of activity and specific tasks assigned to it. Furthermore, accounting policies – are a lever that allows to maintain the accounting system in a state that is consistent with the stated purpose of accounting policies.

In order to acquire legal force, accounting policies chosen by the unit must be formalized in the form of orders, as a result – working out orders On accounting policies and Accounting organization, and should be agreed with the budgetary unit of the higher level, for compliance with the established requirements and sectorial peculiarities.

For public sector entities, an accounting policies order is one of the first documents to be reviewed by supervisory authorities, audit firms and other relevant services when examining and analyzing the activities of an institution, unit.

This is the way of the accounting policies implementation: after drafting of regulation documents and agreeing with a higher-level budgetary unit.

At the current stage, when the accounting system is an information base for making strategically important economic decisions, having a well-established accounting policy is an important and necessary condition. At present, a number of important and topical issues arise during the formation of accounting policies in accordance with the requirements of national accounting regulations (standards) and in

accordance with the Strategy of the accounting system modernization.

Certainly, any planned measures have their own risk system, including the issues of accounting policies.

Imperfection of the legal framework is one of the risks and one of the key issues. Ongoing changes in the legislation lead to ambiguity and uncertainty in many areas. The current legal framework does not provide full explanations and methodological recommendations regarding accounting policies making. In such circumstances, the process of accounting policies understanding is complicated.

Public sector entities create accounting policies based on their practical understanding of the accounting policies. As a result, there are many mistakes and contradictions. Imperfect current legislation raises a number of problematic issues that arise directly at the stage of development, and implementation of accounting policies, which affect the quality and significance of the accounting process, and consequently the efficiency of the accounting system and management decision making.

The relevance and importance of this issue is underlined in the Strategy of the Accounting System Modernization: “According to World Bank experts, the introduced national regulations (standards) need clarification in the light of international standards modification, and development of new national provisions (standards) is required” [6].

Accounting system is the basis of information support and one of the important tools for collecting, generalizing and processing information. Consequently, the regulatory framework of the existing accounting system is an objective necessity, based on the modern experience of the unit – accounting needs further improvement and refinement. This issue is of particular relevance since the Government adopted the Strategy for Modernization of the Public Sector Accounting and Financial Statements System by 2025 [6]. The main task is to eliminate limitations of the legal framework that defines accounting principles, methods and techniques.

Another risk is the creation and implementation of unified software, to be precise – the problem of its financing.

The scarcity or lack of financial resources is an almost constant negative factor of many pressing issues. It is the lack of sufficient financial resources that may become one of the priority issues in implementing unified software. The proper level of development of information and communication infrastructure of the public sector unit and institution requires today an additional funding, which influences the level of implementation of the planned measures.

Moreover, it is necessary to point out that the level of professional qualification of personnel has quite significant influence on the implementation of advanced methods of work in accounting system. Qualification requirements are characterized by the availability of professional knowledge and skills that must meet current trends of the legal framework and practice.

Implementation of accounting bases in accordance with national regulations (standards) that are directly formed on the basis of international standards, and working with modern unified software requires new skills, certain level of knowledge and experience that create professional competence. Professional competence involves a deep understanding of new requirements towards staff qualification: developing and maintaining a high level of professional skill throughout the activity.

Conclusions

The research defined that the rational accounting policy formation will allow to create an effective accounting system as an element of management of the unit, and accordingly, to integrate obtained information indicators into a unified information space of accounting as a whole.

As a result of the innovations – it is planned to obtain an improved public sector accounting system, which will increase transparency and quality of financial statements. At the micro level –

Thus, the influence of the professional judgment of an accountant on the process of accounting policies formation is based on knowledge, experience and qualifications. The defining moment in accounting policies formation remains the evaluation of the level of materiality of information, the lack of which affects the objectivity of accountant decision making. Whereas, we can analyze the effectiveness of professional judgment during decisions making only after a while. Such risks should also be taken into account during accounting policies formation and organization of accounting.

The step-by-step implementation and formation of professional competencies should be at the expense of information support and training. Accordingly, special attention should be paid to adapting public sector entities to the modern requirements of accounting system.

Based on the above-mentioned measures of working out the stages of accounting policies, it can be stated that this is a rather time-consuming and responsible process. A great deal of human resources is involved in working out this issue, and a considerable amount of time is spent, but at the same time there is a daily amount of work duties which should be done. Accordingly, there is an ambition to implement the planned set of measures qualitatively, in the optimum short period of time and taking into account current trends of accounting system development.

to improve the system of budgetary planning, public finances management and the system of control of public funds application. At the macro level – to form a unified information space.

Thereby, modernization of the accounting system is one of the priority areas of public sector activity. It must be taken into account, first of all, throughout developed and qualitatively implemented accounting policy of a public sector entity, adapted to International Accounting Standards.

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