

IMPROVING THE ACCOUNTING AND REPORTING OF COST ESTIMATES PERFORMANCE IN PUBLIC SECTOR ORGANIZATIONS

Abduraximov Bobir Abdukaxxarovich

Research Scholar, Tashkent Institute of Finance, Uzbekistan

Received: 13 May 2020

Accepted: 18 May 2020

Published: 31 May 2020

ABSTRACT

This article explores the theoretical and methodological aspects of costs associated with cost estimates in public sector organizations, their recognition, types of costs and related situations. The features of accounting and reporting of cost estimates performance in public sector organizations are described. The existing problems related to accounting and reporting of cost estimates performance in public sector organizations are considered and scientific proposals and practical recommendations for their solution are given.

KEYWORDS: *Budget Funds, Extrabudgetary Resources, Budget Accounting, Accounting, Organization Of Public Sector, Cash Costs, Budgetary Financing, Actual Costs, Financial Statements*

INTRODUCTION

Public sector organizations get funding from the State budget. They incur expenditures in their activities to carry out the tasks entrusted to them. In particular, the resources connected with activity of medical institutions, educational institutions, institutions of culture, art and sport, institutions of a system of defense, public authorities and other similar organizations are spent. Consequently, public sector organizations are the main consumers of budget funds of the government.

In this regard, the words of the President of Uzbekistan Sh.M.Mirziyoyev: "Of course, the state budget has restrictions, it is necessary to ensure strict economy, targeted and rational use of funds. This is a clear and irrefutable truth for all of us"(Mirziyoyev, 2017) show that the targeted expenditure of budget funds directly depends on the correct recognition, accounting and analysis of expenditures related to the cost estimate performance in public sector organizations.

If we look at the State Budget performance of the Republic of Uzbekistan in 2018, the total budget expenditures amounted 79736.1 billion sum. We can see that 53 % of them were social expenditures, 10 % were used to finance the economy, 7 % to finance of centralized investments, 4 % to government expenditure, 1 % to finance of self-government bodies of citizens, 1 % to reserve funds and 24 % to other spending. (www.openbudget.uz).

The State budget expenditures incurred by 30,538 public sector organizations (www.mf.uz), related with above mentioned spheres. Targeting and spending of budget funds requires systematic accounting and periodic reporting. At the same time, the system of treasury performance of the state budget has a special importance and causes peculiarities related to accounting and reporting of execution of cost estimates in public sector organizations.

Public sector organizations are financed by Treasury on the basis of cost estimates, recording of liabilities by Treasury, accounting of expenses in organizations like actual and cash costs, emergence and settlement of receivables and payables in connection with the above expenses contributes to specific aspects in the accounting and reporting system. Therefore, there is a need for scientific research on this topic.

LITERATURE REVIEW

There are a number of scientific researches about accounting organization and financial reporting in public sector organizations. In particular, one of scientists of our country S. Mekhmonov (2018) undertook studies on improvement of methodology of accounting, accounting policies and internal audit in budgetary organizations.

Sh.Ganiev (2008) investigated the problems of accounting for payroll calculations in budgetary organizations. At the same time, salary-related calculations are recognized as actual costs.

K. Ibragimov (2018) investigated accounting and reporting issues in budgetary organizations. He noted that the costs estimate performance report has information about cash and actual costs of organizations.

A. Ostonokulov (2020) analyzed the sources of financing of public sector organizations and conducted studies on the formation and accounting of extrabudgetary funds. They revealed the peculiarities of keeping records of income and expenses on out of budget funds.

However, domestic scientists have not undertaken a separate research on the peculiarities of accounting for cost estimates performance in public sector organizations in modern conditions of reforms in the budget system for budget performance support.

Russian scientists led by N.Kondrakov (2006) investigated the issues of budget accounting and reporting, accounting in budgetary organizations. They revealed theoretical and practical aspects of the emergence, content and peculiarities of accounting for cash and actual costs of budgetary organizations.

Polish scientist Monica Raulinaitis (2014) carried out a grouping of costs related to pricing in health care institutions, presented her views on their occurrence and impact on prices, requirements for their accounting and streamlining of costs.

Much of the research done by foreign scientists focuses on accounting and reporting on cost estimates performance at the macro level, and focuses on the openness and transparency of public sector spending based on international public sector accounting standards.

ANALYSIS AND DISCUSSION OF RESULTS

Public sector organizations are financed on the basis of cost estimates from the state budget, and on the basis of estimates of income and costs from extrabudgetary funds. The cost estimates are based on the planned costs for the fiscal year and their interpretation (based on the economic classification of costs). The estimate of extrabudgetary funds consists of the revenue and costs' part, the revenue part reflects the income forecast for the financial year. And the costs part, plans expenditures for the financial year and their interpretation on the basis of the economic classification of costs.

Costs of Public Sector Organizations are divided by Economic Characteristics into the Following Four Expenditure Groups

The First Group: wages, pensions, benefits, scholarships, compensation payments and material assistance to low-income families;

The Second Group: social contributions;

The Third Group: investments (according to the address list provided in the state development programs);

The Fourth Group: other costs (Budget Code of the Republic of Uzbekistan, 2013).

Each operation of financial and economic activities of public sector organizations is carried out within the framework of the estimate. The performance of budget and extrabudgetary costs estimates is the same, but they are recorded separately by funding source. The cost estimates of public sector organizations are executed as actual costs and cash costs for these cost groups (Figure 1).

Actual costs are recognition of liabilities by public sector organizations within the estimate, and takes into account the decrease in the net value of assets (based on the method of accounting and recognition of income and expenditure). And cash costs are accounting for advance payments and payment (financing) of existing liabilities.

It should be noted that funding from the State budget of public sector organizations is recognized as cash costs. Logically and in substance, it is not correct to consider the financing of public sector organizations as cash costs. Since financing, in terms of its occurrence and application, it has the characteristics of income, it is therefore advisable to use the concept of "budget financing."

Both actual and cash costs are included in the estimates. Since the execution of the State budget is based on the cash method, special attention is paid to the synthesis and analysis of data on cash expenditures of public sector organizations. Actual expenditures, their summation and separate analysis are not given special attention, as they arise when the net value of the assets of public sector organizations decreases and liabilities arise.

However, actual and cash costs are considered interrelated and the difference between them is receivables or payables (Figure 1).

The analysis shows that public sector organizations 'settlements with debtors and creditors are directly related to cash and actual costs. Therefore, it is necessary to separately study and analyze the occurrence of expenses of public sector organizations, and by maintaining their accounting it will be possible to carry out, analyze and monitor the calculation of receivables and payables in a timely manner.

In addition, the relationship between actual and cash expenditures affects the change of the net value of assets. If actual costs exceed cash costs in the reporting year, this indicates that the value of assets has decreased during this period, i.e. depreciation has been calculated on fixed assets, intangible assets have been written off, inventory has been transferred or written off. In the opposite situation, the increase in the net value of assets during the reporting period indicates the inclusion of new fixed assets, intangible assets, inventory in the balance sheet of the organization, as well as the acceptance of completed construction facilities. From this, we can see that actual and cash costs directly affect the financial position of budgetary organizations.

In turn, if we analyze the relationship between actual costs and cash costs by their groups in the cost estimate, during the reporting period for the first group - salaries, pensions, allowances, scholarships, compensation payments and financial assistance to low-income families, as well as for the second group of costs-Social contributions we can see that actual costs arise first, and then cash costs arise. In the third group-investments (according to the address lists provided in the state development programs), as well as in the fourth group-other costs (asset costs), we can see that first cash costs arise, and then actual costs arise (Table 1).

Based on this table, the relationship between actual and cash expenditures and the balance sheet items of the reporting period is as follows (table 2).

Table 2 Shows Advance salary payments, mandatory employer liability insurance, travel expenses, staff development expenses are recorded in the current period as cash and actual expenses, and are accordingly reflected in the balance sheet items. These expenses correspond to each other.

You can see from the table that the sequence of actual expenses (FR) or cash expenses (KP) for each cost group is different. However, by analyzing the occurrence of these costs, it is possible to determine the boundary of the relationship between them. In particular, if the net value of an organization 's assets increases, cash costs arise, and in the opposite case, actual costs.

In public sector organizations, cost estimates are recorded directly in relation to other accounting objects and cover all financial and economic processes of the organization. At the same time, the accounting of costs divided to actual and cash costs serves not only for the practical implementation of the financial plan, but also for the generation of reliable information on the financial position of the organization.

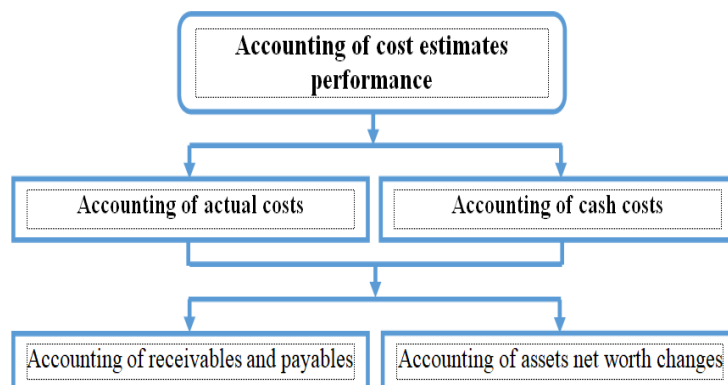


Figure 1: Relationship of Cost Estimates Performance and Accounting Entities in Public Sector Organizations.

Table 1: Sequence of Costs Incurred to Implement Cost Estimates in Public Sector Organizations

The Groups of Costs in Cost Estimate	Occurrence of Costs	
The First Group of Costs		
wages, pensions, benefits, scholarships, compensation payments and material assistance to low-income families	Actual costs	Cash costs
An advance payroll payments	Cash costs	Actual costs
The Second Group of Costs		
Single social payment	Actual costs	Cash costs
Mandatory employer liability insurance	Cash costs	Actual costs
The third group investments (according to the address list provided in the state development programs)	Cash costs	Actual costs

Table 1 (Contd)		
The Fourth GroupOther Costs		
Including:		
expenditure on assets	Cash costs	Actual costs
expenditure on service	Actual costs	Cash costs
mission costs	Cash costs	Actual costs
staff development costs	Cash costs	Actual costs

Table 2: Relationship of Actual and Cash Costs with the Balance Sheet of Public Sector Organizations

The Groups of Costs in Cost Estimate	Balance Sheet Account Changing
The First Group of Costs	
wages, pensions, benefits, scholarships, compensation payments and material assistance to low-income families	Liabilities increasing
The Second Group of Costs	
Single social payment	Liabilities increasing
The third group investments (according to the address list provided in the state development programs)	Net asset value increasing
The Fourth Group other Costs	
Including:	
expenditure on assets	Net asset value increasing
expenditure on service	Liabilities increasing

CONCLUSIONS AND OFFERS

Costs in public sector organizations, which occur directly in the process of estimates performance, cover all financial and economic activities of the organization. On the basis of primary documents, costs are recognized as actual and cash costs and accounted on an ongoing basis in accounting department of the budget organization.

Actual and cash costs are incurred in the context of cost estimates, and therefore ensuring that they are consistent with each other is a major aspect of accounting in public sector organizations. Keeping records of actual and cash costs, is aimed directly at determining the financial position of public sector organizations.

We have identified that there are certain problematic aspects related to the organization and accounting of cost estimates in public sector organizations, we consider it appropriate to state the following offers for their positive solution:

There minimum requirements for the recognition and accounting of income and costs are established in accordance with national and international accounting standards. But there are no specific criteria for the recognition of income and costs in public sector organizations, as well as a standard for accounting for them. Public sector organizations need to develop a budget accounting standard to recognize costs, organize and maintain them, and report on expenditures made;

During the cost estimate, performance of budget expenditures keep records of actual and cash costs in public sector organizations. Here, cash costs by occurring and characteristics are similar to income. That is why in the cost estimate performance, cash costs should be called as budget funding;

There is a need to periodically review the cost occurrence during the cost estimates performance in public sector organizations, grouping them, as well as the cost relationship, in terms of the organization 's funds and the impact on their source.

In general, the implementation of the above-mentioned measures will contribute to formation of system information on the occurrence of costs as a result of the the costs estimates performance of public sector organizations,

their grouping and recognition, inclusion in accounting, as well as through the analysis of this information, will increase the possibility of analysing the financial position of the organization.

REFERENCES

1. *Budget Code of the Republic of Uzbekistan (2013). 26.12.2013. LRU NO. 360*
2. *Sh. Mirziyoyev (2017) Critical analysis, rigorous discipline and personal responsibility should be the daily norm in the activities of each manager. Report of the President of the Republic of Uzbekistan Shavkat Mirziyoyev at the meeting of the Cabinet of Ministers devoted to the results of social and economic development of the country in 2016 and the most important priority areas of the economic program for 2017, January 14, 2017. - Tashkent: Uzbekistan, 2017.–104 p.*
3. *Mekhmonov S.U. (2018) Improvement of accounting and internal audit methodologies in budget organizations: Dissertation abstract of the doctor of science (DSc), Tashkent–52 p.*
4. *Ganiev S.V. (2008) Improvement of accounting and financial control in budgetary organizations (on the example of the education system): Dissertation abstract of the doctor of science - Tashkent.–22 p.*
5. *Ibragimov K.S. (2018) Improvement of accounting and financial reporting in budgetary organizations (on the example of higher educational institutions): Dissertation abstract of the PhD - Tashkent, 38 p.*
6. *Kondrakov N. and others (2006) Accounting in budgetary organizations.-M: Prospect.*
7. *M.Raulinajtys-Grzybek (2014) Cost accounting models used for price-setting of health services: An international review. Faculty of Management Accounting, Warsaw School of Economics, Al. Niepodległo'sci 162, 02–554 Warszawa, Poland. Health Policy 118 (2014) 341–353.*
8. *Ostonokulov A.A. Budget Organizations Formation and Improving Accounting for Out-of Budget Budgets. International Journal of Advanced Science and Technology Vol. 29, No. 8s, (2020), pp. 1116. ISSN: 2005–4238 IJAST Copyright. 2020 SERSC. <https://sersc.org/journals/index.php/IJAST/article/view/10409>*
9. *www.mf.uz–information of the Ministry of Finance of the Republic of Uzbekistan official website.*
10. *Heinrich, C. J. (2002). Outcomes–based performance management in the public sector: implications for government accountability and effectiveness. Public administration review, 62(6), 712–725.*
11. *Van Thiel, S., & Leeuw, F. L. (2002). The performance paradox in the public sector. Public performance & management review, 25(3), 267–281.*
12. *www.openbudget.uzinformation of the "Open Budget" of the Republic of Uzbekistan portal.*