



Conceptual Framework for Development of the National Accounting and Reporting Standards in the Public Sector of the Russian Federation

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Main Principles of Accounting Management in Russia

- ➔ Provision of conditions for uniform application of the federal (national) and industry-specific standards;
- ➔ Uniform requirements system to accounting;
- ➔ Inadmissibility to combine the authorities to approve federal (national) standards and authorities to public control (supervision) in accounting area;
 - Application of International Standards as the basis for federal (national) standards development;
- ➔ – Simplification of accounting techniques including for small-scale business and non-commercial organizations
- ➔

Documents regulation accounting in Russia

→ **STANDARDS** – a document setting forth minimal necessary requirements to accounting, as well as to permissible methods

FEDERAL STANDARDS – *MANDATORY, UNLESS OTHERWISE SET FORTH BY THE STANDARD*



→ **INDUSTRY-SPECIFIC STANDARDS** - *SET FORTH SPECIFIC FEATURES OF THE FEDERAL STANDARDS APPLICATION IN PARTICULAR TYPES OF ECONOMIC ACTIVITY*

→ **INTERNATIONAL STANDARD** – accounting standard traditional for business activity irrespective of the name of such standard

Documents regulating accounting in Russia

- ➔ RECOMMENDATIONS IN THE ACCOUNTING AREA –
 - *ARE APPLIED ON VOLUNTARY BASIS AND ARE DEVELOPED FOR THE FOLLOWING PURPOSES :*
 - ➔ ENSURING PROPER APPLICATION OF THE STANDARDS;
 - ➔ REDUCTION OF EXPENDITURES FOR ORGANIZATION OF ACCOUNTING AND REPORTING;
 - ➔ SHARING BEST PRACTICES OF THE PROFESSIONAL COMMUNITY ON ORGANIZATION OF ACCOUNTING AND INTERNAL CONTROL;

STANDARD OF ECONOMIC ENTITY – ACCOUNTING POLICY

- ➔ *DESIGNED FOR STREAMLINING ORGANIZATION AND MAINTENANCE OF ACCOUNTING*
 - ПРИМЕНЯЕТСЯ IS APPLIED IN AN EQUIVALENT MANNER BY ALL
 - ➔ UNITS OF ACCOUNTING SUBJECTS, INCLUDING BRANCH AND REPRESENTATIVE OFFICES IRRESPECTIVE OF THEIR LOCATION

MAIN OBJECTIVES OF ACCOUNTING AND REPORTING

- ➔ *Generation of complete and accurate information about the performance of the subjects of accounting, its property status required both by the internal user of the reporting, i.e., the manager or the owner of the property, and by the external user such as investors, creditors and other users of the reporting;*
- ➔ *Provision of the information necessary for public financial control (supervision), including with the aim of compliance with the Russian legislation in the course activity; information on availability and transfer of state property and commitments; information on efficiency of public property (funds) management; on utilization of material, labor and financial resources in conformity with adopted norms, specifications and estimates;*
- *Prevention of negative performance of subjects of accounting and*
- ➔ *identification of additional reserves to ensure financial stability.*

MAIN ACCOUNTING METHODS

- ➔ **CASH METHOD** - envisions registration of all events on flow of funds. Represents accounting of cash inflows and outflows on the budget accounts.
- **MODIFIED CASH METHOD** - envisions registration of not only flow of budget funds, but also of certain other assets only liabilities (at the independent accounts in the Chart of Accounts).
- ➔ **MODIFIED ACCRUAL METHOD** - envisions registration of transactions immediately upon their execution (revenues and expenditures and charged, assets and liabilities are recognized). Specific features – no depreciation is charged, nonfinancial assets and purchased assets are expensed as incurred.
- **ACCRUAL METHOD** - *предусматривает* envisions recognition of all operations at the time they take place irrespective of cash flows. Fixed assets depreciation is being proportionally accounted as expenditures during the whole period of useful service.
- ➔

CASH METHOD

ADVANTAGES

- ➔ *Simple application contribute to easy generation of statements.*
- ➔ *Makes it possible to assess conformity of expenditures to budget allocations.*
- *Does not require high qualification of accounting specialists.*

DISADVANTAGES, LIMITATIONS

- ➔ *Limitation of the coverage of transactions by current period cash flows;*
- *Does not provide information on assets, liabilities and influence of current consumption on inventory;*
- *No identification of debt commitments in case of receivables and liabilities at the end of the reporting period;*
- *Meets the objectives of short-term budget control;*
- *Does not meet the objectives of monitoring the quality and efficiency of public finance management in the long term perspective (state programs).*

ACCRUAL METHOD

DISADVANTAGES

- ➔ *Significant complication of accounting process.*
- ➔ *Requires highly-technological information entry means (automated accounting)*
- *Increased time for statements preparation with concomitant raising of requirements to the quality of the operating data.*
- *Requires training of financial and accounting services staff, high qualification of inspectors.*

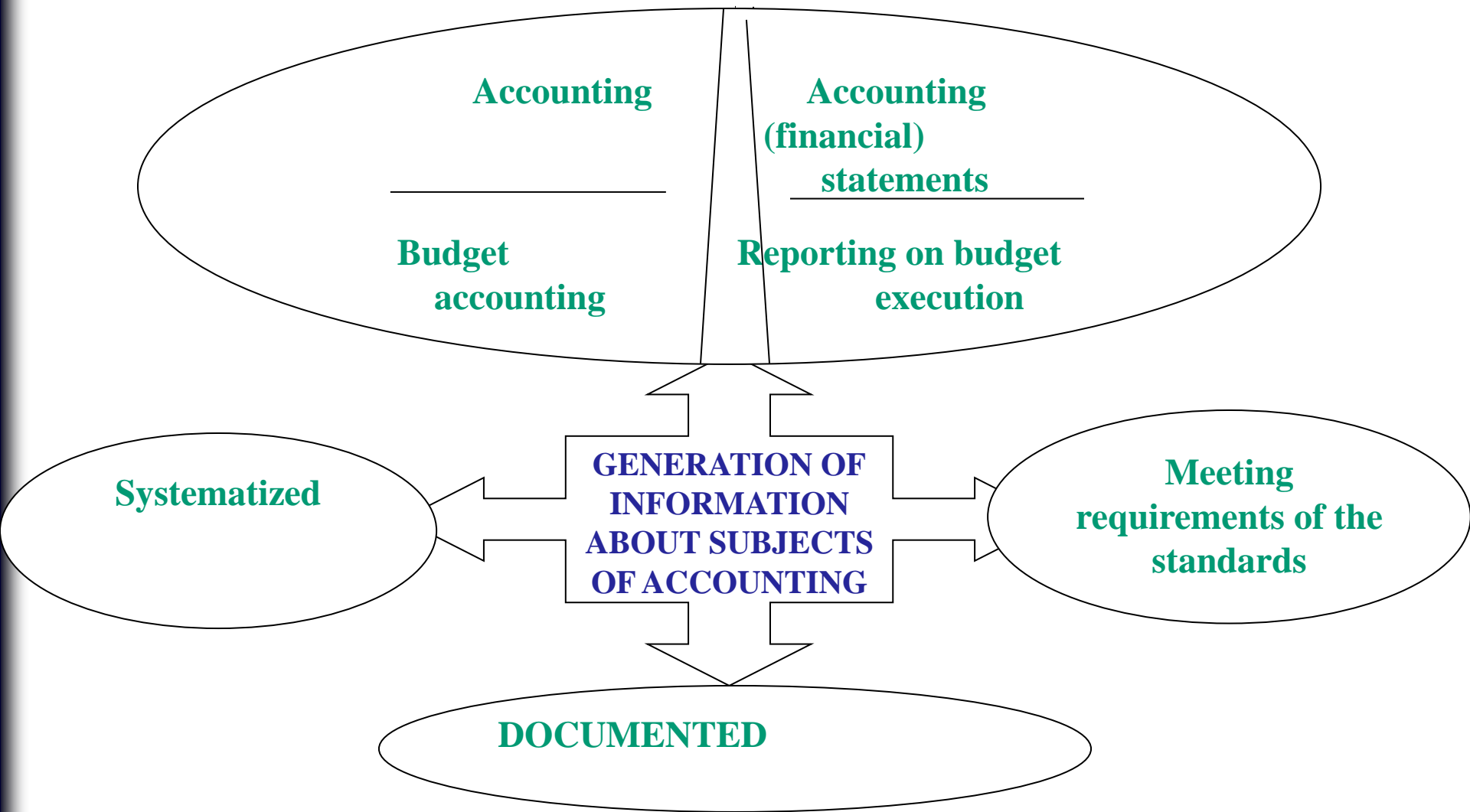
ADVANTAGES

- ➔ *Expenditures recognition at the moment of their execution.*
- ➔ *Accounting of all resource flows, including the ones that do not lead to generation of cash flows, but affect the cost of services (amortization).*
- *Disclosure of information on the status of assets and liabilities.*
- *Possibility of separate accounting of cash flows and legal (financial) claims within the time period.*
- *Reflection of financial claims execution without cash flows (non-cash operations).*

RESULTS OF THE TRANSFER TO ACCRUAL METHOD

- ➔ ***AS A RESULT OF REFLECTING THE ESSENCE OF THE TRANSACTIONS AND ECONOMIC EVENTS, THE REPORTED DATA BECAME MORE COMPLETE, GROUNDED AND COMPARABLE.***
- ➔ ***ACCOUNTING OF EXPENDITURES ON THE ACCRUAL BASIS CONTRIBUTES TO MORE REASONED DECISIONS ON RESOURCES DISTRIBUTION.***
- ➔ ***HIGHER RESPONSIBILITY OF THE MANAGERS FOR THEIR MANAGEMENT RESULTS – COMPLETE REFLECTION OF ASSETS, LIABILITIES, FINANCIAL RESULTS MAKES IT POSSIBLE TO COMPARE THE VALUE OF SERVICES WITH THEIR COST.***
- ➔ ***HIGHER LEVEL OF TRANSPARENCY AND ACCURACY OF INFORMATION ON THE BUDGET EXECUTION RESULTS.***
- ➔ ***POSSIBILITY TO ANALYSE NON-CASH OPERATIONS (SHORTFALL IN REVENUES AND EXPENDITURES), WHICH HAVE ECONOMIC IMPACT ON THE EFFICIENCY OF PUBLIC FINANCE MANAGEMENT.***

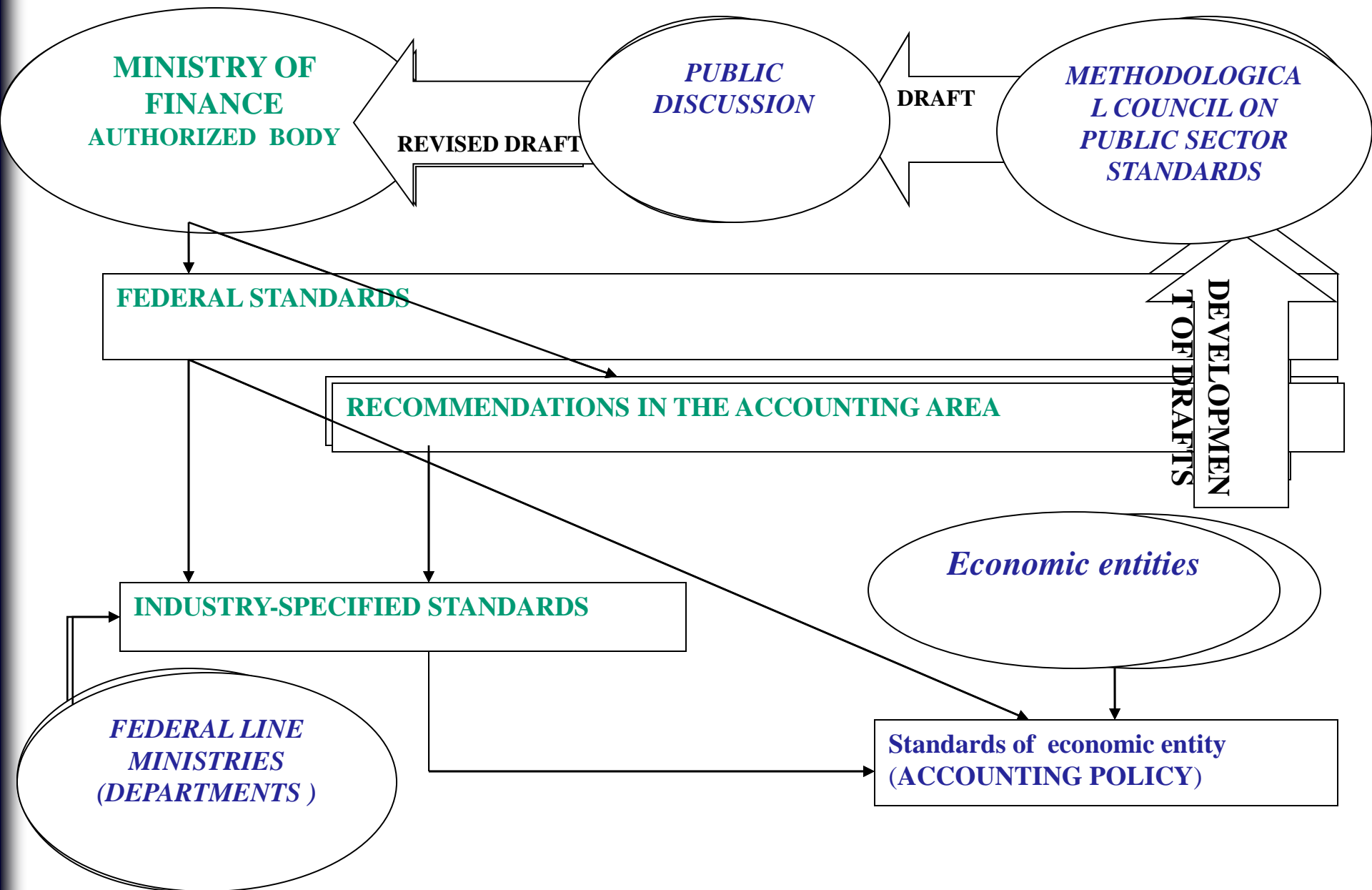
The law has set forth unified requirements to accounting in the Russian Federation (irrespective of the sector of the economy)



state

regulation

non-state



Consequence in the development of public sector accounting and reporting standards



STAGES OF STANDARDS DEVELOPMENT:

- **STANDARDS REGULATING THE ISSUES OF ACCOUNTING AND REFLECTION IN THE STATEMENTS OF THE INTERCONNECTED ELEMENTS OF REPORTING – ASSETS, LIABILITIES, REVENUES, EXPENDITURES.**
- **STANDARDS REGULATING GENERAL ASPECTS OF PUBLIC SECTOR FINANCIAL STATEMENTS GENERATION**
 - **STANDARDS REGULATING GENERATION AND SUBMISSION OF CONSOLIDATED STATEMENTS**












I STAGE

- *Conceptual framework of public sector accounting and reporting*
- *Submission of financial statements*
- *Fixed assets*
- *Lease*
- *Assets depreciation*



→ II STAGE

- *Payroll*
- *Inventory*
- *Accounting policy, change of accounting estimates and errors*
- *Cash flow statements*
- *Revenues of public (municipal) institutions*
- *Construction contracts*
- *Borrowing (credit) costs*

 III STAGE

-  *Provision of budget information in financial data*
 - *Consolidated and individual financial statements*
-  *Investments into associated entities*
 - *Participation in joint activity*
-  *Reporting by segments*
-  *Events after the reporting date*
-  *Influence of exchange rates changes*
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 IV STAGE

-  *Reserves, contingent liabilities and contingent assets*
-  *Financial instruments*
-  *Intangible assets*
-  *Disclosure of information about related parties*
-  *Biological assets*
-  *Concession agreements on services provision.*
Accounting at concessor

ISSUES OF DEVELOPMENT AND PRACTICAL IMPLEMENTATION OF PUBLIC SECTOR ACCOUNTING AND REPORTING STANDARDS

→ Creation of conditions for standards implementation

- *Methodological council;*
- *Methodological recommendations on implementation;*
- *Publication of the standard development results (it discussion) and the issues related to its implementation on the website of the Ministry of Finance;*
- *Sharing experience within the professional community.*

→ Automation of accounting and reporting

- *Development of the automated finance management system in conformity with the “Electronic Budget” concept adopted by the Government of the Russian Federation*
- *Implementation of “single data entry” principle;*
- *Development of unified document forms.*

– Training of accounting specialists.



THANK YOU FOR ATTENTION