

## UKRAYNA KAMU SEKTÖRÜNDE FİNANSAL RAPORLAMA

### ÖZ

Ukrayna'nın bütçe sisteminin işleyişindeki çalışma koşulları, kamuda muhasebe ve raporlama organizasyonunda bir takım sorunlu meselelerin varlığı ile karakterizedir. Çözümlere duyulan ihtiyaç, Ukrayna'nın uluslararası topluluğa entegrasyonu ve muhasebenin birleştirilmesi ve modernizasyonu konusundaki istekleriyle bağlantılı olarak gerçekleşmektedir. Bugün Ukrayna, mevzuatını kamu sektöründe de dahil olmak üzere Avrupa Birliği'nin şartlarına uyarlama göreviyle karşı karşıyadır. Ülkenin dünya ile entegrasyonu na yönelik devlet politikasının uygulanması, ekonomik bilgilerin uluslararası gereksinimlere ve standartlara uyarlanmasını ve her şeyden önce bilgi kullanıcılarının bütçe raporlarında okuyup anlayabilecekleri muhasebe bilgilerini gerektirmektedir.

Ukrayna'da devlet sektöründe muhasebe ve raporlama sisteminin reformu, uluslararası standartların gereklerini dikkate alarak 2007 yılında başlamıştır. Reformun amacı, kamu sektöründe muhasebe ve finansal raporlama sistemini, bilgilendiriciliği ve şeffaflığı sağlayan uluslararası standartların gerekliliklerine uygun olarak iyileştirmektir. Bu hedefe ulaşmak için: kamu sektöründe ulusal muhasebe standartlarının geliştirilmesi ve uygulanması; Kamu sektöründe bütçe sınıflandırması ile uyumlu tek bir muhasebe hesabı planının oluşturulması; muhasebe raporlama yöntemlerinin geliştirilmesi; Bütçe kurumlarının muhasebe hizmetlerinin organizasyonuna birleşik yaklaşımlar getirilmesi; Devlet sektöründe tek bir hesap planına ve ulusal muhasebe ve raporlama standartlarına dayanan entegre bir bilgi ve analitik kamu maliyesi yönetimi sisteminin oluşturulması öngörülmektedir. Belirlenen öngüler, 28 Kasım 2006 tarih ve 1038 sayılı ile Maliye Bakanlığınca onaylanan ve kamu sektöründeki muhasebe sisteminin modernizasyonu amaçlayan Eylem Planında 2016-2018 yılları için yansıtılmıştır. Bu Planda yer alan temel görevler: Ulusal Kamu Sektörü Muhasebe Standartlarını (NPSAS) geliştirilmesi ve uygulanması; kamu sektör muhasebe için düzenleyici ve yasal belgelerin geliştirilmesi ve tanıtılması; Kamu sektöründe kamu muhasebesi hesapları, Bütçe ve devlet vakıf fonlarının ve yöneticilerinin varlık, sermaye ve borç işlemlerini hesaba katan ortak muhasebe ve alt muhasebe yazışma dili, Kamu sektörü işletmeleri için muhasebeleştir önerileri ile NPSAS'a uygun olarak hazırlanan mali tabloların dipnot bilgilerinin açıklanma biçimini tanımlayan kamu sektöründe mali raporlama formlarını doldurma prosedürü geliştirilmiştir.

Bu makalede, Ukrayna'nın bütçe raporlamalarının uluslararası finansal raporlama standartlarının gerekliliklerine uygunluğu analiz edilmekte, yeni kurallara göre kamu kurumlarının finansal raporlama sunumunun kompozisyonu, yapısı, aşamaları ve hazırlama yöntemleri ve özellikleri ve Ukrayna'daki mevcut normatif muhasebe tabanına uygun standartlar hakkında bilgi verilmektedir. Mevcut yasalar, düzenleyici çerçeve ve Ukrayna Maliye Bakanlığı tarafından yapılan açıklamalar dikkate alındığında, bütçe kurumlarının finansal tablolarının derlenmesinin ana aşamaları belirlenmiştir.

**Anahtar Kelimeler:** Muhasebe, Finansal Raporlama, Kamu Sektörü, Bütçe Kuruluşları, Hesaplar.



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## **FINANCIAL REPORTING OF PUBLIC SECTOR ENTITIES OF UKRAINE**

### **ABSTRACT**

Modern conditions of functioning of the budgetary system of Ukraine are characterized by the presence of a number of problematic issues in the organization of accounting and reporting in the public sector. The need for their solution is actualized in connection with the integration of Ukraine into the international community and its aspiration for the unification and modernization of accounting. Today, Ukraine faces the task of adapting its legislation to the requirements of the European Union, including in the public sector. Implementation of the state policy towards the integration of the country into the world community requires the adaptation of economic information to international requirements and standards, and above all the accounting information that users can read in the reporting of budget institutions.

The reform of the system of accounting and reporting in the state sector, taking into account the requirements of international standards, began in Ukraine in 2007. The purpose of the reform is to improve the system of accounting and financial reporting in the public sector in accordance with the requirements of international standards that ensure its informativity and transparency. To achieve this goal, it was envisaged: to develop and implement national accounting standards in the public sector; create a single plan of accounting accounts in the public sector, harmonized with the budget classification; improve accounting reporting methods; to introduce unified approaches to the organization of accounting services of budgetary institutions; to create an integrated information and analytical system of public finance management based on a single plan of accounts and national accounting and reporting standards in the state sector. The tasks set out were reflected in the Action Plan on modernization of the accounting system in the public sector for 2016-2018, approved by the order of the Ministry of Finance dated November 28, 2006, No. 1038. According to this Plan, its main tasks are fulfilled, namely: developed and implemented National Public Sector Accounting Standards (NPSAS); The regulatory and legal documents for accounting in the state sector were developed and introduced: Public accounting accounts in the public sector, Typical correspondence of subaccounting accounting for the reflection of transactions with assets, capital and liabilities of the administrators of budgetary funds and state trust funds, Methodological recommendations on accounting for public sector entities; The Procedure for filling in the forms of financial reporting in the public sector, which defined the mechanism for disclosure of information under the articles of financial statements, drawn up in accordance with the NPSAS, has been developed.

In this article the compliance of reporting of budgetary institutions of Ukraine to the requirements of international financial reporting standards is analyzed, information on composition, structure, stages and methods of preparation and peculiarities of presentation of financial reporting of public sector entities according to new rules and standards in accordance with the current normative base of accounting in Ukraine. Taking into account the current legal and regulatory framework and explanations provided by the Ministry of Finance of Ukraine, the main stages of compiling the financial statements of budgetary institutions were identified.

**Keywords:** Accounting, Financial Reporting, Public Sector, Budgetary Institutions, Accounts



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## FORMULATION OF THE PROBLEM

2017 was difficult for public sector accountants in the Ukrainian economy. 01.01. In 2017 new National Accounting Standards (Public Sector Accounting Standards – *NPSAS*) in the public sector (hereinafter referred to as *НП(С)БОД*) entered into force, including those that determine the procedure for submitting financial statements, a new Public Accountancy Plan in the public sector was put into effect (<http://195.78.68.18/minfin/control/uk/publish/article?>), which fundamentally changed the typical correspondence of accounts and the system of account accounts. The accounting regime has changed in the public sector, and as a result, financial statements of public sector entities have also undergone significant changes - new forms and new reporting rules.

The aforementioned innovations for scientists have created a discussion field of scientific problems, and for accountants-practitioners - the objective difficulties associated with fundamental changes in accounts - one of the most important elements of the method of accounting. The main problematic issues that require a scientific and practical solution stem from the need to transfer balances from old accounts to new ones, as well as the corresponding transfer of articles of financial statements of budget institutions. The typical correspondence of the subaccounts of accounting to reflect the transactions with assets, capital and liabilities of the administrators of budget funds and state-owned trust funds is now a half-dead letter, since half of the accounting operations from it simply can not be used because they do not meet the requirements of the *NPSAS*.

In this regard, there is a need to study the impact of new legislative norms and their guidelines and recommendations for the preparation of financial statements by public sector entities, which indicates the relevance, promising and novelty of such research.

## ANALYSIS OF RECENT RESEARCH AND PUBLICATIONS

The problems of accounting in the budgetary sphere and the methodology of compilation of reports of budgetary institutions were devoted to their research by such leading scientists: Joga R.T., Len V.S., Sushko N.I., Svirko S.V., Farion I.D., Khorunzhak N.M., Luchko M.R., Butinets F.F., Shymer L.T., Andreev I.A., who consider the legal and regulatory framework for the regulation of accounting and reporting of budget institutions in need of revision.

Despite the versatile consideration of reporting and taking as the basis of author's positions of its various characteristics, scientists and practitioners are united in the idea that this is an extremely important component of the general information base for making managerial decisions, the formation of which in modern conditions is accompanied by a number of problems. The issue of improving the content of financial reporting to achieve its maximum informativeness with the aim of managing entities of the general government sector remains an issue.

**The purpose of the research** is to summarize the information on the nature, composition, structure, stages and methods of preparation and the peculiarity of filing financial statements of public sector entities according to new rules and standards in accordance with the current regulatory framework of accounting in Ukraine.

## **PRESENTATION OF THE MAIN RESEARCH MATERIAL**

According to the Law of Ukraine "On Accounting and Financial Reporting in Ukraine", financial statements are reports that contain information about the financial position, the results of the company's activities (<http://zakon5.rada.gov.ua/laws/show/996-14> ).

The purpose of financial reporting is to provide users with complete, truthful and unbiased information on the financial position, performance and cash flow of the public sector and budget to make decisions.

Financial reporting in the public sector provides information needs of users regarding: sources of revenues and directions of their use; performance results from the point of view of efficiency and achievement of the purpose of the activity; compliance with financial discipline by the public sector entity; target use of budget funds; management quality assessment; assessment of the ability to fulfill its obligations in a timely manner; acquisition, sale and possession of securities; capital participation of enterprises; the level of resources needed to continue the activity, the resources that may arise as a result of the continuation of the activity, as well as the corresponding risks and uncertainties (<http://zakon5.rada.gov.ua/laws/show/996-14>).

The financial statements provide information about: assets; obligation; equity; income; costs; cash flows of the public sector entity and the budget.

The compilation and presentation of financial statements is mandatory for all institutions (organizations), regardless of ownership. There are also budget institutions whose financial statements characterize the financial and property situation, and also reflect the results of their activities. The financial statements in the public sector are prepared and submitted by the spending units. The purpose, composition, content and principles for the preparation of financial statements of budgetary institutions are governed by the National Public Accounting Standards (Standard) 101 "Presentation of Financial Statements" (NPSAS 101) (<http://zakon4.rada.gov.ua/laws/show/z0336-13>).

The mechanism for disclosure of information under the financial reporting articles is regulated by the Procedure for filling in the forms of financial reporting in the public sector, approved by the order of the Ministry of Finance of 28.02.2017, number 307 (<http://zakon3.rada.gov.ua/laws/show/z0384-17>). It should be noted that prior to the implementation of the system of accounting modernization in the public sector, budgetary institutions compiled the reporting procedure, using the budget reporting procedure by the administrators and recipients of budget funds (<http://zakon4.rada.gov.ua/laws/show/z0196-12> ), however, from 01.01.2017, they should be guided by NPSAS 101.

Features of financial reporting of budget institutions are:

- obligation and state regulation, which follows from the nature of the budget approval. The regulation of the methodology of reporting on the implementation of budgets and self-supporting operations of budgetary institutions is entrusted to the State Treasury Service of Ukraine and the Ministry of Finance of Ukraine, which strictly regulates the composition and procedure for reporting, consideration and approval. All budget institutions must comply with the rules and timing of reporting, submit it to the extent required. The purpose of this

regulation is to create common rules for accounting and financial reporting, as well as their improvement;

- the unity of the form and content, which makes it possible to statistically group and summarize its indicators;
- methodological unity of indicators, which provides for common methods of calculating the same reporting indicators, their mandatory agreement with the relevant indicators, approved estimates and regular paintings. This is necessary to monitor the implementation of the institution's estimates at all levels of state and local budgets;
- simplicity, clarity, accessibility and transparency of reporting, which are necessary for the wide involvement of all employees in the management, activation of the human factor;
- a sequence that consolidates in practice the phased formulation of accounting reporting, that is, the need for consistency of content and forms of balance sheet and explanations from one reporting period to another (Karpenko, N.G. & Dorogan-Pisarenko, L.O. & Aranchiy, J.S.,2013:48).

The main task of the financial statements of budgetary institutions is to show the state of property and performance during the execution of the estimate. In other words, the financial statements of budgetary institutions reflect the results of the disposal of funds and property of the state authorized by the subjects of relations in the field of management.

The reporting period for the financial statements is the calendar year, but, in addition, the submission of interim report – quarterly or monthly statements – is made up of an aggregate sum from the beginning of the accounting year (Section 7, Section I, NPSAS 101, <http://zakon4.rada.gov.ua/laws/show/z0336-13>) (tab. 1).

**Table 1.** Financial reporting of public sector entities according to NPSAS 101, Order No. 307

Form No.	The name of the reporting form	Terms of submission	
		quarter	year
No. 1-ps	Balance	+	+
No. 2-ps	Report on financial results	+	+
No. 3-ps	Statement of Cash Flows	-	+
No. 4-ps	Equity statement	-	+
The form has not been established by the Ministry of Finance	Notes on annual financial statements	-	+

*Source:* compiled by the authors on the basis of (<http://zakon4.rada.gov.ua/laws/show/z0336-13>, <http://zakon3.rada.gov.ua/laws/show/z0384-17>)

Reporting periods for budget institutions that have not fully worked out for a calendar year are:

- for newly created institutions – a period that does not exceed 12 months (taking into account the timelines for submission of financial statements, this period will continue to continue from the moment of establishment of the institution until the end of the current fiscal year);

- for liquidated institutions – this is the period from the beginning of the year to the moment of liquidation (<http://zakon4.rada.gov.ua/laws/show/z0336-13>).

Therefore, for the quarter, you must submit the balance sheet of the institution as of the last day of the quarter and the statement of financial results for the period from January 1, the reporting year to the last day of the current quarter.

In accordance with paragraph 3, and NPSAS 101 "Presentation of Financial Statements" (<http://zakon4.rada.gov.ua/laws/show/z0336-13>) financial statements are denominated in hryvnias without cents. At the same time, in the graphs on which the information is not given, it is necessary to put a dash (paragraph 1.6 of the Procedure for filling in the financial statements (<http://zakon3.rada.gov.ua/laws/show/z0384-17>)).

On January 1, 2018, the updated norms of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" (<http://zakon5.rada.gov.ua/laws/show/996-14>), which remove the veil of secrecy from financial statements, have been updated. They establish that financial statements: does not constitute commercial secrecy; is not a confidential information; does not belong to restricted information. Unless, of course, it refers to individual cases envisaged by law. In addition, the financial reporting is not subject to a ban on the dissemination of statistical information.

The main difference between national standards in comparison with the usual instructions and procedures, which establish the rules of budget accounting - the relative freedom of action. For the most part, national standards define only a possible list of steps in one direction or another. A public sector entity has the right to choose the most convenient option for itself. In such a situation, the definition of an accounting policy, which should take into account the provisions of all national standards regarding methods of valuation, accounting, types of segments and their priorities, the procedures to be applied by the institution and which normative-legal accounting acts provide more than one option. The methods of accounting policy determined at the level of the main manager of budgetary funds are approved in the institution's regulatory document - usually this is an order of accounting policy. And at the final stage of compilation and presentation of financial statements of particular importance are the Notes to the annual financial statements. It is in them that all information about the institution's chosen accounting methods, segments, procedures, and all other factors that have influenced the reporting indicators ([https://ibuhgalter.net/storage/web/source/1/x5t1F1vJtqm\\_W3tEVCyPOjbuMTjDcL8s1.pdf](https://ibuhgalter.net/storage/web/source/1/x5t1F1vJtqm_W3tEVCyPOjbuMTjDcL8s1.pdf)) are disclosed.

The financial statements should include information on all business transactions that are reflected in the accounting.

The procedure and timing for submission of financial statements are determined in accordance with the Procedure for submitting financial statements (<https://ibuhgalter.net/material/96/1815>). The financial statements of public sector entities are submitted to the bodies of the State Treasury of Ukraine according to the schedules established by them within the terms defined by regulatory acts. The controlling entities of the public sector approve the timing of submission of financial statements by the public sector entities under their control, so that they invest in the timing of submitting financial statements to Treasury bodies.

For the first time, budget institutions of Ukraine for the first quarter of 2018 will submit financial and budget reports in electronic format through the automated system "E-Reporting".

Advantages of the E-Reporting System: Provides the opportunity, based on the data generated in the Treasury Information System: to prepare budget reports, to check them, to fill out forms for the disclosure of elements of budget reporting, to sign electronic digital signature and submit to the Treasury body at the place of service.

Automatically generating budget reporting will reduce the cost of working time to fill out reporting forms; accelerate the verification by Treasury bodies of reporting, including on compliance with the accounting records that are formed in the information system of the Treasury.

It should be noted that the general approach applied in NPSAS in the public sector 101 "Presentation of Financial Statements" (<http://zakon4.rada.gov.ua/laws/show/z0336-13>) is consistent with the principles of accounting in accordance with International Public Sector Accounting Standards (IPSAS), among which, first of all, the approximation of accounting in public structures for accounting in business.

Taking into account the current legal framework and explanations provided by the Ministry of Finance of Ukraine, the work on the preparation and processing of data, before the compilation of financial statements of public sector entities, can be submitted in the following steps:

- 1. Generalization of accounting data.** In order to check the completeness of records in accounting, the turnover data is subaccounts that play the role of a means of communication between financial statements and accounting accounts.
- 2. Closing income and expense accounts.** In order to determine the financial result for the reporting period, it is necessary to close (write off) the income and expenses for this period on the financial result of the reporting period. For this, sub-accounts of incomes (7011, 7111, 7211, 7311, 7411, 7511) and expenses (8011, 8111, 8012, 8112, 8013, 8113, 8014, 8114, 8115, 8211, 8212, 8311, 8411, 8511) close quarterly on a sub-account 5511. The closure of sub-accounts of income and expenses is carried out on the basis of pp. 6.1 and 6.2 of the Standard Correspondence (<http://zakon2.rada.gov.ua/laws/show/z0086-16>) and are issued in the memorial order No. 17.
- 3. Closure of the memorial orders for the last month of the reporting period (quarter, year).** Memorial-order form of accounting is the only one for all budgetary institutions. To close the memorial orders for the last month of the reporting period in each order determine the results for all the graphs and deduct the balances at the end of the month, as well as determine the amount of turnover for each memorial order.
- 4. Transfer of data from memorial orders to the book "Magazine-main" and registers of analytical accounting.** Removing the balance for all sub-accounts in the book "Magazine-main". For this, the amount of the memorial order is first recorded in the column "Sum of revolutions by the memorial order", and then in the debit and credit of the corresponding subaccounts. At the same time, the sum of revolutions per month for all sub-accounts, both in debit and on loan, should be equal to the sum of the graphs "Sum of revolutions by the memorial order". Also, at the end of the month, check the correctness of entries in sub-accounts in the book "Magazine-main". To do this, sum up the turnover for each sub-account and determine the balance at the end of the month in the line "Total". After determining the revolutions for sub-accounts, withdraw the balance by the beginning of the next month for each sub-account.

5. *Preparation of budget reporting.*
6. *Preparation of the Financial Statements f. No. 2-ds.*
7. *Preparation of Balance f. No. 1-ds.*
8. *Final* - reconciliation of the data of budgetary and financial reporting.

Such a step-by-step formulation of reporting in budgetary institutions is consistent with the general accounting methodology in them, takes into account the specifics of the definition of financial performance and contributes to the formation of sound, reliable and qualitative information for management and control needs

## CONCLUSIONS AND PERSPECTIVES OF FURTHER RESEARCH

The introduction of a system for modernizing the accounting of budgetary institutions, namely: new rules and national standards, has led to significant transformations in the field of accounting and financial reporting. Nevertheless, it is necessary to introduce measures that will overcome the existing shortcomings of the accounting system and solve urgent problems in the budget sphere, the sphere of public finances and other components of the system of public administration and improve the system of financial reporting. After all, in order to ensure unity in approaches, comparability of indicators and use of financial reporting data for making managerial decisions aimed at optimizing activities and resource use, a balanced approach to the content of methodological recommendations and clarifications on the peculiarities of its compilation and presentation is necessary. This, in turn, will not only simplify the reporting process, but will also solve the problem of compatibility and adequacy of information on assets and liabilities of public sector entities in accordance with their essential characteristics.

The prospect of further research is to identify the main areas for improving the form of accounting in the public sector.

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