
«СУЧАСНІ ПАРАДИГМИ СТРАТЕГІЧНОГО ТА КОРПОРАТИВНОГО МЕНЕДЖМЕНТУ»

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PECULIARITIES OF REGISTRATION OF NONFINANCIAL ASSETS IN GEORGIA IN THE PERIOD OF INTRODUCTION OF IPSAS

ANNOTATION. The present Article considers the peculiarities of registration of nonfinancial assets in Georgia in the period of introduction of IPSAS and, on example of registration of the fixed assets, demonstrates a conformity of the national standards with the international ones.

KEY WORDS: Nonfinancial assets; Fixed assets; IPSAS, National Standards

Introduction: The fixed assets registered on the balance of the organizations funded from the State Budget, form an inseparable part of the state property. Their registration and reflection in the financial reporting in compliance with the international standards, will facilitate to management and analysis of the state-owned resources.

A process of introduction of the international standards of accounting and reporting, is being continuing successfully, in Georgia. The Instruction «On Accounting and financial Reporting by the Budgetary Organizations» approved under Decree No. 429 of the Minister of Finance of Georgia, through which the considerable changes were made in the rules of accounting of the organizations operating in the public sector, may be considered as one of the important stage of the aforementioned process.

Purpose. Our purpose is to analyze a conformity of the national standards with the international standards and reveal differences between them on example of the fixed assets.

Results. Recognition. According to the budgetary classification accepted in Georgia, «The fixed asset is a derivative asset used in the process of production or services, multiply, during the period exceeding one year or permanently and, a value of which amounts to 500 GEL or more [2]. A similar explanation of the fixed asset gives the current instruction «On Accounting», as well.

As seen from the explanation, for determining the fixed asset, a sufficient condition is that the asset should be in use for more than one year and that its value should exceed the established amount. But, this is not in conformity with the explanation provided by IPSAS, according to which a value of the fixed assets shall be recognized as the asset in case, if:

- It is expected that an unit will receive in future an economic benefit or a potential of service, by use of this asset, and
- For an unit, a reliable assessment of a value of the asset is possible

In this explanation, in addition to the economic content of the fixed assets, a specificity of the governmental sector is reflected as well, which is expressed in a circumstance, that the assets having the «potential of service», are also recognized as the assets. Moreover, the standard does not establish a limit of value.

Besides, according to IPSAS, those assets are also recognized as the «fixed assets», which do not ensure receipt of an economic benefit, however, provide an entity with an opportunity to gain an economic benefit in future, from another assets, which could not take place without such assets.

According to the Instruction, «A value of any property, plant, or equipment, which form an inseparable part of the fixed assets, should be added to the value of such assets» [3]. Our opinion is, that the assets introduced by this clause of the Instruction, are the independent inventory, because, according to the standard, only those spare parts and servicing equipment should be registered as the fixed assets, which are used together with any specific unit of the fixed assets.

The standard does not define, what does the unit of the fixed asset cover, but, explains, that if it is difficult to identify an object as the fixed asset because it does not provide individually an economic benefit or is not carrier of a potential of service, then combining the individually insignificant units seems to be advisable. As seen, the standard says about integration of insignificant units, not about a device, equipment, or apparatus.

Moreover, if to take into account that according to the standard, Each part of an item of property, plant and equipment with a cost that

is significant in relation to the total cost of the item shall be depreciated separately [1], then, the above mentioned clause of the Instruction seems to be absolutely unjustified.

Assessment. Upon establishment, the budgetary organizations receive free-of-charge from the state the fixed assets, for implementing the functions established by the law, i.e. the fixed assets are received through the non-exchange transactions.

According to the standard, when receiving the assets through the non-exchange transaction, a cost of the asset is a real value determined as at the date of obtaining. But, the Instruction says to this end.

Assessment after recognition of a fixed asset. According to the instruction, after an initial reflection of an item as the asset, the fixed asset shall be registered by its residual (balance) value, that should be established with taking into consideration all changes, which could take place after its receiving (among them, use of the fixed capital) [3].

According to the standard, assessment of the fixed asset after its recognition, takes place by the indexed price and the revalue models.

According to the indexed price model, after recognizing an item as the asset, the latter should be registered by its value from which all the accumulated amortization and depreciation should be subtracted

According to the revalue method, after recognizing an item as the asset, the fixed asset, if a reliable assessment of its real value is possible, should be registered with the revalued amount which should be equal to the real value determined as at the date of revaluation, from which all further accumulated wear and tear and depreciation losses should be subtracted.

As seen, the indexed price model of the fixed assets is accepted in Georgia, which is calculated as a sum received as a result of subtraction of the accumulated amortization and the loss of depreciation. According to the international practice, for determining the loss of depreciation, the assets should be tested on depreciation, but, this is not envisaged by the Instruction. In such a case, a significant role should be given to a reasonable selection of the method of sum of amortization.

The amortization charging method should reflect a scheme of an economic benefit of the asset or receiving a potential service. Besides, in the public sector, write-offs of the capital investments made upon purchase of such assets, are implemented with charging amortization to the assets purchased through the budgetary sources

According to the standard, during the usable service of the asses, for a systematic distributing their depreciating value, the straight-line

method, the diminishing balance method and the sum-of-the-units method of depreciation can be used

The annual norms established for the budgetary organizations by Ministry of Finance of Georgia, are based upon the straight-line method of depreciation. As the standard says the depreciating value of the asset should be distributed on a systematic basis, during the service potential period

We think that negligence of his factor and use of the unified norms of depreciation for the fixed assets with different usable service period, do not correspond to reflection of a future economic benefit or service potential, itemized in the fixed assets of an unit.

Accounting of amortization. According to the Instruction, both physical and moral amortization of the fixed sets are considered as use of the fixed capital, which is recognized as the operational costs, except for creation of capital by own sources and, are reflected on the same statement. But, the plan of approved statements does not envisage use of the «accumulated amortization» as the corresponding statement for «Use of the fixed capital»

It should be noted that the organizations have a right to develop a plan of their working accounts based on the plan of approved statements, but, this right has not been implemented in the practice

Use of the account where accumulation of amortization is reflected, may be considered as a guarantee of avoidance of extra works and of a necessity of storage of the exact information related to the fixed assets

At the same time, if take into account the Standard's requirement stating that the financial statement must reflect a sum of accumulated depreciation as at the end of the period, we think that the plan of the approved statements needs some corrections

Reflection of the non-financial assets in the financial statements according to requirements of the international standards, provides users with a full and reliable information regarding the resources owned by organization, that is necessary for management and decision-making processes, as well as for analysis of the financial and economic activity of a budgetary organization and controlling target-oriented spending of the sums allocated from the state budget.

Conclusion. As a result, we may conclude that for ensuring a correspondence with IPSAS, it is necessary to analyze the national standards, reveal maximally inconsistencies with the international requirements and further improvement of the existing methodology of accounting and reporting, according to the international practice.

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КОНЦЕПТУАЛЬНІ ПОЛОЖЕННЯ СТРАТЕГІЧНОГО УПРАВЛІННЯ ОРГАНІЗАЦІЙНИМИ ТРАНСФОРМАЦІЯМИ

АНОТАЦІЯ. Запропоновано концептуальні положення стратегічного управління організаційними трансформаціями. Закладено теоретичні основи розробки та впровадження організаційних перетворень.

КЛЮЧОВІ СЛОВА: концептуальні положення, стратегічне управління, організаційні трансформації.

CONCEPTUAL PROVISIONS OF STRATEGIC MANAGEMENT OF ORGANIZATIONAL TRANSFORMATION

ABSTRACT. Conceptual provisions of strategic management of organizational transformation are proposed. Theoretical foundations of developing and implementing organizational transformation are listed.

KEY WORDS: Conceptual provisions, strategic management, organizational transformation.