

## REFORMATION OF EQUITY CAPITAL ACCOUNT OF GOVERNMENT SECTOR ENTERPRISES

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**Introduction.** The status of a budgetary institution is reflected in the accounting, which is part of the process of managing public finances. The proper management of accounting for business operations depends not only on the development of an institution but also on the state. Taking into account the above, the issue of accounting organization in budgetary institutions in the conditions of modernization of the system of public finances and its component – accounting in the public sector becomes of special urgency.

It should be noted that it is precisely with accounting in budgetary institutions that there are many unsolved and debatable questions, which, for example, concern accounting terminology in general and in relation to equity in particular.

**Analysis of recent researches and publications.** The problem of accounting for the activities of budgetary institutions, namely, the accounting of own capital was investigated in the works by many scholars, in particular by V.S. Tytykalo, O.V. Adamyk, N.H. Melnyk, T.V. Larikova and others.

V. Tytykalo considered new forms of financial reporting of budgetary institutions: a statement of equity [10]. O. Adamyk described the features of the interconnection of the equity capital of a budgetary institution with international standards [5]. N.H. Melnyk outlined the peculiarities of reflecting the accounting of the equity capital of a budgetary institution [8]. T.V. Larikova in her scientific works described new accounts that are intended for accounting of own capital under the Public Accountancy Scheme in the public sector, with effect from January 1, 2017, becomes effective [6].

**Object.** The purpose of the study is to identify the features of the organization of accounting of equity capital of a budgetary institution and the impact of accounting reform in the public sector.

**The main material and results.** Equity capital is the main component of its overall potential. The information necessary for the effective management of the company's own capital is accumulated by the accounting and financial reporting system.

The accounting of own capital is conducted in accordance with the Law of Ukraine "On Accounting and Financial Reporting in Ukraine", as well as accounting regulations (standards).

According to [1], equity is a part of the assets of a public entity the sector remaining after deducting liabilities. Commitment – debt of a public sector entity that arose as a result of past events and whose recovery in the future is expected to lead to a reduction in public sector resources that embody economic benefits or utility potential.

The main source of information about equity is financial statements, and detailed information about equity and its components is reflected in the balance sheet of the company and in the statement of equity.

Statement of equity – a report that reflects changes in the equity of a public sector entity during the reporting period. The statement of equity provides information on the amounts of the above articles, respectively, at the beginning and end of the reporting period, as well as data that reflect the increase or decrease of their balance at the beginning of the year as a result of changes in accounting policies, correction of errors and other changes [1].

The equity capital of budgetary institutions is the basis for the beginning and continuation of financial and economic activity of budgetary institutions, since:

1. The size of equity determines the degree of independence of budgetary institutions.
2. The equity capital is at the disposal of budgetary institutions for an indefinitely long period and fulfills, in essence, the function of long-term financing.

The tasks of accounting for equity are as follows [7]:

1. Control over the formation of funds by sources of education and their reduction in directions and reasons.
2. Determination of the results of budget execution for the budget year.
3. Providing different levels of information management about the availability and movement of equity capital.

From the standpoint of accounting, the equity capital of budgetary institutions consists of the sum of their funds and financial results of activity over the past fiscal years.

Funds of budgetary institutions include the sum of investments in the fixed assets, other non-current tangible and intangible assets, taking into account the accumulated depreciation, as well as the amount of investments into the fund of low value and worn items, the term of use of which does not exceed one year.

The need to create these funds is due to the following reasons [8]:

1. At the time of acquiring these assets, the institution spends cash included in the agency's estimates for expenditures on the respective codes for the acquisition of these assets, and for reporting and controlling the execution of estimates in expenditures, it is necessary to reflect the full amount of incurred expenses.
2. Acquired assets (non-negotiable and IBE) are for a long time (one year or more), while they partially lose their value, which is manifested in the calculation of depreciation. The amount of depreciation does not reduce the carrying amount of these assets, but reduces the amount of funds created. This allows you to control the real value of assets located on the institution's balance sheet. Through the creation of funds, an institution or higher authority has the ability to monitor the availability of own assets over a long period of time.

Equity, as an economic category, is a cost reflection of the property of the owners of the enterprise. At the same time, with different organizational forms and forms of ownership, equity will have a different essence.

It is the composition of the articles of the balance sheet that attests to the affiliation of budgetary institutions to non-productive sectors, while the composition of the articles of the liability indicates that these are state and communal property institutions that are held in full or in part at the expense of state and / or local budgets.

The authorized capital of a state-owned enterprise in state or communal state ownership is the amount of funds and the cost of material resources allocated free of charge by the state to the permanent disposal of the labor collective of the enterprise on the full economic control.

The current legislation of Ukraine establishes that, exercising the right of full economic management, the enterprise owns uses and disposes of these resources, applies to them any actions that do not contradict the law and the objectives of the enterprise.

The size of the authorized capital of a state enterprise is determined by the volume of production of goods and services on it. When it comes to the creation of a new enterprise, then the authorized capital is calculated on the basis of the estimated cost of construction, the cost of the required technological equipment, as well as the size of the minimum regulatory stocks of raw materials, purchased semi-finished products, fuel, packaging, other production stocks, work in progress, finished products, goods. The current practice of allocating state enterprises with its own financial resources does not foresee the consolidation of funds in the authorized capital of enterprises for settlement [9].

The working group of a state enterprise can be transferred ready-made, active enterprise. In this case, the authorized capital reflects the value of the invested in the building, facilities, equipment, inventories and production costs.

In any case, the source of the formation of statutory capital of state enterprises is funds owned by the state. They are allocated either from the state budget or at the expense of other state-owned enterprises – in the order of intra-industry and intersectoral redistribution of financial resources – by orders of state bodies that perform functions of state property management (ministries and departments of Ukraine) [5].

In modern conditions, state-owned enterprises, as a rule, increase their authorized capital due to their own savings – profits.

Changing the size of the authorized capital is possible only in cases regulated by law. Authorized capital may increase at [10]:

- commissioning of new facilities;
- reconstruction and modernization of equipment;
- free receipt of funds from other companies;
- pre-evaluation of funds;
- funds received as a result of the merger of several state-owned enterprises;
- allocation of additional funds registered in statutory documents by government agencies.

The plan of accounting for budget entities of 06/26/2013 No. 611 [2] accounting for equity is in Class 4, "Equity". Invoices of this class are used to account for funds in non-current assets, in low-value, high-value items and in financial investments.

Starting from January 1, 2017, the Plan of Accounts of Accounting in the Public Sector as of December 31, 2013, No. 1203 [3] becomes effective.

The chart of accounts is a list of accounts and sub-accounts to summarize information on the facts of activities of public sector entities in accounting, in particular for: budget funds managers; state trust funds; the state budget; local budgets, bodies of the State Treasury Service of Ukraine.

According to the Public Accountancy Account in the public sector as of December 31, 2013, No. 1203, for accounting in equity capital, there are provided accounts of class 5 “Capital and financial result”, which are presented in Table 1 [4].

Accounts of this class are intended for generalization of the information on the state and movement of funds of paid-in capital, capital in enterprises, capital in surplus, reserve capital, targeted financing, as well as financial result.

**Table 1**

**Synthetic Class 5 Accounts «Capital and Financial Results»**

Account number	Account name
1	2
51	Contributed capital
511	Contributed capital to budget administrators
512	Contributed capital to state trust funds
52	Capital in enterprises
521	Capital at enterprises of budget funds managers
522	Capital at enterprises of state trust funds
53	Capital in surplus
531	Capital in the surplus of budget funds managers
532	Capital in pre-ratings of state trust funds
54	Targeted financing
541	Targeted financing of budget funds managers
542	Targeted financing of state trust funds
55	Financial result
551	Financial result of budget funds managers
552	Financial result of state trust funds
553	Financial result of the state budget execution
554	Financial result of the implementation of local budgets
56	Reserve capital
562	Reserve capital of state trust funds

The loan accounts show an increase in the paid-in capital, by debit, its reduction (withdrawal) and the attribution to the accumulated financial results of the value of non-current assets at their write-off, in the amount of which capital was increased in previous reporting periods [4].

Effective management of financial resources requires the availability of information about which part of the equity capital of an enterprise is invested separately in fixed assets, which – in intangible assets, in working capital and means of circulation, as well as in financial investments. Only regarding the last fund (the fund of financial investments) is the fair statement that the value of the respective assets corresponds to the amount of their investment in their equity (implies long-term and short-term financial investments), because borrowing funds for these purposes are not used.

**Conclusions.** The capital of a budgetary institution is not its property, but it is provided for use by the entity for the performance of the functions entrusted to him. The resulting financial result is not an indicator of the effectiveness of the activity (such as in commercial organizations), but is an indicator of the effectiveness of the development of the funding received.

The main objectives of accounting for equity are: control of the formation of funds by sources of education and their decrease in directions and reasons; determining the results of budget execution for the budget year; providing different levels of information management about the availability and movement of equity capital.

Reforming the accounting and reporting system in the public sector will contribute to improving public finance management; including improvement of planning and control of budget funds, transparency of management of public finances.

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**Ключові слова:** власний капітал, державний сектор, бухгалтерський облік, склад власного капіталу, фонди бюджетної установи, план рахунків державних підприємств, реформування.

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**Ключевые слова:** собственный капитал, государственный сектор, бухгалтерский учет, состав собственного капитала, фонды бюджетного учреждения, план счетов государственных предприятий, реформирования.

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**Dmytrenko A.**, Ph.D., Associate Professor. Poltava National Technical Yuri Kondratyuk University. **Prokhorova Viktoriia**, Chief Accountant of the Poltava Regional Organization of the Professional Union of Certified Officers of Internal Affairs of Ukraine. **Reformation of Equity Capital Account of Government Sector Enterprises**. It is considered equity as one of the objects of accounting in the state enterprise. Different points of view of scientists regarding the characteristics of equity capital are presented. The basic tasks of accounting of own capital and necessity of creation of funds of budgetary institutions are revealed. It is presented the comparison of accounting of own capital in accounting accounts after reforming in the public sector.

**Key words:** equity capital, public sector, accounting, equity capital, budgetary institution funds, state enterprise accounts, reforms.