

ECONOMIC ESSENCE OF EXPENDITURES AS THE MOST IMPORTANT OBJECTS OF ACCOUNTING, CONTROL AND ANALYSIS OF THE MAIN MANAGERS OF BUDGETARY FUNDS

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Abstract

Based on the study of general approaches to the definition of the term "expenditures", we define the economic essence of expenditures in general and expenditures of the main managers of budgetary funds in particular. This helps regulate the terminological apparatus of accounting, control and analysis in the sector of general state management, enabling the formation of a coherent concept of accounting, control and analysis of expenditures, taking into account the specific features of the main managers of budgetary funds.

Keywords: Expenditures, Costs, Budgetary Institution, Accounting, Modernization

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1. Problem statement

Since budgetary expenditures are conducted exclusively through budgetary institutions, they represent one of the most specific and important objects of accounting, control and analysis. In the general system of budgetary institutions' accounting the accounting of expenditures is the most difficult and the most critical process that requires permanent improvement.

The determination of the economic essence of budgetary institutions' expenditures, ways to improve their accounting, control and analysis have always been in the focus of scientific research. This research has been especially active in the recent years under the influence of the global integration processes, Ukraine's accession to the WTO and the prospects of its joining the EU. In particular, researchers and practitioners pay close attention to the development of ways to improve and modernize the accounting at those institutions, which receive the financial assistance exclusively through the budget. One of the main areas of the accounting system's modernization is the development and implementation of national standards, which will be based on the international ones.

The harmonization of the regulatory framework of accounting by the decree of the European Parliament and the European Union Council on the application of the international financial reporting standards should be the result of implementation of

the state program for the adaptation of Ukrainian laws to the EU legislation approved by the Cabinet of Ministers of Ukraine. In this regard, an important task is the harmonization of terminological apparatus of accounting, control and analysis of the budgetary institutions' activity, which should take into account the specific features of the public sector institutions in Ukraine.

Measures to modernize accounting in the state sector and persons responsible for their execution are determined by the decree of the Cabinet of Ministers of Ukraine "On the strategy for modernization of the accounting system in the public sector for 2007-2015." One of the key objectives and expected results of the above-mentioned regulatory act is to adapt the accounting and reporting legislation to the international standards. The key task of the Strategy is to improve the accounting system through the development of the national regulations (standards) of accounting in the public sector [1]. This leads to the need to update the methodological and organizational approaches to accounting, control and analysis, taking into account the specific features in the activities of the state management institutions. It also imposes special requirements to the formation of information required for accounting and control purposes.

The ordering of the terminological apparatus of accounting in the general state management under conditions of restructuring is a primary task, since the latter is the fundamental basis for the further development of science. Considering the importance

and specificity of the budgetary institutions' expenditures for carrying out their activities, it is important to clarify their economic nature.

2. Research goal

To investigate the economic essence of the budgetary institutions' expenditures and, on its basis, to determine the economic essence of expenditures of the budgetary funds managers.

3. The analysis of the recent research and publications

The expenditures of the budgetary funds managers are specific accounting objects, which according to their economic essence differ from the expenditures of the commercial sector entities. The issues of identification and specification of the economic essence of the budgetary funds managers, their classification characteristics, sources of financing as well as identification of the problematic aspects of accounting and control are always in the focus of scientific inquiry. In particular, the developments in this area are covered in the scientific papers of I. Lukyanenko, V. Dem'yanyshyn, O. Kyrylenko, F. Butynets, V. Lemishovskyy, M. Luchko, P. Atamas, B. Malynyak, A. Farion, M. Karpyshyn, A. Zaiachkivska, J. Tkachenko, S. Boyko, O. Klymenko, T. Bezrodna, O. Krupka, N. Poznyakovska, A. Lyubenko, T. Kanyeveva, S. Svirko, R. Dzhoga, K. Salyamon-Mikheyeva, L. Zhelyuk, S. Kyriy, Y. Ivanechko, O. Kilyar, V. Melnychuk, O. Monayenko, S. Ermishova, S. Osadchyk, M. Hupalovska and others.

However, the researchers have neglected some specific peculiarities of the budgetary funds managers and their impact on the methodology and organization of accounting, control and analysis of expenditures. In particular, most authors focus on the formation and enforcement of budgetary appropriations of the budgetary funds managers, financial provision for carrying out the expenditures of institutions, inter-budgetary expenditures distribution, ensuring of the local budgets' effectiveness. The mechanisms of budgetary appropriations and of the expenditures carried out directly by the budgetary funds managers along with the specific features of their activities are not considered. The definition of the theoretical foundations of accounting, control and analysis of expenditures of the budgetary funds managers is a prerequisite for creating a clearly established organization and adequate methodology of their accounting, control and analysis and a necessary precondition for the efficiency, expediency and legality of use of the general and special funds.

In this regard, the determination of the economic essence of expenditures of the budgetary funds managers in relation to the economic essence of expenditures as an economic category is of particular

relevance in view of the expansion of market relations in the budgetary sector of Ukraine and reforms of the national accounting system.

4. Main results of the study

The research of the concepts of "expenditures" and "budget expenditures" can fully describe the essence, content and purpose of expenditures of the budgetary funds managers considering that they all belong to public finance.

In accordance with the Budget Code of Ukraine the term "budget expenditures" is defined as funds allocated to implement programs and measures envisaged by the budget except for the money allocated for debt repayment, the provision of loans from the budget, allocation of budgetary funds on deposit, acquisition of securities, the return of the excess taxes and dues paid to the budget (mandatory payments) and other budget revenues, carrying out their budgetary compensation [2]. In this case, the emphasis is made on carrying out the expenditures according to the budget, which is crucial for the use of state financial resources, although this does not reveal the economic essence of the concept, just indicating that these funds are used for certain purposes.

This concept gets a differently interpretation from the standpoint of the finance theory. Such researchers as O. Vasylyk, V. Bazylevych and L. Balastryk argue that budget expenditures are an economic category and define them as economic relations of the distribution and use of a centralized budget fund. Usually, as a financial category, expenditures occur in the course of economic relations relating to the movement of financial resources between the budget process participants. However, within such general perception they cannot be considered separately from budget revenues and the definition of budget and public finances, which represent economic relations in the formation, distribution and use of centralized and decentralized funds of the state financial resources.

This approach to the understanding of state expenditures is commonly used, although some authors try to amend the interpretation of the term while this does not change the very essence of this category.

Considering this, the definition of V. Demyanyshyna is particularly good. It was formulated taking into account the views of the national researchers, including S. Yuri, G. Vozniuk, A. Zagorodniy regarding budget expenditures as aggregate economic relationships arising from the distribution of the central fund of financial resources and its use for the specific goals of industries, sectors and territories [3]. Although this definition does not reveal all aspects of this versatile concept, it indicates its economic content, which is caused by redistributive functions of the state, which strives to

ensure the execution of its own functions taking care of the country's social and economic development.

In the economic literature there are attempts to define the concept of budget expenditures through the concept of costs leading to the controversy in using the terms "costs" and "expenditures". A. Tsvetkov offers to define budget expenditures as "... public, continuous, direct expenses of the state related to its functioning, the distribution and use of central funds to ensure the fulfillment of tasks and functions of the state" [4, p. 21]. This approach is logical from the standpoint of the state that exercises its powers. However, it is incorrect, as the first and second concepts are identified with the use of certain resources that are available to the subjects of economic relations.

Therefore, the determination of the essence of expenditures of fund managers in the light of budget expenditures is not possible without considering the nature of the concept of "costs" and "expenditures" that are often identified. Often, the term "expenditures" is used in the field of public finance, and the term "costs" - in finance of non-state enterprises and state self-supporting organizations. To distinguish these categories one should examine the essence of each and highlight the most common features.

The dictionary gives the following interpretations of the words "expenditure" and "to expend":

- expenditure - 1) an amount of money, energy, materials etc., that is used to do something; 2) an amount of money that is spent on something;

- to expend - 1) to spend or to pay out something from the existing stocks; 2) to make use of for a specific purpose on the basis of official distribution or provision [5].

According to the above definitions, expenditures can be interpreted as an amount of money that is needed for a particular purpose. This approach describes the general features of relationships related to the allocation of funds for certain purposes. To expend means to provide something on the basis of official orders. In the area of fiscal relations the movement of funds is executed only in accordance with official orders or documents and authorized by state authorities.

Considering expenditures as accounting category the reference literature gives the following definition: "... in the language of accounting, expenditures, as opposed to costs, are related to the monetary costs or debt, which arises in connection with the acquisition of assets or services the benefits of which may be felt after the expiration of the current reporting period. In other words, expenditures mean a decrease in assets or increase in liabilities in connection with the acquisition of goods or services" [5]. However, it is not correct to apply this definition to the expenditures carried out by budget institutions, because, for example, the payment of scholarships is not an

acquisition of goods or services. This is true for other transfer payments, where public institutions only play the role of "service providers" ensuring the performance of the state's social guarantees.

Some authors refer to expenditures as "expenses effected by an institution to perform its functions, including the expenses related to accounts payable, the accrued and unpaid salaries and wages - in short, credit indebtedness" [6, p. 274]. Such explanation of the term "expenditures" is correct. If we analyze the economic essence of all payments relating to the expenditures of budgetary funds managers we see that all of them are debts to the entities that ensure the functioning of institutions. However, this definition of expenditures is associated with the category of costs, which once again emphasizes the ambiguity of the expediency to separate these terms.

In general, from the standpoint of economics the term "costs" is understood mainly as a "monetary value of the sum of resources used for a certain purpose". McMillan Dictionary of Modern Economics treats the concept of costs as a "general measure of the amount that should be spent on obtaining something by means of purchasing, exchange or production" [7, p. 62]. The following definitions are related primarily to the production of certain products or services, but not to the field of public finance, which creates its own fund of financial resources allocated for certain needs to perform state functions. Therefore, the derivatives of the term "costs" are: production costs, reference costs, maintenance costs.

In the Russian dictionaries we come across the terms, which are almost identical according to their economic essence:

"затраты" – costs of an enterprise expressed in the monetary form (production and sales of products);

"издержки" - costs expressed in the monetary form resulting from the use of different types of economic resources in the process of production;

"расходы" - costs in the process of economic activity, which lead to a decrease in the assets of an enterprise or an increase in its liabilities [8].

These examples demonstrate that even in the reference literature these terms are interwoven and often substitute each other.

M. Benko observes "The analysis of domestic and foreign scientific works has shown that the terms "expenditures" and "costs" both in the economic and accounting literature are not synonymous. However, these concepts are often identified. Therefore, other terms have come out of use in Ukraine [9, p. 97]. Elizabeth F. Derbin in her manual "Economic theory and public sector" pays great attention to this issue describing the terms as follows:

"inputs" are synonymous with the term "resources". Resources are production factors, which are necessary for the production of other goods, i.e. capital, labor, land (natural resources), entrepreneurial skills, etc.;

"cost" is the value that is numerically equal to the cost of resources' acquisition.

If we carefully examine the author's statement, the concept of "costs" is the monetary expression of used resources, while "inputs" is the amount of production factors in their original form. It justifies the economic nature of these categories, expressing the relationships between the concepts. It is also worth mentioning another prominent researcher. V. Sopko states: "The process of converting money into resources is called "costs"... The process of converting the resources into new products as a result of human activity until their sales can no longer be defined as "costs". Its historical term is "inputs" - the process of using natural resources and forces in the human activity "[9, p. 97].

As we see, the terms "costs" and "inputs" are in somewhat different categories, but both of them involve the use of resources for the creation of new products. Therefore, they are used mainly in the areas relating to the factors of production of new goods and services, the sales of which would provide the coverage of costs for the purchasing of new resources. However, the term "expenditures" is interpreted primarily as payments associated with the expenditure (use) of a certain amount of resources (mostly monetary) in order to ensure the execution of functions of a certain organization and, therefore, used mainly in the domain of public finance and budget relations.

To explain that costs and expenditures belong to different categories we can quote V. Demyanyshyna regarding the concept of "budget expenditures": "... the term "expenditures" is used to characterize those distribution relationships that involve the use of a centralized monetary fund of the state [3]. They are carried out during the stage of the GDP distribution and are characterized by the one-way movement of monetary resources. State authorities allocate expenditures (give money from their funds) for their further use without a simultaneous obtaining of the equivalent value of goods and services. Unlike budget expenditures, the expenses made by economic entities during the stage of exchange are characterized by the two-way movement of values, i.e. they are exchanged for an equivalent value of goods and services. In addition, expenses are an element in the formation of production costs of goods and services produced and realized by budgetary funds managers. Therefore, under certain conditions budget expenditures are transformed into costs (payment of wages and salaries, payments for inventory items, utilities, etc.). However, some expenditures may not take the form of costs while allocated budgetary resources continue their movement (scholarships, social assistance, repayment of loans, etc.)" [3]. We cannot agree with the author's assumption that the use of budget resources by final managers represented by public institutions represents their costs, because these institutions receive funds from the respective budgets

and spend them on the basis of the state's decisions and approved planning documents, realizing at the same time the state's functions. In other words, such institutions execute budgets and provide public services (education, health, law and order, etc.). That is why they are the final link in the process of the budgetary funds' use ensuring the functioning of institutions, which provide such public goods.

These arguments confirm that for the movement of budgetary resources the term "expenditure" should be applied as opposed to the production sphere where the term "costs" is commonly used.

To determine the term "expenditures of budget funds managers" we shall distinguish some general approaches to the definition of the concept "expenditures":

funds allocated for the implementation of programs envisaged by the budget;

aggregate economic relationships arising from the distribution of the central fund of financial resources and its use for the specific goals of industries, sectors and territories;

making use of funds for a specific purpose on the basis of official distribution;

state non-refundable payments;

a decrease in assets or increase in liabilities in connection with the acquisition of goods or services;

expenses effected by an institution to perform its functions.

The term "expenditures of budget funds' managers" is derived from the term "expenditures". Therefore, it should be defined as economic relations relating to the distribution and use of resources by the budget funds' managers.

The literature provides a different interpretation of the term, which is closer to the practices of budgetary institutions. Such scholars as F. Butynets, V. Lemishovsky and P. Atamas under expenditures understand the amount of money spent by budgetary institutions in the process of their economic activities within the amounts determined by budget estimates. This interpretation of the term is based on the normativity of budgetary relations. Therefore, the basis for an official allocation of a budgetary institution's expenditures is considered to be a budget estimate as the basic document of a budgetary institution in the process of spending its financial resources. Considering that the process of approval and implementation of the budget estimate is a combination of economic relations between the managers of budgetary funds and financial and state authorities, the estimate is an instrument of official distribution of funds belonging to budgetary institutions. This confirms the normativity of the movement of budget funds and fiscal relations in general, but does not fully reveal their economic essence. Expenditures as a financial and economic category are the totality of economic relations that require well-defined procedures for their implementation. Considering that the estimate of a

budgetary institution is the main planning document, which determines the amounts of revenues, their use and distribution, it is reasonable to consider expenditures as the process of spending of the budgetary resources by an institution according to the approved budget.

Objectively, the term "expenditures of budgetary institutions" refers to the field of public finance. According to its economic nature it serves as economic relationship in the movement of budgetary resources from the stage of their prescription in legal acts and estimates of budgetary institutions to their direct use by managers and recipients of public funds. This concept is different from the category of "costs" used by business entities that produce goods and services to determine their cost. The term "costs" is associated primarily with the cost of the material, labor and financial resources used in the manufacturing process as opposed to "expenditures", which is associated with redistributive relations regarding the use of certain funds of financial resources. In addition, the peculiar feature of the budgetary sphere is the regulation of movement of budgetary resources and, hence, the use of public funds. Therefore, inherent in such a versatile concept as "expenditures of budgetary institutions" is the approved official schedule for the formation, distribution and use of budgetary resources making it possible to carry out an accurate accounting, planning and control of economic relations.

The expenditures of budgetary funds' managers are certain payments carried out for specific purposes; economic relations relating to the distribution and use of financial resources on non-refundable basis. Therefore, expenditures can be defined as economic relations of the distribution and use of public funds for specific purposes based on official state distribution.

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