

Rental Account in Budget Organizations

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ABSTRACT

This article examines and analyses the process of leasing fixed assets and lease relations in budgetary organisations. A discussion took place on the regulatory framework for accounting for the rental income of budgetary organisations from fixed assets and their distribution. Suggestions and recommendations are given on existing problems in accounting for leases of fixed assets in budgetary organisations and ways of solving them.

KEYWORDS: *budget organisation, budget organisation development fund, fixed assets, accounting, budgetary accounting, rental income, rental income distribution, budgetary accounting standard.*

Introduction

The main objective of any reform of the state budget is to ensure openness and transparency of budget information. As our president Sh.M.Mirziyoyev noted (2018), "it is necessary to further strengthen control over the targeted and rational use of budget funds".

Budgetary organisations are not-for-profit organisations established by a decision of the public authorities in accordance with the established procedure for the performance of public functions, which are maintained at the expense of the state budget. Based on the current economic situation, the formation of revenues of budget organizations from extra-budgetary funds, and thus provide them with additional funding to further strengthen the material and technical base of the organization at the expense of these funds and that employees in an organization can be financially rewarded for their work.

Today, there are more than 31,000 budget organizations in the country, almost all of which use fixed assets.

Accounting for the proceeds from leasing fixed assets held by a budgetary organisation, ensuring that these assets are used for the purposes prescribed by law, is directly linked to the process of organising their accounting. Studying the process of accounting for income from leasing fixed assets held by a budgetary organisation is becoming one of the most pressing economic issues today, given the specifics of state budget accounting.

Providing budget organisations with the fixed assets they need for their activities and ensuring their efficient use for years to come is directly linked to the correct organisation of their accounts. The formation of extra-budgetary funds through the leasing of vacant fixed assets creates a unique process at the expense of fixed assets. This means that there is a need for research and development in the field of accounting.

Literature review on the topic

In this direction, our economists Ostonokulov (2011), Tuychiev (2019) and Mekhmonov (2013) have conducted scientific and methodological research on accounting in budgetary organisations.

In particular, Ostonokulov (2011) focuses on providing budget-funded organisations with fixed assets at the expense of the state budget, the composition of fixed assets, and the need to keep records and monitor their efficient use.

Toychiyev (2019) in his work *The role and importance of fixed assets in the implementation of the activities of budget organizations in the budget organizations at the expense of fixed assets, their recognition in the organization's accounting, the necessity and importance of continuous accounting for their movements, the procedure and features of accounting for their revaluation and depreciation.*

Mekhmonov (2013) in his scientific work described the features of the organization of accounting for fixed assets in budget organizations. In particular, the composition of the fixed assets of budget organizations, the procedures for their formation, accounting for their movement and reflection in the reports are described.

Gadoev (2003), Shakarov (2000), Ismanov (2009) conducted methodological research on the accounting and control of fixed assets in private sector enterprises. In particular, scientists led by Gadoev (2003) studied the accounting of fixed assets and intangible assets and their taxation. Shakarov (2000) studied the organization, maintenance and control of fixed assets in enterprises of different forms of ownership. Ismanov (2009) long in business entities; conducted research to improve the methodology of accounting and auditing of fixed assets.

Although the research conducted by these scientists has been carried out within the framework of private sector enterprises, it is of particular importance in the study of the methodological basis of accounting for fixed assets in budget organizations. This is because, based on the requirements of a market economy, it serves as an important direction in the development and improvement of the accounting base for fixed asset leases in budgetary organisations.

Foreign economists Ryabova, Bashkatov and Pokusaev (2010) have studied the specifics of budgetary organisations, the organisation of accounting for fixed assets, the organisation of accounting and control over the execution of estimates about the sources of their financing when forming fixed assets and scientifically interpreted their views.

Researchers have not studied in detail the specifics of accounting and control of fixed assets in budgetary organisations. Given the current economic situation, it is important to carry out studies to improve the methodology of accounting for leasing fixed assets in budgetary organisations in order to ensure the targeted use of state assets and to carry out reforms to reduce public expenditure.¹

Research methodology. The article uses a systematic approach, induction, deduction, grouping, comparison, monographic observation, logical thinking, methods of analysis.

Accounting process analysis and discussion of results.

Budgetary organisations have a number of extra-budgetary funds and extrabudgetary funds generated from funds collected, among which the Development Fund is of particular importance. This is due to the fact that funding sources for the Development Fund are formed along lines that are common to all organisations. In particular, the Budget Code (2013) stipulates that "...at the end of the last working day of the accounting quarter, the estimated cost savings (except for funds earmarked for the

¹ Ostonokulov A.A. - Improving the methodology of accounting for rent in budget organizations - Electronic scientific journal of Finance and Banking No. 5, September-October, 2020.

financing of capital investments), goods under the special activity Revenue from sales (works, services), part of the revenue from renting out property which is on the balance sheet of a budget organisation, funds remaining at the disposal of budget organisations in the established order are formed from sponsorship .

At present, the structure of extra-budgetary funds of budget organizations is important in terms of coverage, although the revenue from the lease of fixed assets is not large. This is due to the fact that most budget organizations have a practice of renting vacant property and generating associated extra-budgetary development fund revenues (Table 1).

Table 1. Information on the proceeds from the lease of fixed assets in budget organizations ²
(mln. sum)

T/r	Name of indicators	2014	2015	2016	2017	2018	2019
1	Extra-budgetary funds of budget organizations	3300280	3952308	4144291	10864973	16298182	21188616
2	Funds from the Development Fund of Budget Organizations	814023	877187	998181	1818820	5802429	6716911
3	Proceeds from the lease of temporarily unused buildings and other state property by budget organizations to other organizations	19896	23596	24749	33201	39287	61163

The table shows that over the past six years, the country has seen an increase in extra-budgetary funds, funds from the Development Fund, as well as revenues from the lease of temporarily unused buildings and other state property. Extra-budgetary funds of budget organizations in 2014 amounted to 3300280 million soums in 2014, and in 2019 amounted to 21188616 million soums. The funds of the Development Fund of budget organizations in 2014 amounted to 814023 million soums, in 2019 - 6716911 million soums. Revenues from leasing temporarily unused buildings and other state property by budgetary organizations to other organizations in 2014 amounted to 19,896 million soums, which in 2019 amounted to 61,163 million soums.

If we consider the share of revenues from renting out temporarily unused buildings and other state property in budget organizations in the structure of extra-budgetary funds and revenues of the Development Fund (Fig. 1), although the amount of revenues increased, the share of budget organizations in extra-budgetary funds and the Development Fund decreased. Rental income from fixed assets accounted for 2.4 percent of the Development Fund in 2014, compared to 0.9 percent in 2019. This, in turn, led to a decrease in the share of these revenues in extra-budgetary funds. These cases indicate that budgetary organizations have organizational problems with the lease of temporarily unused buildings and other property.

Continuous accounting of money received from renting temporarily unused buildings and other property in budgetary organizations, the formation of reliable information about them, ensuring the intended use of funds from this area is directly related to the organization and maintenance of their accounting; as well as financial reporting forms for the formation of public information about the movement of rental funds of budgetary organizations.

Budgetary organizations have the peculiarity of leasing fixed assets, that is, the assets on the balance sheet of budgetary organizations are state assets and property. Therefore, the participation of the

² Data from the Ministry of Finance of the Republic of Uzbekistan

State Assets Management Agency in the lease of fixed assets of budgetary organizations is also necessary.

Balance keeper - budgetary organizations, which account for leased fixed assets on the balance sheet.

Lessor - state property leasing centers under the State Assets Management Agency of the Republic of Uzbekistan.

Lessee - a legal entity or an individual who has entered into a lease of fixed assets.

As noted above, in order to regulate the leasing system, since fixed assets of budgetary organizations are state assets, the Cabinet of Ministers adopted the Decree "On measures to improve the procedure for leasing state property" (2009). This Decree established state property leasing centers in the form of state unitary enterprises, through which property is leased.

50% of the rent is paid to the Privatization Fund under the State Committee of the Republic of Uzbekistan on Privatization and Development of Competition, 40% is paid to the keeper of state property (budget organization) and 10% goes to the rental center.

The calculation of rent for the lease of fixed assets of budgetary organizations is established by the Regulations on the Procedure of Lease of State Property (2009). According to them, the calculation of rent for buildings and structures (base rent rate) is determined as follows:

$$T_s = E_s * K_z * (K_q + K_h + K_o)$$

here:

T_s - The basic rate of rent per square meter per year;

E_s - minimum rate per square meter per year;

K_z - regional coefficient;

K_q ; - coefficient on the type of building (mansion, annex, upper part of the building, mansard, attic, semi-basement, basement);

K_h - the utilization factor of the area to be connected;

K_o - ease of use for commercial purposes (location along major highways, access to secondary highways, etc.).

Rent for other types of property:

If the period of actual use of the leased property does not exceed or is equal to the useful life, or if it is impossible to determine the actual period of use - 30% of the replacement value of the property;

If the actual use of the leased property exceeds the useful life - the value of the property cannot be less than 20% of the replacement cost.

Lease payments include rent and utilities and usage charges (if any).

The organization and accounting of the proceeds from the lease of fixed assets in budgetary organizations is carried out directly on the basis of the Budgetary Accounting Standard No. 6 "Lease" (2019). Under this standard, the purposes of a lease are divided into finance leases and operating leases.

A finance lease is a lease arising from the transfer of property under a contract for possession and use for a period of more than twelve months, whereby the lease must meet one of the following requirements:

- upon expiration of the financial lease agreement, the object of the financial lease is transferred to the ownership of the lessee;
- if the term of the financial lease is more than 80% of the service life of the object of financial lease or the residual value of the object of financial lease after the termination of the financial lease is less than 20% of its initial value;
- upon expiration of the financial lease agreement, the lessee has the right to purchase the object of financial lease at a price lower than the market value on the date of exercise of this right;

If the current discounted value of the lease payments during the term of the finance lease exceeds 90% of the current value of the leased asset at the time of the financial lease. The present discounted value is determined in accordance with the accounting legislation.

An operating lease is a transfer of an asset under a property lease that is not a finance lease under a temporary lease and use or disposal. In practice, we can see the form of operative lease in all cases related to the lease of fixed assets of budget organizations.

Budget organizations recognize and reflect income from the lease of property, plant and equipment based on the accrual method. The budget organization takes into account the rental income on a regular basis during the lease term. In this case, the receivable is taken to reduce the bulk of the debt, minus the cost of services during the lease term (Table 2).

Table 2. Representation of receipts from the lease of fixed assets in budget organizations³

T/r	The content of the treatment	Accounting transfer	
		Debet	Credit
1	Accounting for property, plant and equipment rental income	159- "Settlements with other debtors and creditors"	262- "Revenues from the budget organization development fund"
2	Property, plant and equipment rental income	112 "Funds of the Budget Organization Development Fund"	159- "Accounts with other debtors and creditors"

Expenditures of budget organizations related to the maintenance of operating lease facilities as holders of the balance sheet are recognized as actual expenses for the reporting period in which these costs are incurred and reflected in the account.

Budget organizations have adopted regulations on the lease of temporarily unused fixed assets, the calculation of rent payments, rent revenues and their expenditures, the accounting of rental income. However, there are disputes in budget organizations over the accounting for receipts from the lease of fixed assets. Including,

According to the Regulation on the Procedure for Leasing State Property (2009), "The rent is calculated by the lessee based on the last fixed amount of rent and the remaining period of the lease (quarterly, monthly and so on). Payment will be made in the form of one hundred percent advance payment for each consecutive period (quarter, month, etc.) within the period specified in the lease agreement." It turns out that the revenue from the lease of fixed assets to the personal treasury accounts of budget organizations comes in advance. This necessitates the accounting of rent receipts as overdue income.

According to Budget Accounting Standard No. 6 (2019), entitled "Leases", "Operating lease income is accounted for in a straight-line manner over the lease term". That is, revenue from the lease of

³ Ostonokulov A.A. - Improving the methodology of accounting for rent in budget organizations - Electronic scientific journal of Finance and Banking No. 5, September-October, 2020.

property, plant and equipment should be recognized as income in a timely manner, regardless of the periodicity of its receipt. Revenues from the lease of fixed assets in budget organizations can be recognized as income and reflected in the account as shown in Table 2. However, there is no clear guidance or direction on accounting for income before rent. In the practice of budgetary organizations prepayments are recorded in the form of an obligation of the creditor as a receipt from the tenant.

According to the Budget Accounting Standard No. 6 "Lease", the lease of fixed assets is divided into financial and operating leases according to the standard objectives. However, the Regulation on the Procedure for Leasing State Property, which regulates the lease of fixed assets of budget organizations, provides for the lease of fixed assets in general. That is, property, plant and equipment are not classified as operating leases or finance leases. This situation indicates a mismatch between the requirements of the Budget Accounting Standard No. 6 "Lease", which defines the procedure for accounting for rented funds, which regulates the lease of temporarily unused fixed assets in budget organizations.

Fixed assets that are temporarily not used in budget organizations are leased on the basis of an operating lease agreement (for a period of up to one year). In an operating lease, all the risks associated with the ownership of the property, plant and equipment are borne by the holder of the balance sheet, not the lessee. Property, plant and equipment received under an operating lease are not included in the lessee's balance sheet.

In addition, budget organizations are involved in the maintenance and use of leased fixed assets; incurs expenses at its own expense. According to the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan "On measures to improve the procedure for leasing state property", 40% of the proceeds from the lease of fixed assets will go to budget organizations. This includes the lease of temporarily unused fixed assets of budget organizations; efficiency status is not taken into account.

The relationship between the revenue from the lease of temporarily unused fixed assets on the balance sheet of the budget organization and the expenditure on the maintenance of these fixed assets is not studied. In Table 1, we looked at the proceeds from the lease of temporarily unused buildings of budget organizations and other state property to other organizations in 2014-2019. Exactly, it is not possible to determine the amount of money spent on the maintenance of leased fixed assets. This, in turn, leads to over-expenditure of budget funds or misuse of state assets.

Conclusion and suggestions

Not only the targeted use of budget funds, but also the formation of extra-budgetary funds is of particular importance in financing the activities of budget organizations. In the formation of extra-budgetary funds, budget organizations are required to keep records to generate revenues from the lease of temporarily unused fixed assets and to ensure that these funds are used in the manner prescribed by law. In this case, the accounting work is focused on the formation of systematic information related to the lease of fixed assets, the proper use of leased fixed assets, the implementation of calculations on the lease, the targeted use of proceeds.

As a result of the research, it is necessary to carry out the following work to eliminate the above-mentioned problems in the lease of fixed assets and accounting for proceeds from temporary use in budget organizations, as well as to improve their methodology:

Based on the requirements of the Regulation "On the Procedure for Leasing State Property" and Budgetary Accounting Standard No. 6 "Lease", in the chart of accounts for accounting for the payment of lease payments on fixed assets as overdue income Requires additional input. As a result, funds received in advance for the lease of fixed assets are not leased out as receivables or income at

the time of receipt of funds in the accounting statements of budgetary organizations, but leased out in accordance with BAS № 6 "Lease" Income of future periods are reflected in the accounting and reporting as income of the period. In turn, the accuracy of the indicators that reflect the financial condition of the organization is ensured.

The regulation on leasing state property establishes that the lease of temporarily unused fixed assets should be divided into financial and operating leases. This is due to the fact that Budget Accounting Standard No. 6, Leases, subdivides leases of fixed assets into financial and operating leases in accordance with the standard purposes. There are also many differences between financial and operating leases. Financial leasing is related to the lease object; accounting, recognition of ownership, risks, income and expenses is drastically different from operating leases. The operational lease agreement covers issues such as rent payments, proper use of the property and settlements.

It is necessary to ensure that the lease is economically justified when leasing temporarily vacant fixed assets of budget organizations. This requires the cost of maintaining and using the leased property, plant and equipment of budget organizations and the adequacy (at least equality) of the proceeds from the lease. This requirement would prevent the misuse of budgetary funds and public assets.

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