

Accounting of external economic activity of Russian companies: experience and difficulties

Rosa Grigoryevna Kaspina and Lyubov Alexeevna Plotnikova

Kazan Federal University. Kremlyovskaya Street, 18, Kazan, 420008, Russian Federation

Abstract. This article is devoted to topical issues of carrying out external economic activity by Russian companies in the context of membership in the World Trade Organization, historical aspects of government regulation of external economic activity, peculiarities of the assignment of transactions to currency transactions, rules for maintaining accounting records of currency transactions and their tax assessment. The authors analyze accumulated experience on currency transaction accounting, touch upon subjects of risk identification in the course of external economic activity, and arrive at certain conclusions concerning appliance of efficacious legislative and regulatory acts in the sphere of currency transaction accounting by residents.

[Kaspina R.G., Plotnikova L.A. **Accounting of external economic activity of Russian companies: experience and difficulties.** *Life Sci J* 2014;11(11s):108-111] (ISSN:1097-8135). <http://www.lifesciencesite.com>. 25

Keywords: External economic activity; currency transaction; currency regulation authorities; currency control agents; currency risks; residents; non-residents.

Introduction

Accession of Russia into the World Trade Organization (WTO) results in smoothing state borders for doing business and large-scale development of external economic activity of Russian companies. In this regard the primary objective of the Government of the Russian Federation will be arrangement of favorable conditions for unhindered implementation of external economic relations and their effective appliance in order to increase competitive advantage of the economy and living standards of population. The government is obliged to furnish residents assistance in the sphere of carrying out external economic activity.

This assistance involves:

- competent making currency policy of the country;
- controlling issues of external trade and cooperation among different countries;
- supporting currency control;
- maintaining of records of external economic activity.

All these things will facilitate further development of international ties and buildup of business partnership relations among companies of different states[1].

Supplemental obligations of the parties concerned and requirements of customs, tax and currency relation legislation of a country of are put on participants of external economic relations [2]. Participants of currency transactions shall not only know and understand their rights in the course of external economic activity, but also fully understand the responsibility which is put on them by the state [3].

Methods. Progress to date: the Russian experience

Based on the recent past, we think back of hard times for Russian companies involved into external economic relations, when this sphere by no means was regulated, i.e. regulatory environment in the sphere of currency transactions did not exist. Frequently participants were acting under their own principles of business dealing at their own risk, what resulted in multiple collapses, bankruptcy, and loss of business abroad [4]. The state in its turn was receiving less budget funds in the form of taxes, levies, and other payments from the share in the profit which initially was supposed to be received by residents in the course of currency transactions. It was the nineties, when historical political events happened in the country, the time of reformation in economy, development of market relations, and beginning of currency transactions, the process of which involved not only legal entities but also physical persons - resident of the Russian Federation. Hardly anyone of them knew what and how he or she was supposed to do in relations with non-residents of our country or when dealing with foreign currency as an instrument of payment.

Such incomprehension and some kind of anarchy were lasting for a long time, up until 2003, when two essential laws concerning external economic activity was finally adopted in the country. These are federal law # 164-FZ On the Principles of State Regulation of Foreign Trade Activities dated December 8, 2003 [5] and federal law # 173-FZ On Currency Regulation and Currency Control dated December 10, 2003 [6] adopted by the State Duma. These public statutory acts applicable to carrying out external economic activity by organizations are intended to carry out the unified state currency policy

and Russian Federation currency strength, and Russian Federation domestic currency market stability, as well as secure favorable environment for foreign trade activities. That is why they were fully supported and approved by Russian entrepreneurs including both legal entities and physical persons.

It is important to note that at the present time external economic activity of organizations is explicitly regulated by the state, which is undoubtedly a buoying factor for residents of the Russian Federation involved into external economic activity. Apart from regulation, state authorities are also destined to control external economic activity of organizations. In our country currency control is performed by the Government of Russia, currency control authorities and agents. The Central Bank of Russia and the Federal Service for Financial and Budget Supervision (Rosfinnadzor) are currency control authorities. Authorized banks and professional securities market participant other than authorized banks, as well as state corporation Bank of Development and Foreign Economic Activity (Vnesheconombank), custom agencies and tax authorities are currency control agents. The Central Bank of the Russian Federation carries out control of currency transactions.

Results

In order to define if one or another person is a subject which is reached by requirements of customs and currency legislation, we shall turn attention to the following:

- If activity of this person is external economic one. We shall mention the fact that if one of transaction parties is a non-resident of the Russian Federation, any mutual relationship with this party will be acknowledged as external economic relations in virtue of above-named statutory acts.

- If the transaction of this party can be classified as currency transaction. On the basis of the same statutory currency regulation acts, a list of currency transactions has been determined which shows that if carrying out a transaction involves currency valuables which include foreign currency and external securities, or if one of participants is a non-resident, this transaction will be unequivocally acknowledged as a currency one.

- If this or that currency transaction is legitimate. In accordance with the currency legislation of Russia currency transactions among residents are prohibited, but with a few exceptions. At that, the list of permitted currency transactions is confidential. Currency transaction among non-residents in its turn can be carried out without any restrictions. Accordingly, Russian companies are

obliged to comply with requirements of currency legislation when carrying out some currency transactions and bear liability for its violation.

Besides of that it is important to note that in the course of currency transactions Russian companies face a problem of their timely and trustworthy recording. For that end participants of external economic activity shall know requirements of the Russian accounting legislation, as well as legislation in the sphere of tax assessment of currency transactions.

The sphere of bookkeeping and tax accounting of currency transactions also has statutory acts establishing accounting rules and peculiarities of tax assessment of currency transactions.

Being currency control agents, tax authority are entitled to conduct inspections of compliance of residents and non-residents with acts of the currency legislation of the Russian Federation and acts of currency control agencies, carry out an inspection as to the completeness and accuracy of accounting records and reports in respect of currency transactions of residents and non-residents, request and receive documents and information connected with carrying out currency transaction, opening and keeping of account [7].

In the course of his or her activity in the sphere of currency transaction accounting, an accountant has to know the ropes of statutory regulations adopted not only for accounting, but also for tax assessment of currency transactions. Moreover, the accountant has to organize accounting of disparity resulted from existing distinctions in rules of accounting and currency transaction fiscal accounting in accordance with Accounting Regulation PBU 18/02 Organization Profit Tax Accounting, approved by the Decree of the Ministry of Finance of Russia under # 114n as of November 19, 2002 [8].

Key requirements to the accountant in the course of accounting and currency transaction fiscal accounting:

- Awareness of principles, rules, and methods of currency transaction accounting specified by Accounting Regulation Accounting of Assets and Liabilities Expressed in Foreign Currency (PBU 3/2006), approved by the Decree of the Ministry of Finance of the RF under # 154n as of November 27, 2006 [9].

- Ability to perform comparative analysis of Russian and international currency transaction accounting rules applied in accordance with international accounting standards [10].

- Working knowledge of rules and methods of recognition of income and expenses connected

with conducting transactions expressed in foreign currency or conventional monetary units which are specified by the Russian tax and levy legislation [11].

- Competence to account for profit tax amounts, as well as amounts which may influence on profit tax rates in further accounting periods in accordance with the legislation of Russia.

- Fundamental understanding of interrelation of an indicator reflecting income (loss) calculated according to the procedure established by accounting regulatory statutory acts of the Russian Federation, and tax base of income of an organization for an accounting period calculated according to the procedure established by tax and levy legislation of the Russian Federation.

- Knowledge of the rules of recording distinctions of accounting income (loss) tax, which was accepted in the accounting records, from assessable profit tax, stated in the accounting records and prefilled in income tax return form, in accounting records and reporting.

Unsolved problems

Unfortunately, at the present time imperfection of accounting of external economic activity can still be observed, contradictions in legislation and regulations of Russian and in professional sphere of foreign trade operators still exist, and as a result we have problems coming out in the process of establishment of accounting and currency transaction fiscal accounting system in enterprises. Imperfection of currency legislation of Russia, which is mostly caused by contradictions, various readings and gaps in statutory acts, certainly involves violation of acts of currency legislation of the Russian Federation and acts of currency control agencies by participants of external economic activity.

The evidence of which is a vast base of arbitration practice, data of which show that the largest percentage of judicial examinations relates to arguments in the sphere of tax assessment of currency transactions [12].

It should also be stated that as of today the matter of all sorts of risks in the course of external economic activity, which can injure badly not only business of Russian companies but also the whole economy of the country, is not sufficiently investigated [13]. This topical matter is a subject for a separate research requiring a fuller coverage of types of currency transaction risks and all factors (internal and external) influencing on their levels.

Conclusion

Outstanding issues, both in the sphere of accounting and tax assessment of currency transactions and of open points in professional sphere of foreign trade operators, still exist in the Russian Federation. The performed analysis has revealed that the government engages in activities for solving these problems. One of lines for perfection this activity is harmonization and rapprochement of Russian accounting system and international principles, which is first of all aimed at increase the level of quality of presentation of accounting (financial) records and degree of its accountability, i.e. disclosure of information concerning currency transactions performed by Russian companies. World community in the economic field including the IFRS Council and the World Trade Organization (WTO) provides significant assistance to Russia. Undoubtedly, all these steps are able to lead to attraction of foreign capital into Russian business, increase of foreign investors' interest, as well as introduction of domestic goods, works, services, intellectual property into the world market.

Corresponding Author:

Dr.Kaspina, Kazan Federal University.
Kremlyovskaya Street, 18, Kazan, 420008, Russian Federation.

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6/27/2014