

Issues of accounting policy formation of agricultural organizations in Republic of Kazakhstan

¹Nesipkul Abdualieva, ¹Aliya Kulbaeva, ¹Aliya Ersayinova, ¹Gulzhaina Sherekhanova, ²Aiymszhan Tulegenova, ²Roza Abilovna Tulegenova

¹Kazakh national Agrarian University, Almaty, Abai avenue, 8, Kazakhstan, 050010

²Turar Ryskulov Kazakh Economic University, Almaty, Jandosova street, 55, Kazakhstan, 050035

Abstract: Contemporary issues of economic development of Republic Kazakhstan require an improvement of a system of business and financial accounting of agricultural organizations. From all foreign models of accounting, as a basis for domestic accounting, international financial reporting standards (IFRS) are selected, which are recognized all over the world as an effective tool providing high-quality and reliable information. In the presented paper issues of a formation of a new account policy of agricultural organizations are discussed. Following points are studied: steps of accounting policy formation; factors that influence a selection and justification of accounting policy; main elements and a structure of accounting policy.

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Introduction

Among topical issues of agricultural companies of Republic of Kazakhstan accounting organization, in a context of an IFRS adaption, accounting policy formation issues occupy a special place.

According to the law "On accounting and financial reporting", accounting policy comprises specific principles, fundamentals, regulations, rules and practices adopted for an implementation by an entrepreneur or an organization for business and financial accounting in conformity with Republic of Kazakhstan law regulations on accounting and financial reporting, international and national standards and a typical card of accounts, on the basis of their requirements and features of their operations [1].

Financial accounting of an agricultural organization is formed in order to provide persons concerned with information, which may be useful for making a certain economic decision. That objective determines an importance of an organization's accounting policy formation, as a decision relies on indicators of financial accounting of an agricultural organization, which, in turn, to a significant degree is determined by accounting policy. For that reason, the main task of accounting policy is to reflect an organization's operations at a maximum level of objectivity and to compile complete and reliable information about it, in order to effectively manage an organization's operations [2].

A formation of accounting policy of an organization, in compliance with international

accounting principles requires following measures [3, 4, 5, 6, 7]: an adaptation of a foreign experience in accounting policy formation in a national accounting practice; an identification of factors that have an influence on a selection and a justification of accounting policy of agricultural organizations, a structure of accounting policies for purposes of accounting, tax and management accounting, as well as in a compliance with IFRS; proposing recommendations for an integrated accounting policy formation of an agricultural organization, which will allow to improve quality of formed accounting policy of agricultural organizations.

Nowadays, accounting policy formation of agricultural organizations of Republic of Kazakhstan is facing certain problems. In particular:

- accounting policy is not considered as an implement in a management of economic entity by agricultural organizations;
- organizational, technical and methodological aspects of accounting policy are not disclosed well enough;
- during a formation of accounting policy, agricultural organizations do not consider features of industry.

Existing regulations and legal acts in a field of business and tax accounting are not focused on a disclosure of industry features of objects of accounting, which are common for agricultural organizations. Thus, the issue of accounting policy formation of agricultural organizations in a connection with IFRS implementation is still not resolved.

During a formation of accounting policy of agricultural organization it seems rational to mark out following stages [8]:

1) preparatory stage – identification of business and tax accounting objects, for which accounting policy of agricultural organizations must be developed; analysis of existing legislation, which is regulating the selected directions, sections and objects of accounting.

2) decision-making stage – a selection of one of options presumed by regulations; an independent development of a proper solution, which is not regulated by normative documents; economic justification for a selected solution through economic calculations and expert evaluations;

3) implementation of a selected accounting policy of agricultural organizations.

In a context of the preparatory stage of accounting policy formation, factors that affect a selection of accounting methods and their development must be taken into consideration, those factors can be divided into two groups [9]:

1) general factors that affect a selection of accounting methods for agricultural organizations of all forms of property rights; 2) factors, specific for agricultural production.

An analysis of all factors that have an impact on a selection and a justification of accounting policy of agricultural organizations, allows to implement a correct and outright approach to its development (figure 1).

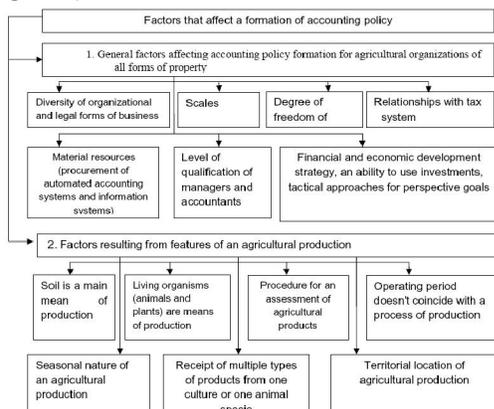


Figure 1 – Factors affecting the selection and justification of accounting policy [9].

General factors, that must be taken into consideration during a formation of accounting policy of agricultural organizations of all forms of property rights, include: a diversity of organizational and legal forms of business entities in agriculture (joint stock company, limited liability company, agricultural manufacturer and consumer cooperatives, peasant (farmer) farms, agricultural holdings and

other integrated structures); an operation scale of agricultural organization (volume of output and sales of agricultural products, number of employees, value of funds etc.); a degree of freedom of actions (independent actions in matters pricing and partners selection); relationships with tax system (exemptions from different types of taxes, tax benefits); a strategy of financial and economic development, an ability to use investments, tactical approaches to a solution of perspective tasks; a qualification level of managers and accountants; material resources (procurement of automated accounting systems and information systems)

Agriculture is a specific industry. Operation features of agricultural organizations are caused by many factors, and are manifested in a variety of activities. Therefore, that fact determines features of accounting and a development of accounting policy of an agricultural organization. During a formation of accounting policy of agricultural organizations, it is reasonable to take into consideration features of agricultural production. Therefore, factors that must be taken into consideration only in a case of agricultural organizations should be included in the second group of factors.

In Republic of Kazakhstan a requirement for a formation of accounting policy is established at legislative level. Standards concerning accounting policy are contained in documents of all levels of system of standards and regulations of Republic of Kazakhstan. According to law of Republic of Kazakhstan "On accounting and financial reporting", "an economic entity forms its own accounting policy, guided by a legislation of Republic of Kazakhstan on business accounting, national and international standards" [1].

Because a composition of regulatory documents governing procedure of accounting policy formation is quite large, some of main regulatory documents, governing a formation of accounting policy of agricultural organizations, can be conditionally divided into following groups: 1) general documents, used regardless of industry of organization; 2) industry documents, governing a procedure of accounting in accordance with industry features, developed by Ministry of Agriculture, Republic of Kazakhstan.

Documents of the first group include: Civil Code of Republic of Kazakhstan; tax code of Republic of Kazakhstan; law "On accounting and financial reporting"; national standards of financial accounting; Rules of business accounting; a typical card of accounts of business accounting and financial and economic operations of companies; the second group of documents include methodological recommendations, which are considering features of

agricultural industry and which are developed, mainly, by Ministry of Agriculture of Republic of Kazakhstan. We believe that it is necessary is to systematize normative and legal basis, that regulates a process of accounting policy development, as follows (figure 2).

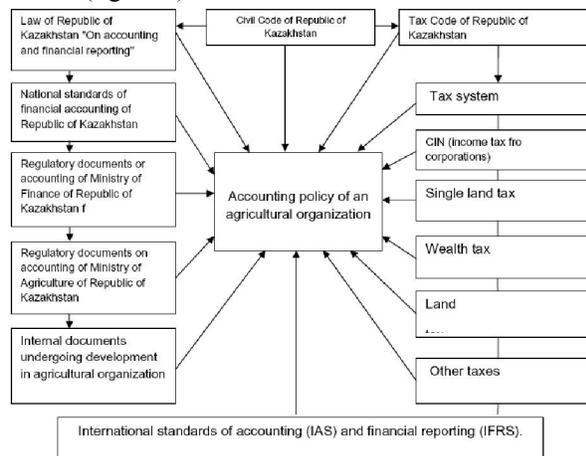


Figure 2 – Systematization of legislative and normative regulations of accounting policy of agricultural organizations.

Law of Republic of Kazakhstan "On accounting and financial reporting" defines basic elements of accounting policy, therefore, in accounting policy all parameters of economic and financial activities of an organization, which are directly used in its operations, must be reflected (figure 3).



Figure 3 – Main elements of accounting policy of an agricultural organization [10].

The reform, which is currently conducted in Kazakhstan, is aimed at a regulation of business accounting and reporting and demands an implementation of IFRS for agricultural organizations. Issues of setting, a formation and a revision of

accounting policy, including accounting policy of agricultural organizations, are covered in IFRS (IAS) 8 "Accounting policy, changes in accounting estimates and errors" and in National financial reporting standard (NFRS) - 2.

According to NFRS-2, "an entity must select and apply accounting policy consistently for similar transactions, other events and conditions as well as changes in accounting policy should be applied only in cases where such changes are necessary" [11].

During a formation of an accounting policy of agricultural organizations, in accordance with requirements of above-mentioned regulations, it is recommended to take into consideration features of agricultural production, which must be disclosed in that document.

Accounting policy of agricultural organizations implies integrity of accounting system in an organization and covers all its constituent elements: methodological, technical and organizational aspects [12].

Methodological aspect implies what kind of means to assess property and obligations, depreciation charges and calculations of products prime cost, etc., which an agricultural organization implement; organizational and technical aspect – how are these methods are realized in accounting registers on synthetic accounts and how those methods are conducted from a point of view of an accounting service [13].

As organizational and technical aspects are associated with a form of conducting and setting of accounting in an agricultural organization, unlike methodological aspect, they do not affect information, contained in accounting (financial) reporting, and, therefore, are not regulated by IFRS. However, its content should be stated in comments of financial reporting of agricultural organizations [14].

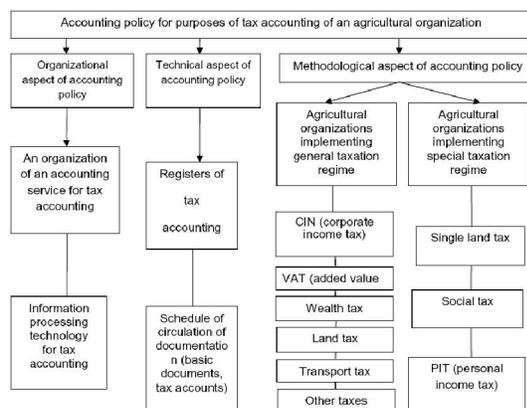
Table 1 provides a structure of accounting policy for purposes of accounting in agricultural organizations.

As a result of the reform of Kazakhstan economy there has been an increase of a role of taxation as a form of relationships between state and economic subjects, which has led to increased requirements for accounting policy with a view of tax accounting of an agricultural organization, a correct formation of which is currently one of the main tasks that any organization is facing.

On the basis of conducted studies a structure accounting policy is developed for purposes of tax accounting of agricultural organizations, which are implementing a general taxation regime and agricultural organizations, implementing a special regime of taxation (figure 4).

Table 1 – Structure of accounting policy for accounting purposes of agricultural organizations.

#	Aspects of accounting policy	Alternative options
1	2	3
Organizational and technical aspect		
1.	Organization of accounting	1.To establish an accounting service as an organization department, headed by a chief accountant. 2.To hand over on a contractual basis a conduction of accounting and financial reporting to an accounting or audit organization or a professional accountant. 3.Conduct accounting by a head of an organization.
2.	Form accounting	1.Automated 2.Journal and order 3.Simplified 4.Blotter and order
Methodological aspect		
1	Method of accounting	
	1.1. A creation of a reserve for doubtful debts	1. Method of a percentage from sales income, works (services) performed 2. Method of accounting of accounts by a payment period
	1.2. Methods of depreciation charges of fixed assets and intangible assets;	1. Straight line 2. Production 3. Method of diminishing balance
	1.3. Methods of an evaluation inventory holdings	Weighted average cost method Method "FIFO" Method of specific identification
	1.4. Method of cost accounting in a production of agriculture products	Regulatory Stage method
	1.5. Methods of an assessment of biological assets and agricultural products etc.	1. Methods of evaluation by fair value 2. Methods of evaluation by prime cost

**Figure 4 – Structure of accounting policy of agricultural organizations for purposes of tax accounting [10].**

That structure will allow to ensure rationality of approaches to a formation of accounting policy with a view to taxation of agricultural organizations.

Aforementioned methodological approaches to a formation of accounting policy of agricultural organizations presumes a determination of main directions of accounting policy for purposes of business and tax accounting in accordance with IFRS requirements. It is necessary to revise and improve accounting policy of an agricultural organization on a regular basis, as it is an important and an inalienable element of an internal control system of agricultural organizations.

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Corresponding Author:

Dr. Aiyzhan Tulegenovna Makulova, Turar Ryskulov Kazakh Economic University, Almaty, Jandosova street, 55, Kazakhstan, 050035.

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