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ECONOMIC ESSENCE, CONTENT AND PLACE OF ACCOUNTING POLICY IN THE ACCOUNTING SYSTEM OF BUDGETARY ORGANIZATIONS

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Abstract

The paper examines the economic essence of accounting policy in budgetary organizations on the basis of a comparison of normative, managerial, institutional and control-information approaches. It is argued that in the public sector accounting policy should be regarded not only as a set of chosen accounting methods, but also as an instrument of fiscal accountability and internal control. The content of accounting policy is presented as four interrelated components, and its place in the accounting system is defined as a link between normative regulation, accounting practice, internal control and reporting.

Keywords: Accounting policy, budgetary organization, economic essence, accounting system, fiscal accountability, internal control, normative regulation.

The reform of public finance management in Uzbekistan, including the gradual transition to international public sector accounting standards, is increasing the requirements for the quality of accounting information in budgetary organizations [1]. In this context, the role of accounting policy - the document through which an organization determines how general requirements are applied to its specific conditions — is changing. Traditionally, in budgetary organizations accounting



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policy has been viewed as a formality, since budget accounting is strictly regulated by the Budget Code, the Law "On Accounting" and methodological acts of the Ministry of Finance [2; 3]. However, even within strict regulation, an organization makes a number of choices that directly affect the reliability and usefulness of information.

The economic essence of accounting policy has been interpreted differently in the literature. A comparison of the main approaches is presented in Table 1.

Table 1. Approaches to the economic essence of accounting policy

Approach	Essence of accounting policy	Main sources
Normative	A set of principles, bases, conventions, rules and practices applied in preparing financial statements	IPSAS 3; National Accounting Standard No. 1 of Uzbekistan
Managerial	An instrument by which management chooses accounting methods in line with the organization's objectives	Ya.V. Sokolov; E. Hendriksen and M. van Breda
Institutional	A choice made under the influence of the institutional environment, contracts and incentives	R. Watts and J. Zimmerman; K. Lüder
Control-information	A mechanism that defines control points and the flow of information for accountability and management	COSO; J. Chan; author's position

Source: compiled by the author.

The normative approach, reflected in IPSAS 3, defines accounting policy through the methods used in preparing financial statements [4], and the National Accounting Standard No. 1 "Accounting Policy and Financial Statements" establishes a similar approach for business entities in Uzbekistan. The managerial



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approach, developed by Ya.V. Sokolov and E. Hendriksen and M. van Breda, emphasizes the purposeful nature of the choice of methods [5; 6]. The institutional approach explains the choice through the economic and political environment of the organization [7; 8].

In our view, none of these approaches fully reflects the specifics of budgetary organizations. The main purpose of their accounting is not to measure financial results, but to ensure accountability for the use of public funds [9]. Therefore, the essence of accounting policy in a budgetary organization lies in the fact that it is a system of organizational and methodological decisions, adopted within the limits of budget legislation, that determines how accounting information on the use of budgetary funds is generated, controlled and communicated to users. This definition adds control and information components to the traditional understanding.

Accordingly, the content of accounting policy of a budgetary organization can be presented as four interrelated components (Table 2).

Table 2. Content of accounting policy of a budgetary organization

Component	Main elements
Organizational	Structure and powers of the accounting service, signature rights, form of accounting (centralized or decentralized), inventory procedure
Methodological	Recognition and measurement of assets and liabilities, depreciation methods and useful lives, inventory write-off methods, materiality thresholds
Technical	Working chart of accounts and analytical accounting structure, forms of primary documents and registers, document flow schedule
Control-information	Control procedures for significant accounting objects, internal management reporting, procedure for responding to significant changes

Source: developed by the author.



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The fourth component is the key distinction of the proposed approach. In the practice of budgetary organizations, the first three components are usually present in accounting policy orders, although often in a formal form, while the control-information component is almost absent. Its inclusion makes it possible to use accounting policy not only to regulate the accounting process, but also to organize internal control and provide management with timely information.

The place of accounting policy in the accounting system of a budgetary organization is determined by its intermediary role. On the one hand, it concretizes the general requirements of legislation and methodological acts for a particular organization; on the other hand, it sets the rules on which accounting practice, internal control and reporting are based. Feedback from internal control and reporting, in turn, provides grounds for revising accounting policy. Thus, accounting policy is the only element of the accounting system that simultaneously interacts with all its other elements.

Conclusion

The economic essence of accounting policy in budgetary organizations should be understood more broadly than a set of chosen accounting methods: it is a system of decisions that determines how information on the use of budgetary funds is generated, controlled and communicated. Its content includes organizational, methodological, technical and control-information components, and its place in the accounting system is that of a link between normative regulation, accounting practice, internal control and reporting. Recognition of the control-information component creates a theoretical basis for strengthening the role of accounting policy in the management of budgetary organizations.



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