

ACCOUNT OF RENTAL RELATIONS IN PUBLIC SECTOR SUBJECTS

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Abstract

This article discusses the process of leasing fixed assets and lease relations in public sector entities and analyzes this process. It is discussed about the normative basis of accounting of the income of the state sector entities from the rental of fixed assets and their distribution. Proposals and recommendations were given regarding the existing problems in keeping the account of the lease of fixed assets in the public sector entities and their elimination.

Keywords: public sector entity, public sector entity's development fund, fixed assets, accounting, budget accounting, rental income, distribution of rental income, budget accounting standard.

Introduction

State sector entities are non-commercial organizations established in accordance with the decision of the state authorities and maintained at the expense of the State budget for the implementation of state functions. Based on the current economic conditions, the formation of the income of public sector entities at the expense of extra-budgetary funds, thereby ensuring their additional financing, further strengthening the material and technical base of the organization at the expense of these funds, and befitting the work of the employees working in the organization it is established that they can be financially stimulated by paying a fee.

Today, there are more than thirty-one thousand public sector entities in our country, and almost all of them use basic tools during their activities.

Taking into account the revenues from the rental of fixed assets at the disposal of public sector entities, ensuring that these funds are spent for the purposes specified in the legislation, is directly related to the process of organizing their accounts. The study of the process of accounting of income from the rental of fixed assets at the disposal of the budget organization becomes one of the current economic issues due to the specific nature of the state budget accounting.

Providing public sector entities with the main means necessary for their operation and organizing their effective use for many years is directly related to the correct organization of their accounts. Forming extra-budgetary funds by renting out idle fixed assets creates a unique



process at the expense of fixed assets. This means that it is necessary to carry out scientific research and research on the accounting process.

Review of literature on the subject

In this direction, there are scientific research and educational methodological works of our country's economists Ostonoqulov (2011), Tuychiyev (2019), Mekhmonov (2013) on accounting in public sector entities.

In particular, in the work of Ostonokulov (2011), by financing the public sector entities from the state budget, they pay attention to the issues of providing them with fixed assets, the composition of fixed assets, keeping accounts, and the need to keep accounts and control them for effective use of fixed assets. based on

Toychiyev (2019) in his work on the account of fixed assets in public sector entities, the role and importance of fixed assets in the implementation of the activities of public sector entities, their recognition in the organization's accounting, the necessity and importance of continuous accounting of their movement, explained the procedure and characteristics of their revaluation and obsolescence.

Mekhmonov (2013) in his scientific works explained the features of the organization of fixed assets accounting in public sector entities. In particular, the composition of the main means of the public sector entities, their input, accounting for their movements and the formation procedures for their reflection in the reports are highlighted.

Gadoyev (2003), Shakarov (2000), Ismanovlar (2009) conducted methodological research on the accounting of fixed assets in private sector enterprises. In particular, scientists led by Gadoyev (2003) studied the issues of accounting for fixed assets and intangible assets and their taxation. Shakarov (2000) studied the issues of organizing, maintaining and controlling fixed assets in enterprises with different forms of ownership. Ismanov (2009) is long in economic entities; conducted research on improving the methodology of accounting and auditing of fixed assets.

Although the research carried out by these scientists was carried out within the framework of private sector enterprises, it is of particular importance in researching the methodological foundations of the accounting of fixed assets in public sector entities. Because, based on the requirements of the market economy, it serves as an important direction in the development and improvement of the basis of the calculation of funds from the rental of fixed assets in public sector entities.

Among foreign economists, Ryabova, Bashkatov and Pokusayev (2010) researched the features of public sector entities, the organization of fixed asset accounting, and the organization of budget execution and control over the sources of financing in the formation of fixed assets and scientific interpretation of their views. did

In the researches of scientists, the features of accounting and control of fixed assets in public sector entities have not been studied in detail. Based on the current economic conditions, it is urgent to conduct research on the topic of improving the method of accounting of funds received from the rental of fixed assets in public sector entities in order to ensure the



implementation of the reforms that are being carried out in order to ensure the correct use of state assets and the reduction of state budget expenses. is considered .

Research Methodology

The article used systematic approach, induction, deduction, grouping, comparison, monographic observation, logical thinking, analysis methods.

Analysis of calculation process and discussion of results

The state sector entities have a number of extra-budgetary funds and extra-budgetary funds formed at the expense of collected funds, and the funds of the development fund are of particular importance in the structure of these funds. Because the resources of the development fund are formed from the directions typical of all organizations. In particular, the Budget Code (2013) states that "... at the end of the last business day of the reporting quarter, the funds saved on the cost estimate (except for the funds provided for the financing of capital investments), goods according to the specialization of activity Revenues from the realization of (works, services), a part of the funds received from the lease of property on the budget organization's balance sheet, funds left at the disposal of public sector entities in the prescribed manner, and funds received from patronage are formed.

Currently, in the structure of extra-budgetary funds of public sector entities, income from the rental of fixed assets is not a large amount, but it is considered important from the point of view of coverage. The reason is that most public sector entities have a practice of renting out vacant property and generating extra-budgetary development fund income related to them (Table 1).

Table 1 Information on funds received from the lease of fixed assets in public sector entities (million sum)

| T/r | Indicator name | 2018 y. | 2019 y. | 2020 y. | 2021 y. | 2022 y. | 2023 y. |
|-----|---|---------|---------|---------|----------|----------|----------|
| 1 | Extra-budgetary funds of public sector entities | 3300280 | 3952308 | 4144291 | 10864973 | 16298182 | 21188616 |
| 2 | Funds of the development fund of public sector entities | 814023 | 877187 | 998181 | 1818820 | 5802429 | 6716911 |
| 3 | Revenues from the leasing of temporarily unused buildings and other state property by public sector entities to other organizations | 19896 | 23596 | 24749 | 33201 | 39287 | 61163 |

It can be seen from the data of the table that over the last six years, the income from extra-budgetary funds, development fund funds, and the rental of temporarily unused buildings and other state properties has grown. In 2018, the extra-budgetary funds of public sector entities amounted to 3,300,280 million in 2018. if it was soums, in 2023 it will be 21188616 mln. amounted to soum. The funds of the development fund of public sector entities in 2018 amounted to 814,023 million. if it was soums, in 2023 it will be 6716911 mln. amounted to soum. In 2018, the revenue from the leasing of temporarily unused buildings and other state properties by public sector entities to other organizations amounted to 19,896 million.

amounted to 61,163 million soums in 2023. amounted to soums, and the income from this direction increased by almost three times.

If we look at the share of funds received from renting out temporarily unused buildings and other state property in the state sector entities in the structure of extra-budgetary funds and development fund income, the share of temporarily unused buildings and other state property in the state sector entities although the value of the funds received from leasing has increased, the share of public sector entities in the structure of extra-budgetary funds and funds of the development fund has decreased. In 2018, the share of income from the rental of fixed assets in the development fund was 2.4%, and by 2023, this figure will be 0.9%. This, in turn, led to a decrease in the share of these revenues in the composition of extra-budgetary funds. These cases indicate the existence of organizational problems related to the leasing of temporarily unused buildings and other properties of public sector entities.

Continuous accounting of funds received from renting temporarily unused buildings and other properties in public sector entities, forming reliable information about them, ensuring targeted spending of funds received from this direction, directly organizing their account and inextricably linked with maintenance; In addition, financial reporting forms will be prepared for the formation of public information on the movement of rent income of public sector entities.

There is a special feature of leasing fixed assets in public sector entities, that is, the assets on the balance sheet of public sector entities are state assets and property. For this reason, the participation of the State Asset Management Agency is also required in the leasing of the main means of public sector entities.

The custodian in the balance sheet is the state sector entity that takes into account the leased fixed asset in its balance sheet.

The lessor is state property leasing centers under the State Assets Management Agency of the Republic of Uzbekistan.

The lessee is a legal entity or an individual who has concluded a lease agreement for the lease of fixed assets.

As mentioned above, the decision of the Cabinet of Ministers of the Republic of Uzbekistan "On measures to improve the procedure for leasing state property" (2009) in order to regulate the leasing system, since the main means of public sector entities are considered state assets) is accepted. With this Resolution, state property leasing centers were established in the form of state unitary enterprises, and assets are leased through these centers.

50 percent of the rent payment funds will go to the Fund for Assistance to Privatized Enterprises under the State Committee for Assistance to Privatized Enterprises and Development of Competition of the Republic of Uzbekistan, 40 percent to the state property custodian (budget organization) and 10 percent — will be directed to the property rental center.

The calculation of the rent payment for the lease of the main means of public sector entities is determined by the regulation "On the procedure for the lease of state property" (2009). According to it, the calculation of rent for buildings and structures (base rate of rent) is determined as follows:



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

in which:

T_s - one square per year. base rate of rent per meter;

E_s - one square per year. the lowest rate per meter;

K_z - coefficient of territorial zones;

K_q ; - coefficient by construction type (detached building, additional building, upper part of the building, attic, basement, semi-basement, basement);

K_h - coefficient of utilization of contiguous area;

K_o - ease of use for commercial purposes (location along main highways, location at exits to secondary highways, etc.).

Rental rate for other types of property:

If the period of actual use of the leased property does not exceed its useful life or is equal to this period, or if it is not possible to determine the actual period of use - from 30% of the property's recovery value;

If the period of actual use of the leased property is longer than the useful life - the value of the property cannot be less than 20% of its recovery value.

Rent calculations include rent and utility and usage charges (if applicable).

In public sector entities, the organization and maintenance of the account of funds received from the rental of fixed assets is carried out directly on the basis of the Budget Accounting Standard (2019) No. 6 "Rental". According to this standard, lease purposes are divided into financial leases and operational leases.

A financial lease is considered a lease relationship that occurs when the ownership and use of property is transferred under a contract for a period of more than twelve months, and the lease agreement concluded under it must meet one of the following requirements:

- when the term of the financial lease contract expires, the object of the financial lease becomes the property of the lessee;
- if the term of the financial lease agreement is more than 80% of the service life of the financial lease object or if the residual value of the financial lease object after the end of the financial lease agreement is less than 20% of its initial value;
- when the term of the financial lease contract expires, 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 financial lease agreement exceeds 90% of the current value of the financial lease object at the time of transfer to the financial lease. The current discounted value is determined in accordance with the legal documents on accounting.

An operating lease is considered to be the temporary possession and use or use of an asset under a property lease that is not a finance lease. In practice, we can see the form of operational lease in all cases related to the lease of the main means of public sector entities.

Public sector entities recognize and reflect income from the lease of fixed assets in the accounts based on the calculation method. The budget organization takes into account the income from the rent by constantly distributing it during the term of the lease. In this case, the debtor is



accepted to reduce the main part of the debt, after deducting the costs incurred for services during the lease term (Table 2).

Table 2 Reflecting receipts from the lease of fixed assets in public sector entities in the accounts

| № | Content of the transaction | Accounting transfer | |
|---|--|---|--|
| | | Debet | Kredit |
| 1 | Accounting for income from the lease of fixed assets | Accounts with other debtors and creditors | Revenues from the budget organization development fund |
| 2 | Receipts for the rental of fixed assets | Budget organization development funds | Settlements with other debtors and creditors |

In the balance sheet, the expenses of public sector entities related to the maintenance of operational rental facilities are recognized as actual expenses of the reporting period in which these expenses occurred and are reflected in the account.

Normative legal documents have been adopted on the leasing of fixed assets that are not used temporarily in the public sector entities, the implementation of calculations on rent payments, the income from rent and their spending directions, and the accounting of funds received from rent. However, there are controversial cases in accounting of income from the rental of fixed assets in public sector entities. Including

According to the Regulation "On the Procedure for Leasing State Property" (2009), "The rental payment is calculated based on the last fixed amount of the rental payment by the lessee and the remaining period of the lease (quarterly, monthly and so on) Payment is made in the form of one hundred percent advance payment for each regular period (quarter, month and so on) within the terms specified in the lease agreement .", is marked as It can be seen that the income from the rental of fixed assets is received in advance to the personal treasury accounts of public sector entities. This makes it necessary to account for income received as an advance on rent as deferred income in accounting.

According to Budget Accounting Standard No. 6 "Lease" (2019), "Revenue from operating lease is recognized on a straight-line basis over the lease term." That is, regardless of the periodicity of receipts from the rental of fixed assets, the receipts should be recognized as income in a timely manner. Receipts from the lease of fixed assets in public sector entities can be recognized as income and reflected in the account as shown in Table 2. However, there are no specific instructions or methodological bases for reflecting the income received in advance from the rent in the account. In the practice of public sector entities, it is prescribed to consider advance payments as a creditor's liability as a deposit received from the tenant.

Based on Budget Accounting Standard No. 6 entitled "Lease", the lease of fixed assets is divided into financial and operational leases according to the purposes of the standard. However, the regulation "On the Procedure for Leasing State Property" regulating the lease of fixed assets of public sector entities mentions the lease of fixed assets in general. That is, the lease on fixed assets is not divided into operating lease or financial lease. This situation indicates that the requirements of Budget Accounting Standard No. 6 "Rent", which defines the procedure for keeping the account of income from rent, with the normative document regulating the rental of temporarily unused fixed assets in public sector entities are not compatible with each other.



In public sector entities, temporarily unused fixed assets are leased (up to one year) on the basis of an operational lease agreement. In an operating lease, all the risks associated with the ownership of the fixed asset are not with the lessee, but with the custodian on the balance sheet. Fixed assets received under the operating lease agreement are not taken into account in the lessee's balance sheet.

It is also related to the storage and use of leased fixed assets of public sector entities; shall carry out the expenses at his own expense. According to the Decision of the Cabinet of Ministers of the Republic of Uzbekistan "On measures to improve the procedure for leasing state property", 40 percent of the revenue from leased fixed assets will be available to public sector entities. In this case, it is related to the leasing of temporarily unused main means of public sector entities; efficiency status is not taken into account.

The compatibility of the income from the lease of temporarily unused fixed assets on the balance sheet of the budget organization and the costs spent on maintaining these fixed assets is not studied. In Table 1, we reviewed the income from renting temporarily unused buildings of public sector entities and other state properties to other organizations in 2018-2023. It is not possible to determine exactly the amount of funds spent on maintaining the leased fixed assets. This, in turn, leads to overspending of budget funds or misuse of state assets.

Conclusion

In financing the activities of public sector entities, not only the targeted spending of budget funds, but also the formation of extra-budgetary funds are of particular importance. In the formation of extra-budgetary funds, it is required to collect income from the lease of the main means of public sector entities that are not used temporarily and to ensure that these funds are spent in accordance with the law. In this case, the accounting work is focused on the formation of systematic information related to leasing of fixed assets, proper use of leased fixed assets, making calculations on rent, targeted spending of income.

As a result of the research, it is advisable to implement the following works in order to eliminate the above-mentioned problematic situations and to improve the methodology of renting out temporarily unused fixed assets in public sector entities and keeping accounts of the proceeds from it:

Based on the requirements of the Regulation "On the Procedure for Leasing State Property" and the Budget Accounting Standard No. 6 entitled "Rent", the accounting chart of accounts includes payments for the lease of fixed assets as deferred income. additional input is required to obtain. As a result, the funds received in advance for the lease of fixed assets are not received in the financial statements of public sector entities as receivables or as income at the time of receipt of funds, but according to Budget Accounting Standard No. 6 "Rent" Basically, deferred income from rent is reflected in the accounts and reports as income in the relevant period. In turn, the truthfulness of indicators representing the organization's financial status is ensured.

In the regulation "On the procedure for leasing state property", it is necessary to separate the lease of fixed assets that are not used temporarily into financial and operational leases. Because, according to the Standard of Budget Accounting No. 6 "Rent", lease of fixed assets is divided into financial and operational lease. Also, there are many specific differences between financial



and operating leases. Financial lease is related to the leased object; accounting, ownership, risks, revenue and expense recognition are very different from operating leases. Issues such as rent payments, proper use of property, and settlement of accounts are included in the operative lease agreement.

It is necessary to ensure that the lease is economically justified when leasing temporarily idle fixed assets of public sector entities. For this purpose, it is required that the expenses of the public sector entities related to the maintenance and use of the leased fixed assets and the mutual compatibility (at least equal) of the income from the lease. This requirement prevents misuse of budget funds and misuse of state assets.

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