

ISSN No: - 2348-5965

Journal Of Accounting

Volume No. 11

Issue No. 2

May - August 2023



ENRICHED PUBLICATIONS PVT. LTD

**S-9, IInd FLOOR, MLU POCKET,
MANISH ABHINAV PLAZA-II, ABOVE FEDERAL BANK,
PLOT NO-5, SECTOR-5, DWARKA, NEW DELHI, INDIA-110075,
PHONE: - + (91)-(11)-47026006**

ISSN No: - 2348-5965

Journal Of Accounting

Aims and Scope

The Journal of Accounting (JAC) is a peer reviewed academic journal. The main focus of our journal is to encourage research from areas of social and environmental critique, exploration and innovation as well as from more traditional areas of accounting, finance, financial planning and banking research. The Journal of Accounting covers a wide variety of topics including:

- Auditing
- Accounting Information Systems
- Accounting Education
- Accounting for Non-profit Organizations
- Cost Accounting
- Investments
- Management Accounting
- Public Sector Accounting
- Social Accounting
- Tax

Managing Editor
Mr. Amit Prasad

Editorial Assistant
Mrs. Vandana Sharma

Editorial Board Member

Dr. Surender Gupta

HOD,
Maharaja Agarsen Institute of
Management & Technology
Jagadhri

Dr. Quah Chee Heong

Senior Lecturer
University of Malaya,
Kuala Lumpur,
Malaysia

Prof. Nand Kishore Sharma

Director and Dean of MBA,
Institute of Management Studies,
Janardan Rai Nagar Deemed University
Udaipur

Dr. K. Sivakumar

Professor & Head in the
Department of Management
Studies in Madha Engineering College,
Chennai

Dr. R. Dillibabu

Associate Professor
Department of Industrial Engineering
College of Engineering – Guindy campus,
Anna University Chennai

Dharmender Singh

Assistant Professor,
Modern College of Business and Science,
Sultanate of Oman

Journal Of Accounting

(Volume No. 11, Issue No. 2, May - August 2023)

Contents

Sr. No.	Article Name / Author Name	Page Nos
1	Organization of Tax Audit in the Republic of Uzbekistan <i>- Kurbanov Ziyat Niyazovich</i>	63 - 70
2	Improving the Administration Mechanism for Tax Debts and Ways to Ensure Execution Obligations to Pay Taxes and Duties <i>- Giyosov Azizbek Azamovich</i>	71 - 80
3	Performance Appraisal of Operational Efficiency in Regional Rural Banks <i>- V. Reddy Lakshmi, Prof. P. Mohan Reddy</i>	81 - 88
4	Current Peculiarities of Reforms of Accounting at Farm Entities <i>- Temirov Furkat Tursoatovich</i>	89 - 98
5	The Accounting and Taxation Aspect of Christian Education Foundation Having Business Unit in Manado, Tomohon, and Bitung <i>- Alfian Maase, Oswald Tumilaar, Yuli Rawun</i>	99 - 107

Organization of Tax Audit in the Republic of Uzbekistan

Kurbanov Ziyat Niyazovich

Doctor of Economics, Professor, Qualification upgrading centre under the State Tax Committee of the Republic of Uzbekistan

ABSTRACT

This article is devoted to the consideration of the theoretical issues of tax audit. In addition, it reveals the tax audit standard introduced in the Tax Code of the Republic of Uzbekistan in new wording. Moreover, the article studies foreign experience in organizing and conducting tax audit.

Key words: *financial control, tax inspection, audit, tax audit, International Auditing Standards, certificate,*

INTRODUCTION.

It should be noted that nowadays the Law of the Republic of Uzbekistan №589 “On the state budget of the Republic of Uzbekistan for 2020” as of December 9, 2019, the Law of the Republic of Uzbekistan №599 “On making amendments and additions to the Tax Code of the Republic of Uzbekistan” as of December 30, 2019, the Decree of the President of the Republic of Uzbekistan №4389 “On additional measures to improve tax administration” as of July 10, 2019 and the Decree of the President of the Republic of Uzbekistan “On measures to ensure execution of the Law “On the state budget of the Republic of Uzbekistan for 2020” as of December 30, 2019 constitute the statutory framework aimed at improving tax and budget policy in our republic.

LITERATURE REVIEW.

Currently, the concept of “tax audit” remains the most commonly used in domestic and in foreign literary sources. However, the concept of “tax audit” is differently interpreted in both statutory acts and economic literature.

Barsulaya (2019) defines the significance of the tax audit as follows: nowadays there is an increasing need for tax audits among other audit services. According to estimations of experts, 30% of revenues of Russian audit companies are generated from tax audit activities.

Arens and Lobbeck (1995) wrote in this regard the following: “The government hires auditors to check taxpayers' compliance with federal tax laws, and completing tax declarations... Tax legislation is considered to be very complicated and requires a tax auditor to have comprehensive knowledge and good competence in his field”.

According to the opinion of economists Sheremet and Suyts (2005), “tax audits are an accurate and complete calculation and payment of taxes, an audit of compliance with tax policies”.

Usatova (2008) in her scientific papers provides the following definition to the tax audit: “Tax audit is an independent verification of the state of bookkeeping and tax reporting, as well as accounts on taxes and duties of agencies”.

The following concept is provided in the technique “Tax audit and other appropriate services on tax matters. Communication with tax authorities” approved by the Commission on Audit under the President of the Russian Federation (Minutes №1 as of July 11, 2000) which is aimed at considering some issues on the audit activity: “The concept of tax audit implies an examination of an agency's or individual's tax return to verify that financial information is being reported correctly. While the chances of being singled out for closer scrutiny are statistically low, there are factors that could increase your odds of receiving an audit notice. Summing up, tax audit is an examination of the tax return by the public state authorities to verify that the income and deductions of a taxpayer are accurate”.¹

We can make a conclusion, that this technique provides the most comprehensive definition to the concept of tax audit.

Dusmuratov (2007) in his textbook, monograph and other scientific papers, in addition to the revealing general aspects of the tax audit, stresses the necessity of conducting an audit by each type of taxes.

In the opinion of Khotamov (2016), “Tax audit is the process of verifying the compliance of accurate payments of taxes and other compulsory payments, reasonable application of all incentives with the statutory acts in the accounting field. Tax audits must be conducted by independent audit companies”.

The following definition of the tax audit is given in clause 140 of the Tax Code of the Republic of Uzbekistan (2019) in new wording: “A tax audit is a verification of the accuracy of the calculation and payment of taxes and duties for a certain period. A tax audit is conducted with respect to a taxpayer (tax agent) that is classified as a taxpayer (tax agent) with a high degree of risk”.

In our opinion, tax audits may be conducted not only by tax authorities but also by audit companies that have the right to conduct other audit activities alongside with tax audits.

¹ *Technique of audit activity “Tax audit and other appropriate services in tax matters. Communication with tax authorities” [approved by the Audit Commission under the President of the Russian Federation as of 11.07.2000 Minutes №1]//“Consultant Plus”. 21.12.2019.*

RESEARCH METHODOLOGY.

The research analyzes the existing financial control system in the country in terms of scientific approach. In addition, it reveals the significance of the tax audits. There are scientific proposals for the organization and improvement of tax audit based on the study of advanced international experience. When doing the research, the research methods, such as induction, deduction, statistical observation, statistical table, as well as statistical and comparative analysis have been widely used.

Analysis and discussion of the results. Our country is actively working on bringing financial control closer to international practice, bringing international financial reporting and auditing standards in compliance with the international standards. In this regard we should answer the question what is financial control and what are its types and forms?

Article 170 of the Budget Code of the Republic of Uzbekistan (2018) provides the following definition to the financial control: “Public financial control is carried out by the public financial control authorities in order to identify, eliminate and prevent violations by objects of financial control of budget legislation and also to prevent corruption in the budget sphere”. In addition, article 171 of this Code (2018) specifies that: “The authorities of the public financial control are the Accounts Chamber of the Republic of Uzbekistan, the Ministry of Finance of the Republic of Uzbekistan and its authorized subordinate bodies. The public financial control regarding the revenues of the State budget and the budgets of public targeted funds within the limits of the authority is exercised by the state tax service”. The system of the financial control of the Republic of Uzbekistan is provided in picture 1 (Picture 1).

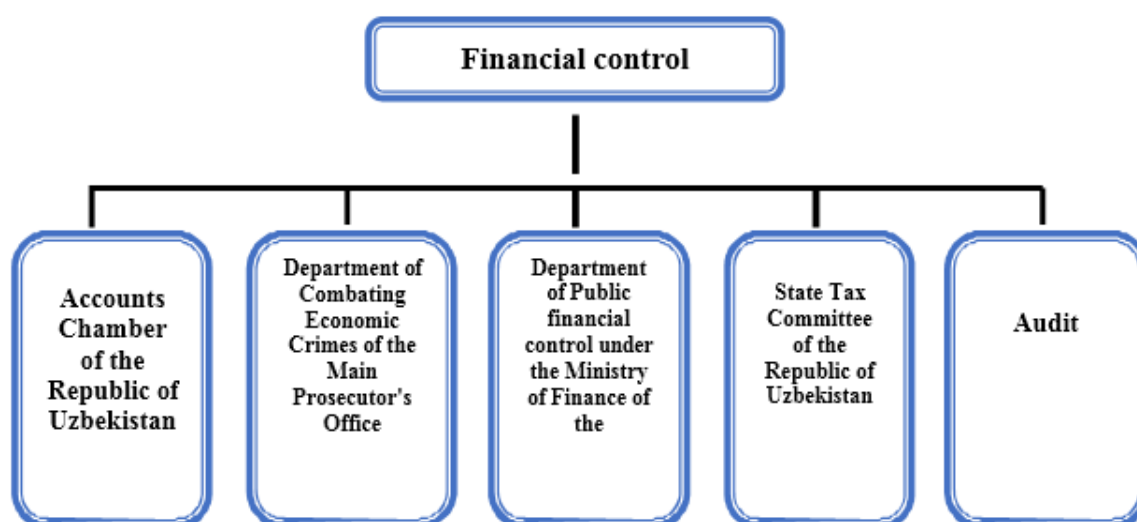


Figure 1. Financial control system of the Republic of Uzbekistan

Both in the international and domestic practice the tax inspection is considered to be one of the types of the financial control. It should be noted that though the Tax Code of the Republic of Uzbekistan (2019)

in new wording in article 135 does not define the concept of “tax control”, however, it states that: “Tax control is the activity of authorized bodies for monitoring compliance by taxpayers and tax agents with tax legislation”. Article 136 of this Tax Code (2019) specifies that tax inspections may be carried out in the form of the tax monitoring measures. In addition, article 137 of the Tax Code (2019) specifies the following types of tax inspections:

- 1) cameral tax inspections;
- 2) trip tax inspections;
- 3) tax audits. (Figure 2).

Among other types of tax control and tax inspections, the concept of a tax audit is considered to be relatively new. In this regard we investigate the essence of the tax audit in details.

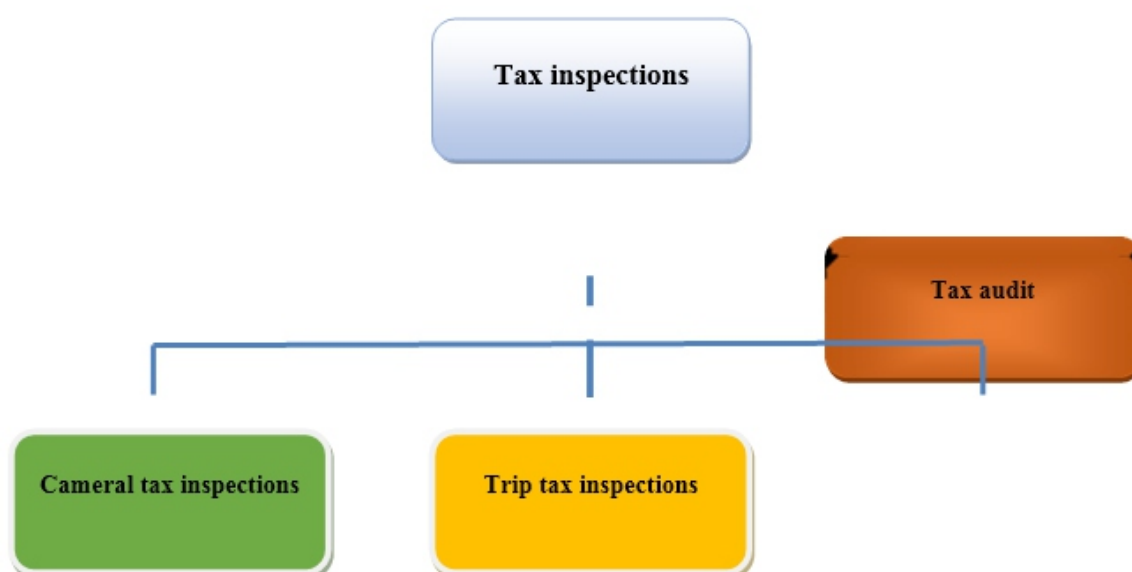


Figure 2. Types of tax inspections

The Tax Code of the Republic of Uzbekistan implies conducting of tax inspections on the basis of special software designated for analyzing the state of the taxpayers according to the new order (cameral inspection, trip inspections, tax audit). In the automated mode and on the basis of the risk level criterion the analysis software divides all business entities into three segments, i.e. green, yellow and red corridors, which depend on the risk level.

For low-risk (green corridor) business entities, tax audits are never conducted and these businesses are provided with high-quality tax services.

Business entities with a moderate level of risk (yellow corridor) are only subjected to cameral tax audits, and these entities are allowed to correct the errors made and financial penalties are not imposed thereto.

If it has been discovered that the business entities make false documents or conduct double book-keeping, or if the level of the errors detected is rather high, they are included in the category with high level of risk (red corridor). Such kind of entities is frequently subject to tax audits and they are always on the focus of the state tax authorities. These measures will ensure transparency of tax control and prevent possible corruption (Figure 3).

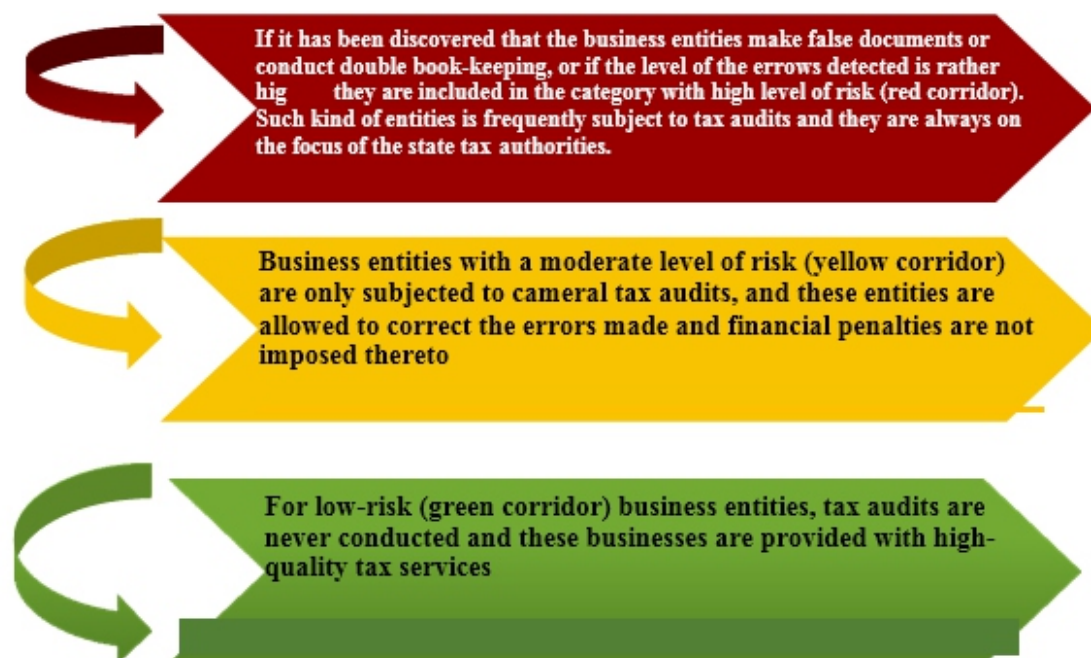


Figure 3. Three segments the risk level of tax payers

Proceeding from the statements specified above we can define the concept of tax audit: “A tax audit is an independent inspection of compliance of the accurate payment and calculation of taxes and other compulsory payments by economic entities, their timely and full payment to the budget, as well as the provision of tax services”. As it is obvious from the tax audit, a tax audit includes auditor's inspections and tax matters as well.

The research shows that economists and experts interpret tax audit differently as a type of audit, internal audit, and service. For example, in the opinion of Mironova and Khanafeyev (2014), a tax audit is one type of the audit, not “relevant services”. These authors continue to ascertain that tax planning is implemented within tax audits, settlements with budget are supervised. Thus it can be concluded that an external audit carried out by audit companies can be considered to be an independent type as well.

Orlov (2019) in his research paper tried to reveal the essence of the tax audit as a certain type of separately rendered service.

In our opinion, tax audit is a separate type of audit. Proceeding from this statement we consider different aspects of tax audit in relation to audit of financial statements (See Table 1). When conducting a tax audit, an auditor examines the taxation system implemented by the economic entity (Table 1).

Table 1. Connection of a tax audit with an audit of financial statements and aspects of difference

Comparison criterion	Financial statements audit	Tax audit
According to the relevant statutory document	Law of the Republic of Uzbekistan “On audit activity”, National and International Auditing Standards, internal audit standards	Tax Code of the Republic of Uzbekistan, International Auditing Standards, Regulation on conducting tax audit, Guideline to conduct tax audit
According to the object	Accounting system, financial reporting forms	Taxation object, tax accounting, financial and tax reporting
According to the aim	Determining the validity and reliability of the information presented in the financial statements	Determination of the reliability of tax reporting, verification of the accuracy of tax amounts
Selection of audit inspections	On compulsory and initiative basis	Tax audit is carried out in relation to the taxpayer (tax agent) of the highest risk
Periodicity	It is periodic and is conducted on an annual basis	A tax audit may cover only the period following the last tax audit, but not more than five calendar years immediately preceding the new tax audit
Processes under consideration	Accounting system, validity and reliability of the information reflected in financial statements	Accuracy of calculations on paying taxes and duties, validity and reliability of the information reflected in tax reporting, observance over the tax legislation
Reporting	Conclusion about the reliability of the financial	According to article 156 of the Tax Code, the audit results are formalized with an
Procedure for registration	Registration in the regional state tax authorities	Resolution is made on:
		1) calculating by adding taxes and penalties or denying them; 2) holding a taxpayer liable for tax offense or to deny it.

When conducting the process of a tax audit, we think it is advisable to do the following activities:

- types of taxes paid by the economic entities;
- accurate determination of a taxable base by types of taxes;
- study reasonable application of tax incentives;
- verification of the accurate calculation of the taxable base and tax amounts;
- determining timely payments of taxes and duties to the budget;
- payment of tax amounts and penalties additionally accrued as a result of inspections held by the tax authorities;
- accurate reflection of taxes and duties in the financial and tax reporting;
- verification of the validity and reliability of the information in the tax reporting.

Below we investigate the practice of foreign countries in terms of which authority conducts tax audit and its inherent peculiarities.

In the USA, tax audits are conducted by the Federal Tax Service, which is a government agency. In this country Internal Revenue Service (IRS) is responsible for supervising the accuracy and completeness of reflecting the information in the tax reporting². Thus the Internal Revenue Service is assigned with the responsibility how taxpayers execute their tax obligations. During the next 10 years annually about 1,36 percent of tax reports are subject to the statutory verification. It should be noted that annually approximately 154 million tax reports are compiled in the USA. In practice, tax payers with high income are selected for tax audits.

In Hong Kong tax inspections are carried out only by the IRD - Inland Revenue Department which is the supreme tax authority in this country. The IRD consists of two departments which is a tax inspection department and an audit group. The audit group's work is focused on the full study of taxpayers and the review of risk management techniques. If an audit group detects the cases of the law violation when verifying tax reporting for the last year, auditors shall review tax reporting for 6-year previous period once again (Daniel and Peter, 2019).

According to the research by Chinese researchers Chan et al (2017), tax audits in China are conducted exclusively by tax authorities. In reliance upon the statistical information of the State Tax Agency on taxes and duties (SAT), in 2016 in China tax inspections were held for 313000 taxpayers and the penalty for the total amount of 119 billion Yan was imposed.

In the Law of the Republic of Kazakhstan “On audit activity” (1998), a tax audit is treated as a certain type of service rendered within the audit framework. The results of inspections must be duly formalized by the conclusion.

International Auditing Standards are widely used in tax audits. In terms of conducting tax audits such International Auditing Standards as IAS 200 “General aims of independent auditors and conducting audit in compliance with International Auditing Standards”, IAS 800 - “Special issues – audit of financial reporting developed for special purposes”, IAS 805 “Special issues – audit of separate financial statements and specific elements of financial statements, accounts or items”.

²[http://www.tadviser.ru/index.php/_\(Internal_Revenue_Service,_IRS\) 21.12.2019](http://www.tadviser.ru/index.php/_(Internal_Revenue_Service,_IRS) 21.12.2019).

CONCLUSION AND PROPOSALS.

Based on the considerations specified above we may make the following conclusions:

a tax audit is one type of the tax inspection;

if it has been discovered that the business entities make false documents or conduct double book-keeping, or if the level of the errors detected is rather high, they are included in the category with high level of risk (red corridor). Such kind of entities is frequently subject to tax audits and they are always on the focus of the state tax authorities;

it is possible to make a conclusion that “A tax audit is an independent inspection of compliance of the accurate payment and calculation of taxes and other compulsory payments by economic entities, their timely and full payment to the budget, as well as the provision of tax services”.

Our proposals are: to make relevant amendments and additions to the Law of the Republic of Uzbekistan “On audit activity” in reliance upon the modifications made in the tax audit standard of the Tax Code of the Republic of Uzbekistan;

in reliance upon the relevant articles of the Tax Code of the Republic of Uzbekistan to develop relevant statutory acts on the procedure for conducting audit and approve it according to the established procedure;

work out the procedure of using International Auditing Standards when conducting a tax audit;

ensure qualification upgrading and professional development of the state tax officers.

REFERENCE:

1. Daniel Ho, Peter Lau (2019) *Tax audit in Hong Kong*// *The International Tax Journal*. 21.12.2019.
2. Samuel Chan, Gerald Chau, Patrick Leung (2017) *Tax audit and investigation in China and Hong Kong*// *The International Tax Journal*, February-January.
3. Arens A., Lobbeck J. (1995) *Audit*. – M.: *Finance and Statistics*. p.12-14.
4. Barsulaya T.D. (2019) *Tax audit. Textbook: study guide* / Barsulaya T.D. - Moscow: *Russcience*. - 582 p. - ISBN 978-5-4365-3384-1. - URL: <https://book.ru/book/932100> (reference date: 14.12.2019).
5. Dusmuratov R.D. (2007) *Auditing activity: Theory, methodology and practice*.
6. *Monograph*. - T.: “Moliya”. – 276 p.
7. *Law* (1998) “*On audit activity: of the Republic of Kazakhstan as of November 20, 1998*.”
8. *Code* (2019) *The Tax Code of the Republic of Uzbekistan in new wording. collection of legislative acts №599, December 30, 2019*.
9. Mironova O.A., Khanafeyev A.F. (2014) *Development of tax audit: problems and prospects* / O. A. Mironova, A. F. Khanafeyev// *Audit statements*. №5. - p. 27–37.
10. Orlov D.V. (2019) *Development of the methodology and organization of tax audit in commercial banks: Abstract of the dissertation claiming for a scientific degree of the Candidate of Economic Sciences: 08.00.12 [Electronic resource]* / Orlov Dmitry Valerievich. Access mode: <http://www.psu.ru>. 18.12.2019.
11. *Technique of audit activity “Tax audit and other appropriate services in tax matters. Communication with tax authorities”* [approved by the Audit Commission under the President of the Russian Federation as of 11.07.2000 Minutes №1]// “*Consultant Plus*”. 21.12.2019.
12. Usatova L.V. (2008) *Organization of the process of tax audit of expenses. Journal of Economic Analysis: Theory and Practice*, 24 (129), 26-31 pp.
13. Khotamov K.R. (2016) “*Improving accounting, analysis and audit of indirect taxes*”, *Abstract of the dissertation claiming for a scientific degree of the Doctor of Economics, T.*: 136 p.
14. Sheremet A.D., Suyts V.P. (2005) *Audit: Textbook*. - M.: *INFRA-M*, 280 p.

Improving the Administration Mechanism for Tax Debts and Ways to Ensure Execution Obligations to Pay Taxes and Duties

Giyosov Azizbek Azamovich,

Researcher of the Banking and Finance Academy of the
Republic of Uzbekistan

ABSTRACT

The article is devoted to the issues of tax debt administration and improving the ways to ensure execution of obligations on paying taxes and duties, as well as provides basic theoretical concepts and factual material on the current state of tax debt. In addition, the article represents a number of specific proposals to improve the efficiency of tax debt administration.

In this regard, one of the significant areas of tax administration in Uzbekistan is reduction of taxes and duties, as well as growth of tax revenues while smoothing out relations between taxpayers and tax authorities which will not enable to create an excessive tax burden on taxpayers.

Keywords: *taxes, receipts, debt, improvement, administration, direction, pledge of property, surety, bank guarantee, penalty.*

INTRODUCTION.

The budget system is considered to be a centerpiece in the financial system of any country. Taxes and duties represent the source which prevails when generating budget revenues of any level. In addition, their collection is regarded as one of the basic indicators of the tax system efficiency. Taxes are considered to be a systemic element of the economy that determines financial welfare of the society, and currently they can also be determined as a factor which can impact the country's economic situation.

The message of the President of the Republic of Uzbekistan to members of the Senate and deputies of the Legislative Chamber of the Oliy Majlis has highlighted that it is crucially important that our citizens are interested in the payment of taxes instead of tax evasion in due time (Message, 2018).

The collection of taxes and duties represents one of the main indicators of the tax system efficiency.

The methods of ensuring execution of the obligation to pay taxes and duties that are currently effective and applicable in the Republic of Uzbekistan have been elaborated mainly with the account of the best world practice in the field of tax policy. However, it is impossible to assert with certainty that the efficiency and effectiveness of these methods have met expected results.

In practice, a major challenge on the way to solving this urgent task is the existence of tax debts available among economic entities, which, in our opinion, can be considered as one of the significant destabilizing socio-economic factors, since its huge amount considerably limits the amount of the national financial resources.

Settlement of tax debt of entities towards the budget system is considered to be important in terms of macroeconomics as a condition for the transition to the sustainable development, as well as raising competitiveness of producers. In addition, a decrease in the level of tax debt represents one of the reserve sources for replenishing the state budget revenue.

LITERATURE REVIEW.

The urgency of the problem is demonstrated not just in ensuring completeness and comprehensiveness of tax collection, but also in determining the prerequisites for the tax debt formation, working out efficient ways to reduce it and eliminate the reasons for its occurrence.

Research of the issues related to the tax debt settlement in financial and economic science is currently at the initial stage, as evidenced by the fact that modern literary sources almost lack their specialized and systemic developments.

The degree of scientific development of the topic. Researches devoted to the causes of non- payments, including tax non-payments, have been carried out by I.V. Gorsky (2001), R.I. Shumyatsky (2007), R.A. Meshkov (2008), A.V. Matyushina (2009), I. Jalonkina (2012), A. Aronov and V. Kashin (2007) and some other scholars and economists.

Among modern Uzbek scholars, problems of reducing tax debts have been raised and developed in the researches of Sh. Toshmatov and I. Norkuziyev (2010), A. Tangriulov and A. Homma (2010), D.Sh. Tashpulatova (2013), O. Iminov, Sh. Turaev (2014), I. Niyazmetov (2016) and others.

The forms of tax debt regulation have been studied in the scientific papers of Russian scientists and practitioners. In our opinion, in this regard the works of some Russian scientists, like Meshkov R.A. (2008) and Shumyatsky R.I. represent a particular interest in terms of this topic.

According to Meshkov R.A., there are three forms of tax debt regulation:

- voluntary-declarative;
- notifying and preventive;
- forced.

At the same time, the author adds judicial measures to regulate tax debt to the forced measures.

Shumyatsky R.I. considering forms of tax debt regulation at entities as voluntary, compulsory and judicial, misses notifying and preventive measures.

In our opinion, the following forms of tax debt regulation can be distinguished:

- voluntary;
- notifying and preventive;
- forced pre-judicial;
- judicial.

Tax debt administration methods include the following:

- sending notifications and tax payment requirements as preventive measures for tax debt administration;
- application of legislatively established techniques for the enforcing tax obligations (collection, collection due to accounts receivable, bankruptcy proceedings);
- set-off of excessively paid or collected taxes against repayment of the tax debt;
- write-off of tax debt admitted as bad debt uncollectable;
- change in the terms of tax payments in the form of deferral (installments);
- tax debt restructuring.

The theoretical basis of this article is represented by the achievements of the scientific ideas of domestic and foreign scientists, programs, concepts on the problem of tax debt settlement. Irrespective of the variety of all the issues raised in studied in economic science on improving the theory and practice of taxation, it should be noted, that scientific and applied aspects of tax debt administration, including collection mechanisms haven't been adequately researched yet.

The issues of tax debt administration in finance science are currently at the initial stage and there are practically no special scientific papers and methodological developments aimed at their solution.

At the present stage, ensuring the growth of tax revenues and raising the level of collection of tax payments is a prior goal for tax authorities. Meanwhile, the legislation governing tax relations does not present any definition to the concept of "tax collection". Most researches and scientific papers, as a rule, are of a general nature, and publications on the issues of tax debt settlement mainly tackle legal aspects, as well as certain components and thus do not have a comprehensive character.

It is obvious, that the process of formulating the state budget of the Republic of Uzbekistan at all its levels is under a great impact of smoothly-running system for ensuring the collection of tax debts held by enterprises, however, the methodological foundations for tax debt settlement have not been comprehensively studied yet.

In this regard, we can evidence the demand for methodological developments in the field of settling the debts of entities in paying taxes and duties to the state budget aimed at replenishing the revenue part of the national budget system.

RESEARCH METHODOLOGY.

Various research methods such as scientific abstraction, grouping, comparison, retrospective and perspective analysis, as well as empirical analysis and other methods have been widely used in this research. In addition, carrying out a comparison by contrasting organizational and legal foundations of syndicated lending in the world practice and in developed countries with the current situation in our country has enabled to develop relevant conclusions.

Moreover, the methodology of budget planning has not reflected the issues of receiving and accounting of tax revenues in the form of debt collection.

Introduction and further application of foreign tax regulation and tax control methods should result in the improvement of the tax administration system in the Republic of Uzbekistan. By the case-study of the Russian Federation it is possible to notice, that execution of a tax obligation can be secured by a pledge of property, a surety, a bank guarantee, interest, a suspension of operations on bank accounts and imposition of arrest on the property of the taxpayer. Imposition of arrest on the property of the taxpayer as a security measure for executing a taxpayer's tax obligation upon his application may be replaced by the bank guarantee, the pledge and the third-party guarantee.

Under authority of the bank guarantee, the bank (guarantor) is obliged to the tax authorities to execute the taxpayer's obligation to pay taxes full and complete, if the latter does not pay the due amount of tax and associated penalties in due time. The advantages of tax agreements include transparency of the situation for the taxpayer and the guarantee of the absence of unforeseen tax risks.

The Tax Code of the Russian Federation (hereinafter referred to as the Tax Code) assigns the obligation to pay tax payments by both individuals and legal entities. According to paragraph 1 of Article 45 of the Tax Code of the Russian Federation, taxpayers must make transfers on their own, if the requirements of the tax legislation do not provide other requirements.

With the aim of ensuring a stable, timely and payment of taxes in full amount, Chapter 11 of the Tax Code of the Russian Federation sets out measures that are designed to influence taxpayers and encourage them to execute their obligations in good faith. Definitions of the concept under consideration are not provided in the statutory acts, however, based on the analysis of the list of measures and their essence, these definitions can be developed.

Execution of obligations is ensured by measures established by Chapter 11 of the Tax Code of the Russian Federation applied to taxpayers. These measures encourage taxpayers to accurately and timely transfer to the budget the duties established by law, as well as stipulate adverse unfavourable consequences when neglecting obligations. Security measures are envisaged by Articles 72–77 of the Tax Code of the Russian Federation. In this regard we will analyze each of them.

The application procedure of the pledge on property is disclosed in Article 73 of the Tax Code of the Russian Federation. Property becomes the subject of a pledge upon conclusion between the person subject to tax or another person of the corresponding agreement with the Federal Tax Service (hereinafter referred to as the FTS).

The Federal Tax Service acts as a pledge holder, and the one who concludes a tax contract with a taxpayer, that is, a taxpayer or a third party acts as a pledger. The contract cannot be oral, thus it is required to be concluded in a written form. Otherwise, it is admitted as invalid, that is, there are no legal consequences in the presence of oral agreements (Article 339 Civil Code of the Russian Federation).

A pledge is formalized if the parties have changed the deadline for paying taxes, according to the rules of clause 5 of article 61 of the Tax Code of the Russian Federation. Under authority of clause 7 of Article 73 of the Tax Code of the Russian Federation, the norms of the Civil Code of the Russian Federation are applied to legal relations on pledge taking into account the restrictions that are provided in the norms of the Tax Code of the Russian Federation.

If upon conclusion of the agreement, the obligation to pay duties by the taxpayer is not executed, the Federal Tax Service has the right to foreclose on property that is the subject to the pledge. In this case any property or property rights can be the subject.

The essence of the surety is that the warrantor is obligated to the Federal Tax Service to pay tax for the debtor if he did not execute the obligation or did not execute it in full amount. A surety is formalized only if the tax authority has decided to change the deadlines for executing the taxpayer's obligation to pay tax payments.

Despite the fact that Clause 1 of Article 74 of the Tax Code of the Russian Federation indicates that a surety can be issued in other cases provided for by law, not a single normative act setting up such cases has been adopted. To issue a surety, it is required to conclude an agreement with the Federal Tax Service. In order to undertake this measure, it is required to write consent to a surety and an application.

If upon the conclusion of the agreement the taxpayer does not make tax payments, the payment request is sent to the warrantor from the Federal Tax Service within 5 days. If the warrantor executes it, then he receives the right of claim against the taxpayer for the disbursement of these amounts.

Penalties are paid by the debtor if he has a tax debt. The accrual procedure is provided for by Article 75 of the Tax Code. Penalties must be paid for each day of delay in executing the obligation to transfer tax payments.

The possibility of imposition of the arrest on the property of a taxpayer is provided for by the provisions of Article 77 of the Tax Code. This represents the way to enforce decision on the tax collection. The ownership right of the debtor (compulsory for the entity) in relation to property is temporarily suspended, and it cannot be sold, presented as a gift, otherwise alienated. There are two reasons for arrest imposition: 1) it is imposed if the entity has not paid the tax on time; 2) the measure is applied only when the tax authorities have the information about the possibility for the debtor to undertake measures to conceal property.

If the deadlines for executing the obligation to pay tax (based on the decision of the tax authority) are amended, then the obligation can be secured by a bank guarantee (Clause 1 of Article 74.1 of the Tax Code). The guarantor (a bank) is obligated to the Federal Tax Service to pay taxes and penalties for the taxpayer upon receiving the corresponding request from the tax authority within 5 days. The list of guarantors is maintained by the Ministry of Finance of the Russian Federation. The list of credit organizations that may act as guarantors is available on the website of this government agency.

Thus, Chapter 11 of the Tax Code of the Russian Federation determines a list of ways to ensure the obligation to pay taxes. The measures mentioned above, encourage taxpayers to pay refunds established by tax legislation in favor of the government.

Denmark practices the system of paying taxes through a special company for example, PBS Company, which has access to all accounts in Danish banks which makes tax payments for those taxpayers with whom they have entered into relevant agreements. In order to accurately transfer tax payments by banks

by an agreement concluded by the Danish Ministry of Taxation with the Association of Danish Banks in due time, in case of delay in transferring tax amounts, a penalty of 3% of the amount of tax withheld or sent is not applicable.

Thus, the tax norms fixed in law of Denmark are favorable and are aimed at protecting the interests of taxpayers, enabling them to rely on their appropriate behavior - to timely and fully execute their obligations to pay taxes. (Abdurakhmanov O.K. 2005).

ANALYSIS AND RESULTS.

Such research methods as qualitative analytical methods, expert assessment methods, scientific review, abstract-logical thinking, comparative analysis, as well as methods of induction and deduction have been widely used.

The statistical data obtained from the Ministry of Finance of the Republic of Uzbekistan, the State Committee for Statistics of the Republic of Uzbekistan, and the State Tax Committee of the Republic of Uzbekistan has been used in this research. In addition, the author used secondary sources of information in this scientific paper.

Despite the tendencies of the tax debt reduction in relation to revenues observed in Uzbekistan in recent years (from 18,6% in 2014, 18,2% in 2015, 19% in 2016, 10,1% in 2017 and up to 6,1% in 2018), factors causing an increase in tax debt have not been completely eliminated (Figure 1).

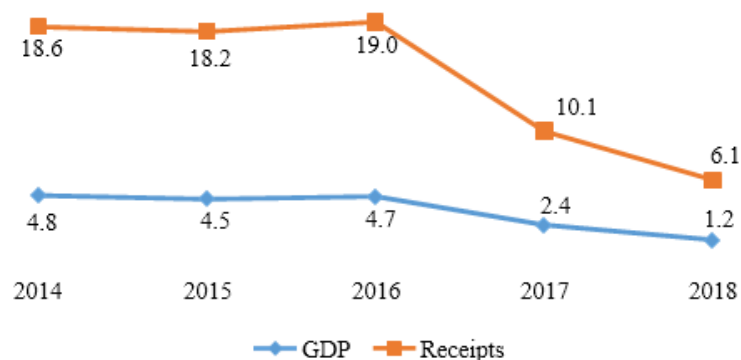


Figure № 1. The relation of the tax debt to GDP and to the receipt of taxes and duties in Uzbekistan, in per cent.

(DATA OF THE STATE TAX COMMITTEE AND THE MINISTRY OF ECONOMY AND INDUSTRY OF THE REPUBLIC OF UZBEKISTAN OVER 2014-2018)

To achieve this goal aimed at improving the mechanisms and techniques for settling the issues of tax debt of the entities, the following tasks are expected to be solved:

- reveal the essence, economic nature and causes of tax debt;
- develop a classification of tax debt settlement techniques;
- formulate a methodological approach to the settlement of tax debts of entities;
- develop scientific and practical recommendations aimed at improving the mechanisms and techniques for settling the issues of tax debt of the entities.

The share of compulsory tax debt in the overall volume of revenues to the budget and extra budgetary funds in 2018 decreased by almost 2,3 times compared to the previous period of 2014.

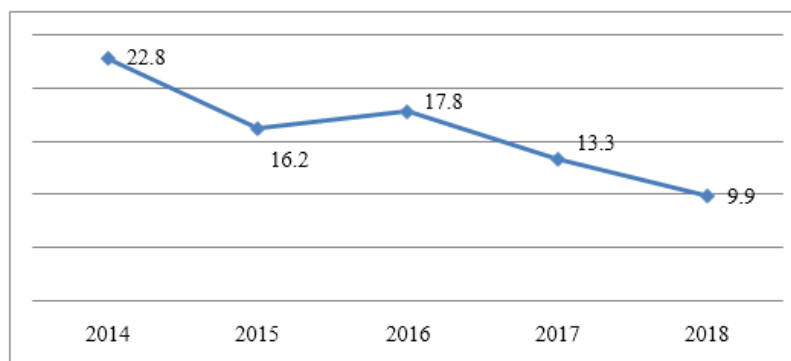


Figure № 2. The share of compulsory tax debt in the overall volume of the budget revenues in Uzbekistan.

(DATA OF THE STATE TAX COMMITTEE OF THE REPUBLIC OF UZBEKISTAN OVER 2014-2018)

For example, the share of the compulsory tax debt constituted 22,8 per cent in 2014 t, in 2015 it fell to 16,2 per cent, in 2016 it increased by 1,6 percentage points and amounted to 17,8 per cent, in 2017 it decreased by 5,5 percentage points and accounted for 13,3 percent, and in 2018 this indicator decreased significantly to 9,9 percent.

Indebtedness on taxes and other obligatory payments gradually increased (as it is illustrated in Figure 3), in particular, in 2014 - by 9,1% per cent in 2015 – 11 per cent, in 2016 – 20,2 per cent and in 2017 it decreased by 36,1 per cent and in 2018 - by 16,5 per cent compared to previous years.

Moreover, the application of procedures for writing off tax debts to a certain extent instigates taxpayers to apply various tax evasion schemes, deliberately delaying execution of tax obligations and encourages them to raise tax debt. Such practice eventually causes weakening competition and the loss of the benefits of fair execution of tax legislation.

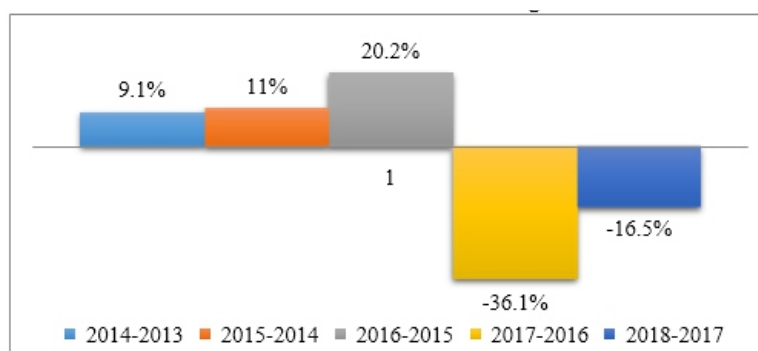


Figure № 3. Trends in changes of tax debts in Uzbekistan.

(DATA OF THE STATE TAX COMMITTEE OF THE REPUBLIC OF UZBEKISTAN OVER 2014-2018)

DISCUSSION.

In addition to the general economic reasons affecting the formation of tax debt, it is required to highlight specific reasons for the organizational and managerial nature of the actions of relevant tax authorities.

Specific factors promoting the growth of tax debt can be divided into three main groups:

- debt in the form of the amount of taxes accrued as a result of undertaking the measures for the tax surveillance;
- non-payment of current (advance) payments;
- indebtedness accepted in connection with a change of the taxpayer's place of registration.

CONCLUSION AND RECOMMENDATIONS.

The analysis of current trends in the process of reforming and modernization of tax administration systems in Uzbekistan necessitates the urgency to solve a number of issues in order to improve the efficiency of the tax administration system:

adding a new financial and security instrument - a bank guarantee, conditions for ensuring execution of obligations to pay taxes by a pledge, surety, imposition of arrest on property and foreclosure on property of a taxpayer-debtor - in the currently operating mechanism;

optimizing the amount of the penalty equal to one three centesimal of the refinancing rate of the Central Bank of the Republic of Uzbekistan at that time, since the revision of the amount of the tax penalty distorts the stimulating and compensatory functions of this method of security and provokes a further increase in tax debt from bona fide taxpayers;

in case of failure to execute or improper execution by the bank of the obligation to fulfill the order of the taxpayer or the collection order of the tax authority within the established period of time, relevant measures are undertaken to collect the amounts which have not been transferred. Such collection shall be made at the expense of the bank's funds according to the procedure similar to the procedure stipulated by law.

Thus, the variety of reasons for the tax debt formation requires an integrated approach to their elimination, including making amendments in the tax legislation. Herein, the government, applying mechanisms, can and should regulate the amount of tax debt in order to avoid negative consequences for the national economy.

In conclusion, it should be noted that the data on a significant amount of tax debt existing over the past years, both in the republic as a whole and by its individual regions indicate that the existing organizational and economic mechanism for collecting aggregate tax debt is not adequately effective.

REFERENCE:

1. Abdurakhmanov O.K. *Tax systems of foreign countries: industrialized countries, developing countries, tax "Oases"*. M.: 2005. "Paleotype". p. 84.
2. Aronov A., Kashin V. *Taxes and taxation M.*: 2007. "Magistr".
3. Gorsky I. *Taxes in the economic strategy of the state // "Finance"*. – M.: 2001., p.36-39.
4. Jalonkina I. "Modernization of the mechanisms for collecting tax debt in the Russian Federation", M.:2012. p.14.
5. Iminov O., Turaev Sh. *Issues of tax policy optimization//Ways to further raise the stimulation role of taxes in conditions of the economy modernization: Collection of materials of the Republican scientific-practical conference, Tashkent, 2014.*-p.42-44.
6. Matyushin A.V. *Legislation of foreign countries on improving the procedure for collecting tax debt. Tax and customs issues. Business in law* . M.: 2009. №1, p. 116-121.
7. Meshkov R.A. *Development of a mechanism for regulating tax indebtedness of entities. Abstract of the dissertation claiming for the degree of candidate of economic sciences.* –M.: 2008. -p. 51-52.
8. Niyazmetov I.M. (2016) *Improvement of the tax burden.* – Tashkent, 2016.
9. *Message of the President Shavkat Mirziyoyev to members of the Senate and deputies of the Legislative Chamber of the Oliy Majlis on the outcomes of the work accomplished in 2018 and the most important priorities of the socio-economic development of the Republic of Uzbekistan in 2019.*
10. *The data compiled by the author according to the information provided by the State Tax Committee and the Ministry of Economy of the Republic of Uzbekistan.*
11. Tangirkulov A, Homma A. *Reduction of debt from taxes and other compulsory payments; T.: 2010. "Yangi asr avlodi"*.
12. Tashpulatova D.Sh *Prospects of improving collection of tax debts on the basis of application of the experience of developed countries in Uzbekistan. Collection of materials of the Republican scientific-practical conference "Activation of attracting investments in the national economy" -T.: 2013. TFI, p.416.*
13. Toshmatov Sh., Norkuziyev I. *Tax debt and its collection; T.: 2010. "Yangi asr avlodi"*.
14. Shumyatsky R.I. *Settlement of tax debt of entities. Abstract of the dissertation claiming for the degree of candidate of economic sciences.* –M.: 2007. -p. 22-23.
15. *Tax Code of the Russian Federation Moscow, July 31, 1998 №. 146-F3 (The wording is provided as of January 1, 2016, as amended and supplemented by Federal Laws).*
16. *Civil Code of the Russian Federation Moscow, Kremlin, November 30, 1994 №. 51-FZ The wording is provided as of January 1, 2016, as amended and supplemented by Federal Laws).*

Performance Appraisal of Operational Efficiency in Regional Rural Banks

V. Reddy Lakshmi*, Prof. P. Mohan Reddy**

*Research Scholar, Department of Commerce, Sri Venkateswara University, Tirupathi.
Lakshmi.veluru@gmail.com

** Professor, Department of Commerce, Sri Venkateswara University, Tirupathi.

ABSTRACT

Development of the Country mainly depends on agricultural rural masses. To meet the agricultural needs of rural masses which are inadequate in condition the govt. decided to establish a poor man's bank (RRBs) for the purpose of mobilizing the deposits and disbursement of loans to the needy people. The present paper focused on the evaluation with respect to the operational performance of regional rural banks in India for a period of ten years. The study is mainly based on secondary data, which is assembled from the annual reports of NABARD and reports on trend and progress of banking in India. The indicators which are considered for the study are deposits, advances, investments, credit deposit ratio investment deposit ratio and percentage of advances in priority sector lending. The data were analysed through descriptive statistics and F-Test Two sample for Variances using EXCEL. The operational performance of regional rural banks has improved significantly during the study period.

Key Words: Deposits, Advances, Investments, Priority Sector Advances, Regional Rural Banks.

INTRODUCTION

Despite the urbanization in the World still, 75 per cent of the population lives rurally. Development of the Country mainly depends on agricultural rural masses. At first, Cooperative societies were established in rural areas to provide financial support to the agricultural requirements. Since then also the people living in rural areas are suffering from inadequate financial facilities. To fill this gap, the Govt. decided to establish a poor man's bank (RRBs) which supports financially. The working group is established by the government to work for setting up of regional rural banks in India. Based on the working group committee recommendations the government was issued "The Regional Rural Banks Ordinance, 1975" by the President of India on September 26, 1975, with an immediate effect. Later it was replaced with "Regional Rural Banks Act, 1976". The main objective of the RRB Act 1976 is to develop the rural economy by providing financial support to the development of agriculture, trade, commerce, industry and other productive activities in the rural area, credit and other facilities particularly to the small and marginal farmers, agricultural laborers, artisans and small entrepreneurs and for matter connected therewith and incidental thereto.

REVIEW OF LITERATURE

It is proposed to review the literature that exists in the field of bank finance for rural development. In this context, an effort has been made to survey the important studies having an impact on the present study. Literature is reviewed both from Books and Articles.

„N.B. Shete“ (1990) in his article entitled “Regional Rural Banks – An Analysis”, makes an attempt to describe the need and evolution of RRBs. He also stressed the performance of RRBs by giving more details about purpose wise advances made by the RRBs and also explained the recovery position of RRBs.

Review note brought out by Calcutta Regional Office of NABARD (1998), titled “Review of the working of the Regional Rural Banks”, and has provided the information about all India perspective of the RRBs and the performance of RRBs of West Bengal as on March 1987. It is observed that the annual losses of RRBs recorded a steep rise. A number of RRBs went for non- target group lending in a big way.

„Butt, N. and Thoratt, Y“ (2004) in their article “India’s Regional Rural Banks: The Institutional Dimension of Reforms”, stated the key success for reform process of Regional Rural Banks. They observed that political support for the reform process is a key determinant to the extent to which the Regional Rural Banks can be turned around. The reforms introduced since 1993 have not adequately addressed the incompatibility of the incentives, and provide recommendations for getting incentives right.

„Amarender Reddy“ A., (2006) in his article “Productivity Growth in Regional Rural Banks”, examines total factor productivity, technical and scale efficiency changes in regional rural banks by using the data from 192 banks for the period 1996 to 2002. He further says that rural banks showed significant economies of scale in terms of assets and number of branches under each bank. Banks located in economically developed areas have exhibited significantly higher productivity growth.

„Vasam Anand Kumar“ (2008) in his article “Case for De-amalgamation of Regional Rural Banks”, stated amalgamation could be a death blow to the credit-starved rural poor, most of whom are small and marginal farmers, agricultural and landless labourers, and artisans. Since the RRBs are established under a special act passed by the parliament, the decision to amalgamate all 196 RRBs at the national level needs to be ratified by the parliament.

„Syed Ibrahim“, M., (2010) in his article “Performance Evaluation of Regional Rural Banks in India”, made an attempt to analyze the performance of Regional Rural Banks during pre and post-merger periods. The study finds and concludes that the performance of rural banks in India has significantly improved after the amalgamation process which has been initiated by the Government of India.

„Suresh“, R., (2014) “Rural Banks of India and its Performance: An Empirical Study”, has found that the performance of the Regional Rural Banks in India since 1975 is good, even though the Regional

Rural Banks faced so many crises and competition with other banks. Initiative measures should be taken to give total coverage in districts located in India forming Regional Rural Banks.

OBJECTIVES OF THE STUDY:

The main objective of the study is to evaluate the growth of Regional Rural Banks of India. The specific objectives are given as:

- To examine the mobilization of deposits, advances and investments of RRBs in India;
- To study the operational efficiency of RRBs in India;
- To know the share of priority sector advances in total advances of RRBs in India.

Need for the Study

A majority of the studies have concentrated on the financial analysis of individual RRBs and comparison between two RRBs. But considerable studies have not been undertaken on performance appraisal of operational efficiency of Regional Rural Banks in India. Thus there is a need to evaluate the operational efficiency of RRBs in India. The present study is based on empirical analysis of “performance appraisal of operational efficiency in regional rural banks”. Deposits, advances, investments, advances to priority sectors have been undertaken to analyse the operational performance of RRBs in India.

The present paper focused on the evaluation with respect to the operational performance of regional rural banks in India.

RESEARCH METHODOLOGY

The present study is of empirical in nature and makes use of secondary data. The secondary data have been collected from the published and unpublished reports of the Reserve Bank of India, Bombay; National Bank for Agricultural and Rural Development [NABARD] Bombay. Journals and magazines concerning Banking, Finance and Rural Development were also referred to collect the secondary data. The study is confined to Regional Rural Banks operating in India from 2008-2009 to 2017-2018. To draw the meaningful results in the study the data were analysed through the use of simple tables, statistical tools like Descriptive Statistics; F- Test Two sample for Variances using EXCEL and SPSS.

Hypothesis

Ha0: There is no significant difference in performance between demand deposits and Time deposits of RRBs;

H_{a1}: There is a significant difference in performance between demand deposits and Time deposits of RRBs;

H_{b0}: There is no significant difference in performance between the Credit Deposit Ratio and the Investment Deposit Ratio;

H_{b1}: There is a significant difference in performance between the Credit Deposit Ratio and the Investment Deposit Ratio;

RESULTS AND DISCUSSION

1. Deposits of Regional Rural Banks

Deposits are the major sources to raise the funds by the Banks. The size of deposits largely decides the lending activity of the bank. Further, deposits serve as a cushion in absorbing the shocks of over dues enabling the bank to maintain an uninterrupted flow of credit. The total deposits consist of three types namely savings, current and term deposits. The savings and current deposits come under demand deposits and term deposits under time deposits.

Table 1 : Growth of Deposits in Regional Rural Banks (₹ in Billion)

Year	Total Deposits	Growth Rate (%)	Demand Deposits	Growth Rate (%)	Term Deposits	Growth Rate (%)
2008-09	1202	--	701	--	501	--
2009-10	1450	120.63	839	119.69	611	121.96
2010-11	1662	138.27	1003	143.08	659	131.54
2011-12	1863	154.99	1090	155.49	773	154.29
2012-13	2115	175.96	1203	171.61	912	182.04
2013-14	2395	199.25	1322	188.59	1073	214.17
2014-15	2730	227.12	1425	203.28	1305	260.48
2015-16	3135	260.82	1569	223.82	1566	312.57
2016-17	3719	309.4	1988	283.59	1731	345.51
2017-18	4005	333.19	2113	301.43	1892	377.64

Source: Compiled from the various reports of trend and progress of banking in India.

Table 1 discloses about the growth of type-wise deposits in the regional rural banks. The overall performance of the deposits is significantly increasing over the study period from 120.63 per cent in 2009 to 333.19 per cent in 2018. In the case of demand deposits, the growth rate raised drastically from 119.69 per cent to 301.43 per cent throughout the study period. Term deposits also increased significantly from 121.96 per cent in the year 2009 to 377.64 per cent in the year 2018.

An F-Test Two-Sample for Variances was used to determine the relevance in the significant growth rate of both demand deposits and term deposits of the regional rural banks in India.

Table 2 : Result of F-Test Two-Sample for variances of Demand Deposits and Time Deposits

	Demand Deposits	Time Deposits
Mean	1325.3	1102.3
Variance	214380.2	246662
Observations	10	10
Df	9	9
F	0.869125	
P(F<=f) one-tail	0.418955	
F Critical one-tail	0.314575	

Table 2 exhibits that, the F Test Two-Sample for Variances of Demand deposits and Time Deposits. It is clear from Table 2 that, the calculated F value (0.869125) of both demand and term deposits is greater than the critical value of F (0.314575). It indicates there is a significant difference in the performance of demand and time deposits of regional rural banks. Hence, the null hypothesis is rejected.

2. Advances and Investments of Regional Rural Banks

The banking institutions are the custodians of public savings and powerful instruments to provide credit. The investments of regional rural banks are the window of deployment of funds. The advances are given from the deposits mobilized by the regional rural banks. Investments include investment in government securities and other approved securities. Table 3 exhibits the advances and investments made by regional rural banks over the period of time and their growth rate.

Table 3 : Advances & Recovery of Regional Rural Banks (₹ in Billion)

Year	Advances	Growth Rate (%)	Investments	Growth Rate (%)
2008-09	678	--	380	--
2009-10	836	123.3	473	124.47
2010-11	989	145.87	542	142.63
2011-12	1164	171.68	602	158.42
2012-13	1397	206.05	630	165.79
2013-14	1593	234.96	719	189.21
2014-15	1810	266.96	1628	428.42
2015-16	2065	304.57	1696	446.32
2016-17	2262	333.63	2110	555.23
2017-18	2527	372.71	2210	581.58

Source: Compiled from the annual reports of NABARD.

From table 3, it was found that the advances of regional rural banks have increased from 123.30 per cent in the year 2009 to 372.71 per cent in the year 2018, which is 3.02 times. In case of investments it has significantly increased up to 2014 with a growth rate of 189.21 per cent, in 2015 it has doubled compared to the previous year and ultimately reached to a growth rate of 581.58 per cent.

3. Credit-Deposit Ratio and Investment Deposit Ratio

The credit-deposit ratio states the relationship between advances and deposits. Investment- Deposit Ratio is computed by investments divided by the total deposits of the bank.

Table 4 : Credit Deposit Ratio and Investment Deposit Ratio

Year	Credit	Deposits	Credit Deposit Ratio (%)
2008-09	678	1202	56.41
2009-10	836	1450	57.66
2010-11	989	1662	59.51
2011-12	1164	1863	62.48
2012-13	1397	2115	66.05
2013-14	1593	2395	66.51
2014-15	1810	2730	66.3
2015-16	2065	3135	65.87
2016-17	2262	3719	60.82
2017-18	2527	4005	63.1

Source: Compiled from the annual reports of NABARD.

Table 4 portrays the credit-deposit ratio is in increasing trend in the initial years from 2009 to 2014 but later it has decreased and reached to 63.10 per cent

Table 5 Investment Deposit Ratio

Year	Investment	Deposit	Investment Deposit Ratio (%)
2008-09	380	1202	31.61
2009-10	473	1450	32.62
2010-11	542	1662	32.61
2011-12	602	1863	32.31
2012-13	630	2115	29.79
2013-14	719	2395	30.02
2014-15	1628	2730	59.63
2015-16	1696	3135	54.1
2016-17	2112	3719	56.74
2017-18	2210	4005	55.18

Source: Compiled from the various reports of trend and progress of banking in India.

From table 5 the highest investment deposit ratio is noticed during the year 2015 with 59.63 per cent and with the fluctuations, it has reached to 55.18 per cent during 2018.

An F-Test Two-Sample for Variances was performed to determine whether the Credit-deposit Ratio of the regional rural banks significantly differs from the Investment-Deposit Ratio of the regional rural banks in India.

Table 6 Result of F-Test Two-Sample for Variances of Credit Deposit Ratio and the Investment Deposit Ratio

	Credit-Deposit Ratio	Investment-Deposit Ratio
Mean	62.47017	41.46169
Variance	14.13883	168.4201
Observations	10	10
Df	9	9
F	0.08395	
P(F<=f) one-tail	0.000528	
F Critical one-tail	0.314575	

Table 6 provides the F-Test Two-Sample for Variances result of credit-deposit ratio and investment-deposits ratio. From the analysis, of F-value (0.08395) is smaller than the critical value of F (0.314575) that leads to the conclusion that H₀ is accepted; hence there is no significant difference between the credit-deposit ratio and the investment-deposit ratio of the regional rural banks.

4. The share of Regional Rural Banks in the Priority Sector Lending

The priority sector includes the agriculture and allied activities, self-help groups, small scale industries and another priority sector. Guidelines were prescribed by the reserve bank of India to the banks in India regarding the priority sector advances. Table 7 evaluates the advances to priority sectors in the total advances of regional rural banks.

Table 7 Role of Regional Rural Banks in the Priority Sector Lending (₹ in Billion)

Year	Total advances	Advances to priority sector	% of advances to Priority sector in total advances (%)
2008-09	678	566	83.48
2009-10	836	687	82.18
2010-11	989	826	83.52
2011-12	1164	955	82.04
2012-13	1397	1118	80.03
2013-14	1593	1302	81.73
2014-15	1810	1494	82.54
2015-16	2065	1779	86.15
2016-17	2262	2033	89.88
2017-18	2527	2285	90.42

Source: Compiled from the various reports of trend and progress of banking in India.

Table 7, manifests the advances to priority sectors have an increasing trend over the period. It was ₹ 566 billion in the year 2009 and it became ₹ 2285 billion in the year 2018. The share of priority sector advances in total advances of regional rural banks fluctuated in the initial years of study up to 2013 later it increased progressively and reached to 90.42 per cent in 2018.

FINDINGS AND SUGGESTIONS

- Incredible growth was noticed in the deposits mobilised by RRBs in India.
- The funds mobilized through various sources were also properly utilized for the purpose of issuing loans and advances.
- The credit-deposit ratio has increased over the study period. Still, there is a need to improve in the credit-deposit ratio.
- There is an upsurge in the investment deposit ratio.
- The share of priority sector advances of regional rural banks was also high during the study period.

CONCLUSION

Depending on the context and applications, the term performance may have different connotations. Keeping into consideration the varied activities being performed by rural regional banks, any appraisal of their performance may become meaningful with its underlying objectives. In the present study, the performance of Regional Rural Banks, an attempt has been made in terms of certain defined, parameters, like growth pattern of RRBs, the credit distribution of RRBs, the investment of RRBs, and the advances share of RRBs in priority sector. Obviously, there is progress in the operational performance of Regional Rural Banks in India in the study period.

REFERENCES

1. RBI, *The regional rural banks, ordinance, 1975*
2. Singh, R.K.P., "Profitability of Regional Rural Banks in Bihar", *The Journal of Indian Institute of Bankers*, April-June, 1983.
3. Shete, N.B., "Regional Rural Banks- An Analysis", *Banking Finance*, Vol.3, No.4, April 1990.
4. Review note Brought out by Calcutta Regional Office of NABARD, *Review of the Working of the Regional Rural Banks*, *Banking Finance*, Vol. XI, No.11, Nov.1998.
5. Butt, N and Thorat, Y., "Indias's Regional Rural Banks : The Institutional Dimension of Reforms", *National Bank News Review, NBARD*, Vol.20, No.2&3, April-September 2004.
6. Amarender Reddy., "Productivity Growth in Regional Rural Banks", *Economic and Political Weekly*, March 18, 2006 (1079)
7. Vasam Anand Kumar., "Case for De-Amalgamation of Regional Rural Banks", *Economic and Political Weekly*, October 18, 2008, pp 60-68.
8. Syed Ibrahim, M., "Performance Evaluation of Regional Rural Banks in India", *International Business Research*, October 2010, Vol.3, No.4, pp 203-211.
9. Suresh, R., "Rural Banks of India and its Performance: An Empirical Study", *International Journal of Academic Research*, December 2014, Vol.1, pp 27-36.
10. *Report of the Khurso Committee to review the Agricultural Credit System in India*, RBI Publications, Mumbai.
11. *Various Annual Reports of NABARD*
12. *Various reports on trend and progress of banking in India.*

Current Peculiarities of Reforms of Accounting at Farm Entities

Temirov Furkat Tursoatovich
senior lecturer of “Accounting” department
of the TSUE

ABSTRACT

This article is devoted to the consideration of issues of arranging accounting and the opportunities to enhance the role of accounting in farm entities.

Keywords: income, expenses, accounting and taxable profits, accounting standards, accounting policies, states, business entities.

INTRODUCTION.

With the aim creating and ensuring further liberalization of our economy, improving its legal framework, providing modernization and diversification of the production a number of legislative and statutory acts and well thought-out programs have been adopted and are being consistently implemented in our country. In particular, in this regard, the role of farm entities in the development and stabilization of the national economy, as well as their share in GDP is constantly increasing over the years. To achieve the aim of further development of the performance of the farm entities, on October 9, 2017 there was adopted the Resolution of the President of the Republic of Uzbekistan PR-5199 (Resolution, 2017).

This Resolution emphasized such drawbacks in the performance of the farm entities as the fact that the activity of the majority of farms is just limited by raising agricultural crops; inadequate use of facilities used for processing, storage, sale of finished products and rendering services in this area; need for enhancing knowledge and skills of farmers and dehqan entities on cultivation of agricultural products; as well as the fact that the system of providing the farm entities with the necessary information, rendering relevant services and labour relations established within the farm entities do not meet the current requirements.

It should be noted that comprehensive, objective, in duly provided information is required to comprehensively evaluate the activities of agricultural entities and their management which, in turn, will result in the efficient development of the agriculture - an important primary industry of the economy of Uzbekistan. The results of researches and business practice have revealed the advantages of farm entity, which is one of legal forms of activity in agriculture. The farm is referred to a small business entity which the most important feature is to promote the development of peculiarities of the

rural population to entrepreneurship if it is difficult for this population to participate in the activities of a large agricultural entity.

LITERATURE REVIEW.

It should be noted that often in the economic literature the theory of entrepreneurship is determined as similar with the management theory. All of the statements specified above indicate that the current priority of economic science is to create a theory of entrepreneurial activity. Currently throughout the world there is no universally accepted definition of entrepreneurial activity due to the differences in the positions of the authors, as well as an unequal level and nature of the research developments.

The American educational and scientific literature provides many definitions that specify entrepreneurship and an entrepreneur from economic, political, psychological, managerial and other points of view.

An American scientist, Professor Robert Hirsch (Hirsch and Peters 1992), defines entrepreneurship as the process of creating something new that has a certain value, and an entrepreneur as a person who spends all the necessary time and effort on it, undertakes all the financial, psychological and social risk, receiving money as a reward and satisfaction with the result.

An English professor Alan Hosking (Hosking, 1993) believes that an individual entrepreneur is a person who runs business at his own expense, as well as who is personally involved in managing the business. In addition, he is solely responsible for providing the funds required, and can make decisions on the independent basis. His reward is the profit gained as a result of entrepreneurial activity and the sense of satisfaction that he experiences from running his own business. However, along with this, he must assume the entire risk of losses in the event of bankruptcy of the enterprise.

As noted by D.O. Grubenkova, the concept of “entrepreneur” as a scientific term appeared in the scientific papers of the famous English economist of early VIII century, Richard Cantillon (Grubenkova, 2016). He developed the first concept of entrepreneurship, and in addition, by an entrepreneur he implies a person acting at his risk.

A Frenchman C. Bodo (Bodo K, 1997) conducted a more comprehensive research than R. Cantillon. According to his opinion, an entrepreneur must have certain degree of intelligence, that is, various types of information and knowledge. Another French economist Turgot believed that an entrepreneur should possess not only certain information, but capital as well. He noted that capital constitutes the basis of the

entire economy, and profit, which is the goal of the entrepreneur's success, constitutes the basis for the production development.

A. Marshall (Alfred Marshall, 1993) and his followers paid a particular attention to the organizational function of the entrepreneur highlighting entrepreneurial abilities and strongly believed that not everyone who wants to become an entrepreneur can be a true entrepreneur.

In our opinion, entrepreneurship can be defined as a special type of economic activity which is based on independent initiative, responsibility and innovative entrepreneurial idea.

ANALYSIS AND RESULTS.

Economic activity represents a form of participation of an individual in social production and a particular technique to obtain financial resources in order to ensure life-sustaining activity of himself and his family members. Such a form of participation of an individual in social production is represented by one functional public duty or their combination wherein he acts as:

- the owner of any objects, real estate, etc., which can bring him a steady and guaranteed income;
- an employee who sells his labour force;
- an individual manufacturer;
- a government or municipal employee;
- a manager;
- a pensioner;
- a pupil or student;
- an unemployed;
- a person engaged in defense and security activities;
- a person involved in economically illegal activity.

It should be noted that entrepreneurship is represented as a special type of economic activity, since its initial stage is normally associated only with the idea. The idea, being the result of mental activity, is further subsequently transformed into a material form.

Entrepreneurship is characterized by the compulsory presence of an innovative feature. Manufacturing of a new product, a change in the activity profile, establishment of a new company, a new system for managing production, quality, introduction of new methods of arranging production or new technologies are considered as an innovative feature.

In our opinion, in terms of the relationship between an entrepreneur and a consumer, an entrepreneur belongs to the category of an active subject, and a consumer is primarily characterized by a passive role. Everything that constitutes the subject of the entrepreneur's activity has the right to be sold only in case of a positive expert assessment of the consumer. Such an assessment is made by a consumer and is represented in the form of the willingness of the latter to purchase a particular product. Moreover, an entrepreneur while planning and arranging his activities, cannot neglect the interests of the consumer.

In order to improve accounting, it is necessary to precisely determine the indicators of accounting information required for conducting the analysis of the activities of entrepreneurial structures, and in what records they should be reflected, how it is advisable to reflect the costs and income of rural entrepreneurs in the accounting system, and determine the cost of their products, allocate and distribute financial outcomes.

Significance of accounting the industry specifics, need to quickly respond to constantly changing conditions for the functioning of the farm entities determined by the environment of the commodity and money markets and micro environment factors justify the importance of generating relevant information and conducting an analysis of economic activity on the basis of a single accounting and analytical support which constitutes the basis for adopting tactical and strategic management decisions. Furthermore, accounting and analytical support of the activities of the farm entity implies a set of processes for collecting, registering, summarizing the farm's accounting information, depending on the legislatively established or selected accounting system for a certain production cycle and comprehensive analysis with the application of certain methods and techniques based on this information. Accounting and analytical support of the farm entity enables to efficiently implement the basic management functions, interconnected elements (stages, blocks of operations) of a single process - accounting and reporting, control and regulation, analysis and planning. Herewith, accounting is the most important source of information for various management entities that use it with other data, process and make adequate management decisions that are appropriate to the current economic situation.

Similarly to the division of accounting into financial accounting and management accounting in the scientific and methodological literary sources, it is possible to distinguish two types of analysis: external and internal. The need for management analysis is necessitated, first of all, by the shortcomings of financial analysis and in this regard of the most significant of these shortcomings is its retrospective nature. Depending on the goal pursued, management can be divided into operational, tactical and strategic, and its main task in modern business is to provide the conditions required for the

development and adoption of operational, tactical (short-term) and strategic (long-term) management decisions. We have systematized the types and directions of tactical management analysis and their purpose. The object of accounting in the farm entity is economic and financial activity consisting of business processes: a) the process of procuring material assets; b) the process of selling finished products (Figure 1).

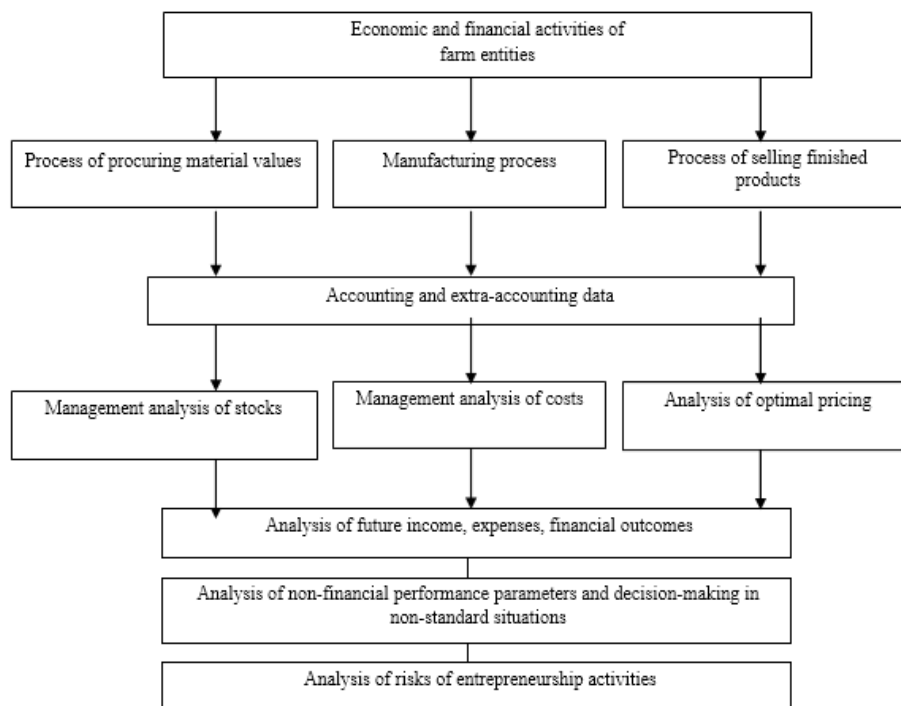


Figure 1. Algorithmic accounting and analytical support of business processes at farm entities

The following analysis methods can be recommended as a tool for managing the procurement process in the farm entity: to optimize the level of current stocks - the EOQ- model, which enables to optimize the proportions between two groups of costs - delivery costs, including transportation and acceptance, and storage costs; to control the movement of stocks ABC - analysis of stocks and suppliers and XYZ analysis, in which stocks are distributed in compliance with the structure of their consumption.

In addition to material costs, activities of farms are associated with the implementation of labour, intangible and financial resources in the production process. In order to control the production process, it is necessary to analyze costs, estimate them and monitor their behavior, as well as classify the costs into variable costs and fixed costs. In business practice, this approach is rarely used at present time, but farm accountants need to familiarize themselves with the basics of management accounting in order to assess its advantages in the area of additional analytical capabilities.

Under current conditions, the most interesting areas of tactical analysis are presented in Table 1.

Table 1. Systematization of types and areas of tactical managerial analysis at the farm entity and their significance

Types of tactical management analysis	Directions of use	Aims of the analysis	Tasks to be solved
Management analysis of stocks	Management of stocks	Reducing costs of maintaining (storage) of stocks and their replenishment	Determining at what cost and in what amount to generate production stocks
Management analysis of costs	Management of costs	Determining opportunities to reduce production costs	Determining the impact of factors on the change in the production cost
Analysis of optimal pricing	Management of sales	Determining efficiency of applying various methods to fix the price	Determining at what prices and in what amount to sell the products
Analysis of future income, expenses and financial outcomes	Management of income and expenses	Determining a break- even level of business activity, i.e. critical point	Determining what volumes of sales will ensure break-even performance
Analysis of non-financial performance parameters and decision-making in non-standard situations	Management of the performance of the certain business segments	Choosing the best option from a number of alternative situations	Determining which type of product to manufacture and which type to withdraw from manufacturing; produce by at the local site or procure from outside; whether to launch manufacturing of a new type of product; whether to replace old equipment with the new one.
Analysis of performance risks	Risk management	Minimizing the risks of future activities	Determining what will happen if ...; how changes in certain business conditions reduce the performance risks.

In order to solve these problems, a form of the Book for accounting costs and output of farm products has been developed. This book is focused on applications in the farm in order to generate relevant information on the costs of producing one type of product, which serves as the basis for a management analysis, which distinctive feature is the ability to classify costs in relation to the volume of production and their formation in terms of variable material, other variable and fixed costs within the framework of one production cycle which will enable farm entities to prepare information for holding both tactical (short-term) and strategic (long-term) management analysis.

The identification of the factors of the economic activities of a farm is determined by the need to establish the time point for registering an economic (business) transaction.

Monetary evaluation, as a rule, is accomplished in compliance with primary documents confirming the facts of the economic activities. Calculation is considered to be a type of the monetary evaluation. Calculation enables to make calculations of the cost of production, activities, works of uncompleted production according to the accounting data. It should be noted that not only identification by time and evaluation is executed at the level of factors of economic activities in accounting, but also the reflection of data on economic processes in the accounts. The adequacy of reflection depends on the accurate

recognition of the essence of each fact of the farm entities' activity and the consequences of its impact on the financial outcomes of the performance.

At the farm entities the sales process involves the totality of facts of economic activities and business transactions related to the sale of finished products, collection of receivables, calculation of the costs of financial and household activities, supervision over the volume, range and profitability of products, cash and non-cash receipts from sales.

The sales process is considered to be an object of accounting and it is closely related to the “profit” category. In the managerial activity of a farm producing agricultural products, it is necessary to sort out a cycle of logically interconnected actions caused by the tasks of managing the sale of products and the formation of results (generating profit) (Figure 2).

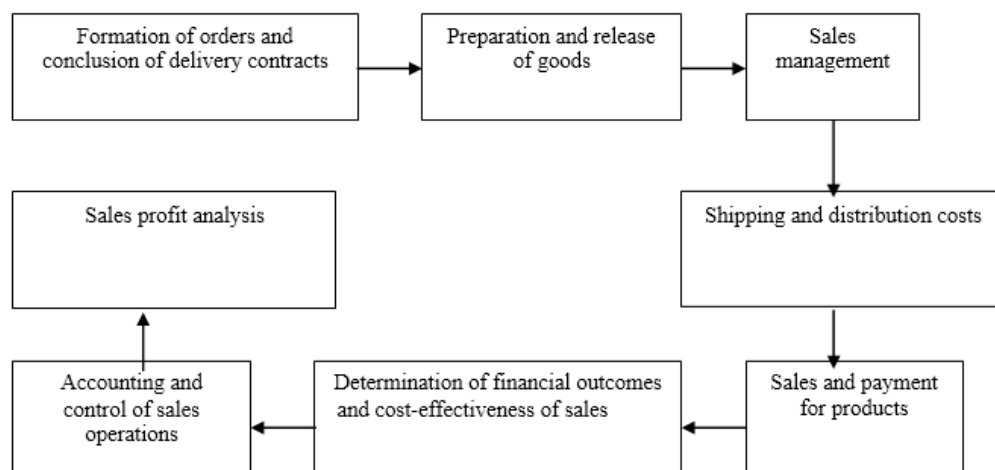


Figure 2. The structure and procedure of the cycle of sale and gaining profit

The amounts of profits in farm entities should comply with the requirements of the market economy, and it, in turn, can encourage not only support in the market where the created products (works, services) are sold. Due to the proceeds received, they reimburse expenses and generate profit. Success in the market is the result of a comprehensive multifaceted activity which is characterized by innovations that also ensure gaining high profit.

It should be noted that nowadays it is crucially important for the farm entities to develop preventive measures that can protect them from various kinds of accidents and reduce the degree of risk. The most efficient way to reduce entrepreneurial risks is to insure certain events with specialized insurance agencies. Moreover, voluntary insurance payments are made from the net profit of the farm entities and therefore have a significant impact on their financial conditions. Evaluation of risk management results is implemented in the process of analysis of both internal and external factors affecting business results.

Nowadays not only the efforts of the team-spirited workforce can make an impact on the amount of profit. In this regard a particular attention is paid to the ability of farmers and to skillfully use the possibilities of regulation of accounting procedures demonstrated in existing statutory acts. The regulatory procedures include the following:

- applied techniques of depreciation of long-term assets (fixed assets, intangible assets); costs.
 - criteria for referring objects of accounting supervision as fixed assets;
 - procedure for assessing contributions of participants in the charter capital;
 - the choice of the method of production stocks assessment;
 - the procedure for creating valuation reserves;
 - the procedure for referring certain types of costs to the period expenses;
 - the composition and methods of distributing overheads (indirectly distributed)
- These areas indicate the need to master such concepts as income and expenses, accounting and taxable profit, accounting standards, accounting policies of the government and economic entity (agency). In financial accounting, profit can be calculated, firstly, as the difference between the proceeds from the sale of products (works, services) and their full cost which is traditional for agricultural enterprises. Secondly, profit is calculated as the difference between the proceeds from the sale of products, their productive cost and conditionally fixed costs and in both cases the financial result is represented by the difference from comparing the amounts of income and expenses of the entity (Figure 3).

The excess of income over expenses implies the enlargement of the farm's property, i.e. making profit, and vice versa, the excess of expenses over income implies incurring loss. Thus, the financial outcome obtained by the farm entity for the reporting period in the form of profit or loss, respectively, results in the increase or decrease in the capital of the farm entity. The form of the cost sheet that meets the requirements of management accounting enables to classify costs in relation to the production volume.

When reflecting indicators in accounting registers, it may be complicated to attribute a certain type of costs to either fixed costs or variable costs and the composition and content of cost items are closely interconnected with this fact. The division of costs only into variable and fixed is relatively conventional since the majority of the costs are conditionally fixed and conditionally variable, that is, they contain both a fixed and a variable component and are considered to be mixed costs (semi-fixed and semi-variable). As a result, in this regard there is problem of separating fixed and variable parts from mixed costs which can cause particular difficulties. For calculations to determine the fixed and variable component in mixed costs it is proposed to use the “mini-maxi method”. The considered approach, providing comprehensive information on variable and fixed costs, will enable to perform a short-term management analysis of optimal pricing.

The main directions of improving the accounting and analytical support of farm entities are based on the formation of the strategic policy of the farm as a comprehensive detailed plan for achieving its goals based on various areas of strategic management analysis. Properly conducted strategic analysis will facilitate risks avoidance and implementation of risk-free investment projects. In terms of preparation for the investment calculations, we have revealed the value of the investment activity analysis, classified the methods of investment activity analysis, systematized the similarities and differences of strategic and dynamic methods for evaluating investment projects, as well as studied peculiarities of statistical methods for evaluating investment projects (Table 2).

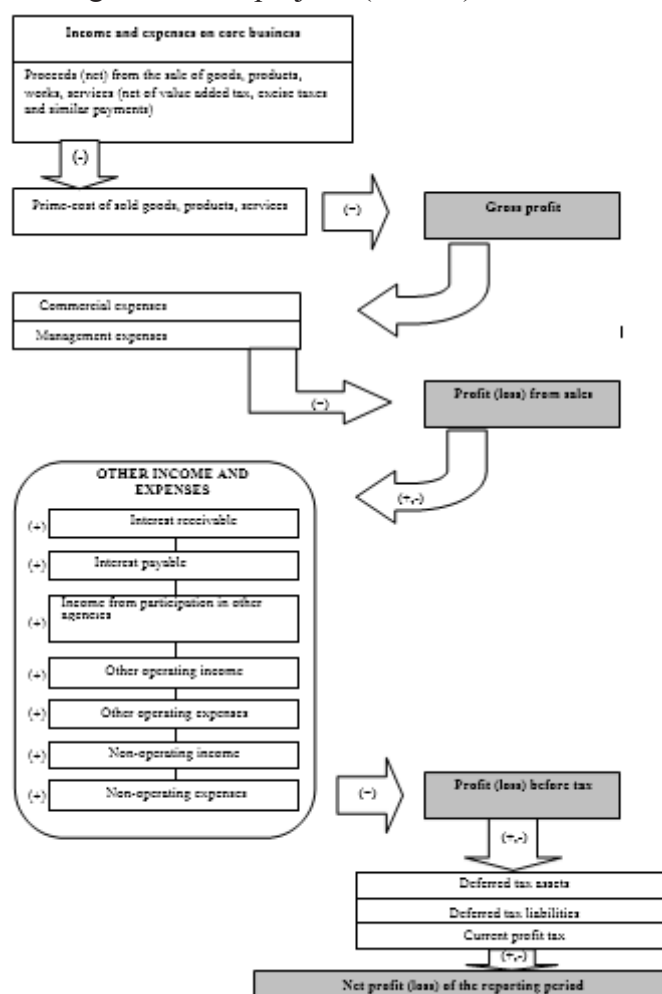


Figure 3. Profit generation in the accounting system of farms

Table 2. Peculiarities of statistical methods for evaluating investment projects

Characteristics	Cost comparison method	Profit comparison method	Cost effectiveness calculation method	Payback period calculation method
Conditions of implementation	In case of the same quality parameters of investment objects	In case of the different quality parameters of investment objects	In case of different investment objects in terms of the amount of investment capital and average profit received	In case ranking alternative of investments
The basis of the method	Cost accounting	Cost comparison method	Profit comparison method	Cash flow
Categories taken into accounting	Average costs	Average costs, revenue from sales and Profits	Average profit for the period and average invested capital	Depreciation

Profitability criterion	Average costs for the period (overall or per unit of production)	Average profit for the period	Return on investment project	Investment object payback period
Purpose of the method	Cost minimization	Profit maximization	Profitability maximization	Payback period optimization
Investment preference	Least cost effective	Bringing maximum Profit	Most profitable	Shorter payback period
Disadvantage of the method	Reveal relative profitability of the investment project		Very high levels of profitability can cause wrong decision-making	Does not take into account the impact of income of recent periods

CONCLUSION.

In conclusion it should be noted that to ensure efficient development of accounting and analytical support for farming activities it is necessary to undertake the following measures: use the technique of developing accounting and analytical support for the farm entities; implement developed Books on cost accounting and farms' output; apply the technique of using the concept of relevant costs to solve various problems in farm entities; introduce methodological approaches to the analysis of non-financial parameters and risks of farm activities when making decisions in non-standard situations; use methodological approaches and recommendations for conducting strategic investment analysis in farm entities.

REFERENCE

1. Law (2016). *Law of the Republic of Uzbekistan «On accounting» in new wording as of April.*
2. Resolution (2017). *Resolution of the President of the Republic of Uzbekistan № 5199 “On organizational measures for further development of activities of farm entities, dehqan farms and owners of private lands” as of October.*
3. Decree (2017). *Decree of the President of the Republic of Uzbekistan №4947 “On Action Strategy for further development of the Republic of Uzbekistan” as of February 7.*
4. Lisovich G.M (2013). *Financial accounting in the agriculture: Textbook/ G.M. Lisovich. - M.: Textbook for higher educational institutions, NITSINFRA -M.*
5. Lisovich G.M (2013). *Financial (management) accounting in the agriculture: Teaching aid / G.M. Lisovich, I.S.Shutova. – M.: Textbook for higher educational institutions, NITSINFRA -M.*
6. Hizrich R., Peters M (1992). *Entrepreneurship, or How to Start Your Own Business and Succeed: Issue. I. Entrepreneur and entrepreneurship: Translated from English /Edited by: V.S. Zagashvili. - M.: Progress.*
7. Hosking Alan (1993). *Course of entrepreneurship. International relations.*
8. Grubenkova D.O (2016). *Entrepreneurship in the theory of r. Cantillon, marx, weblin, and schumper-ter: comparative analysis // International Student Scientific Bulletin.*
9. Bodo K (1997). *“Around the World”. Heroics and sports.*
10. Alfred Marshall (1993) *Principles of economic science. “Progress”.*

The Accounting and Taxation Aspect of Christian Education Foundation Having Business Unit in Manado, Tomohon, and Bitung

Alfian Maase*, Oswald Tumilaar, Yuli Rawun*****

*STIE Eben Haezar Manado Jl.

Diponegor No. 4 Manado

ABSTRACT

There were many educational foundations in North Sulawesi, either they belonged to the government or they belonged to the private sector. For sure, the educational foundations owned by the government had some standard rules in every administration things and their responsibility report. However, we had to compare them to the educational foundations owned by the private sector, because there must have been a bit differences. In accordance with this thing, the writer took a decision that the purpose of this research was to increase the human resources, especially the role of the housewives in increasing the income and to give an understanding in making a simple finance report for the household. The purpose of this research was to see whether the accounting and taxation aspect of christian education foundations having business unit had been appropriate with the financial accounting standard. This research was done with the comparative descriptive analysis by elaborating the existed research results and comparing them to the relevant accounting standard and the valid taxation rules. In fact, the implementation of the accounting and taxation aspect of christian education foundation having business unit in Manado, Tomohon, and Bitung had not fully followed the accounting principles which were generally accepted, and the valid taxation rules. There were the implementations of accounting aspects which had been applied from the operational level, in this case school and university. But there was also the implementation in the foundation only. For the implementation of taxation aspect done at the foundation level was because the school and the university did not have the Taxpayer Registration Number (NPWP). The Taxpayer Registration Number (NPWP) used as a media in applying the taxation obligation was the Taxpayer Registration Number (NPWP) belonged to the foundation.

Keywords: *The Accounting Aspect; The Taxation Aspect;*

1. INTRODUCTION

The development in a region can not be seen physically such as the constructions of the skyscrapers and the road access facilities which are getting better, but we need to know that the development actually also involves the education. Education is the most important thing in the advancement of a region. There will be no good human resources without a good education. North Sulawesi has so many educational foundations, either they belong to the government or private sector. For sure, they owned by the government have some standard rules in every administration things and their responsibility report. But we also need to see the educational foundations owned by the private sector, because there must be some differences with the government-owned educational foundations. To make a good quality education, they need a high cost and the government can not effort it like what they do to the state-owned schools in which all the cost are on them. The educational foundation is a non-profit oriented organization, and as one of the non-profit oriented organizations, it is unique as what we often see in our

daily lives in which it is run not to get an advantage for itself. Non-profit organization is a foundation or a collection of some individualists having a certain objective and working together to get it, and the implementation is not about its own wealth (Nainggolan, 2005).

The source of funding from the society educational foundation is not just from the donation done traditionally and does not hope any reward in the following days (Mulyani A. Nurhadi, 2005), such as :

1. Donating a land to build an educational building and the other educational facilities.
2. Building schools, helping the renovation and its maintenance.
3. Giving a help for the educational equipments like computer and so on.
4. Giving fund to pay the teachers and employees's salary.

And the tuition is taken from the students according to their capability, even there are students who get a free tuition because of their uncapability to pay it (This thing usually happens to the schools under the auspices of religious foundations). It forces the educational foundations to look for an alternative way for the cost (including christian education foundation) in order to survive and be able to still give a contribution to the national education implementaion.

The funding alternative which is often used is by opening business units like the sale of school's uniform, tools, bus service, dormitory, and even rent the school's area as a foundation cooperation (including as a business area).

There are many educational foundations in North Sulawesi which have been able to compete in educational quality, human resources quality, and the other things. Of course these educational foundations have different administrations with the government-owned educational foundations, there is something different between them both in accounting and taxation aspects. Moreover there are business factors in private-owned educational foundations.

Basically, the valid taxation certainty in this state gives a clear definition about what is called entity tax subject, includes non-profit organization, for example a foundation. A taxation subjectivity does not place a foundation as a different entity with others. A basic definition is given back to the meant concept with the entity is a collection of people or capital. The foundation's characteristic belongs to its definition. Practically, based on the purpose, the entity generally can be grouped into a profit oriented and non-profit oriented foundation. But, there are some misunderstandings all this time. As a non-profit organization, the foundation is free from the tax, because its purposes are on social field, religion, or humanity purely for the public or social concerns.

To answer the problem, then it is needed to observe and compare the certainty of valid taxation law especially about the Income Tax (PPh), and Value Added Tax (PPn) to the implementation in the field.

A foundation is run by an administrator who is authorized and fully responsible of the activities, and the concerns of the foundation. The administrators have an authority in doing the everyday task to make sure that the purposes of the foundation can be realised according to the plan. They have a responsibility to the founder, in which he has a responsibility which must be endured by himself for every mistake that is not appropriate with the budget planning so that it can harm the foundation. This is called a vertical responsibility. Meanwhile, the horizontal responsibility is to the society, donator, and the government. Responsibility is a great issue for a foundation because it is related to its credibility in the society.

Based on the background, the writer takes a title about The Accounting and Taxation Aspect of Christian Education Foundation Having Business Unit in Manado, Tomohon, and Bitung. This research has an objective to see how the implementation of the accounting and taxation's aspect in the christian educational foundation located in Manado, Tomohon, and Bitung.

2. RESEARCH METHOD

This research used qualitative method, it is comparative descriptive by elaborating the research result done at research object, in this case at christian educational foundation in Manado, Tomohon, and Bitung then compared it to the relevant accounting standards, and the related taxation rules, after that the writer took a conclusion.

The used data was a primary data which we got through an interview with the christian educational foundation as well as the related tax officer, and the secondary data which we could get from the available sources.

Those from the christian educational foundation made as the interview sampel were the chief of the foundation, director, principal, and the accounting and taxation staffs. The Tax Office (KPP) in this case was the representative account which became an additional informant.

Theoretical Foundation

Accounting Aspect

Important points (Constitution) No. 16 Year 2001, (Constitution) No. 28 Year 2004 about the foundation seen from accounting aspects are :

1. The foundation must arrange a yearly report at the latest 5 months after it is ended, containing at least the situation and activity report as well as the achieved achievement, and the financial report consisting of (Clause 49 Constitution No.21 Year 2001) :

- a. Financial position report
- b. Activity report
- c. Cash current report
- d. The note of financial report

2. The summary of foundation yearly report is announced at announcement board at foundation office

3. If the foundation gets a help from the state, foreign, or the others more or less 500 million, or the wealth of the foundation is about 20 billion, then :

- a. The summary of foundation yearly report must be announced on the newspapers
- b. The financial report of the foundation must be edited by a public accountant. The edit result is delivered to the founder, and the minister of justice and human rights
- c. The shape is arranged according to the accounting finance standard. In welcoming the transparency era, it has been a duty of the foundation administrators to do some improvements in the accounting finance aspect like:
 - Improving the system of financial administration, and the accounting finance aspect in order that the transaction of the foundation can be accounted , and the financial report can be published on time.
 - Increasing the internal controlling system for the fund income and the expenditure as well as the foundation's wealth (Suryarama 2009).

The process of financial report arrangement was started from the transaction evidence collection such as the income, and payment evidence both through existed cash at bank and the memorial evidence for the non cash transaction, then those evidences were written in the cash book, bank book, or in a journal, posted to the balance scale, then made a financial report.

The financial report made by the educational foundation had to fulfill the publicly valid accounting principle which was appropriate with the accounting principle in acknowledgement, measurement, presentation, and disclosure.

1. Acknowledgement

Measurement is notes of the rupiah amount to the accounting system so that it will affect a post and get reflected in the financial report. Thus, acknowledgement has a relation with a problem either the transaction is written (in the journal) or not, Suwardjono, in Norita Citra Yulianti (2014).

2. Measurement

Measurement is a decision of the rupiah amount which must be adhered to the related object in the financial transaction. This rupiah amount will be written as a basic data in the arrangement of financial report. Suwardjono, in Norita Citra Yuliarti (2014).

3. Presentation and Disclosure

Disclosure is related to the way of presentation or the normative thing explanation which is considered important and useful for the user besides what is conveyed through the main financial report. Meanwhile presentation decides about the ways in reporting an element or a post in the financial statement so that it will be informative enough. Suwardjono, in Norita Citra Yuliarti (2014).

By that means the foundation had to present a clear, complete information, and describe exactly the economy situation which affected the financial position of orphanage foundation.

Taxation Aspect

Related to the taxation aspect for the foundation, all this time there were some misunderstandings. As a non profit organization, the foundation was free from the tax because the purpose of the foundation in social field, religion, and humanity which was purely for the public and social concerns.

To answer that problem, then it was needed to be reviewed and compared to the certainty of valid tax constitution rules especially about the Income Tax (Pph), and Value Added Tax (PPn) as follows:

1. The foundation position according to the tax constitution based on the justice principles, tax certainty and simplicity. In accordance with the justice principles, tax obligation which had the same economy capability had to think about the same tax rules too. Because the development of the foundation activity, therefore in the tax field, the foundation was considered to have the same position with the other institution and the other business activities.

2. The Foundation as Tax obligation

To decide whether the foundation fulfilled the condition of tax obligation and fined the income tax, then we had to see first from its definition.

Generally, tax obligation is the tax subject having tax object. There is personal tax subject, and a non decided legacy (Constitution No. 17 Year 2000 about the income tax). There is also Limited Liability Company, Limited Partnership, Indonesian State-Owned Enterprises, Indonesian-Region Owned Enterprises, and foundation (Ali, 1999 in Suryarama 2009). By that definition it was clear that the foundation fulfilled the condition as the tax subject.

3. RESULTS AND ANALYSIS

The implementation of accounting and taxation aspect at the christian educational foundations in Manado, Bitung, and Tomohon had not fully followed the accounting principle accepted generally, and the valid tax rules. There was accounting aspect run from the operational level at school and university, but there was also the accounting aspect run only at the foundation level. For the implementation of taxation aspect run at foundation level because the school or the university did not have the Taxpayer Registration Number (NPWP). It was used in doing the taxation duty belonged to the foundation.

The implementation of Accounting Aspect

1. Acknowledgement

Generally, the christian educational foundation done as new research object admitted the income, either it was tuition, development cost, or came from the donation from the society or the government, even from the business unit. When there were income both from cash bank, and cash basic, there were only two or three educational foundations which used accrual basic. The same thing was also valid to the expenditure.

The things was also applicable to the used note media. In general, the form was only the income and expenditure list based on the notes (receipt), but there had been foundation used daily cash book and cash bank, even there had been foundation used accounting software even though not really based on the financial report arrangement from the software.

2. Measurement

For the used value in writing a transaction or a finance, this educational foundation used nominal value written on the transaction evidence as the written basic value which in the end would be listed in the financial report. But there were some educational foundations used this market value and Tax Object Sales Value (NJOP) listed on Notification Of Tax Due (SPPT) to the land in which the transaction evidence was procurable.

3. Presentation and Disclosure

The types of financial report used by the foundations were so varied according to their level. At the educational foundations where the school and the university made a report, there was report in the tuition income list and its use, there was in income and expenditure list sent directly to the foundation either through the representative office, or directly to the foundation office, then it would combine all the reports. There was only combined, and there was made financial report although its presentation had

not been fully appropriate with the PSAK 45 (Non-profit Organizations). For the institution which its financial report was arranged directly by the foundation, in general it had been in financial report although not fully referred yet to the PSAK 45 (Non-profit Organizations) both from its report form, report format, and the accounts presentation in that financial report. Even there were some foundations having a big enough business unit, but they did not report the result of the business unit in its financial report.

Audit of Financial Report

An audit of financial report from the educational foundation was not done according to the foundation constitution. An audit of financial report in general just used an internal auditor, either it was someone asked by the foundation or the real foundations from the Church as an internal supervisor.

The Implementation of Taxation Aspect

The Implementation of Taxation Aspect done at the foundation, for the educational foundation having an office, either it was separated from its operational unit or it was inside the foundation, in running the tax obligation, it was run by the officer, or employee appointed by the foundation.

The implementation of tax obligation from the educational foundations was still limited at the tax obligation adhered to the financial transaction of the educational foundations which was in general happened or in this case often happened like PPh (Income Tax) clause 21 from the routine salary payment (included School Operational Assistance Funds), even though there were teacher/lecture income factors and the employee who was not involved in the Value Added Tax (PPn) report clause 21, formatively the Value Added Tax report (PPn) of listed financial report was not appropriate with the PSAK 45 (Non-profit Organizations) and the main taxation rules had no cash current as well as the use of surplus realisation report so that the fiscus could not see if there was non used surplus after 4 years or not all christian educational foundations having this business unit reported the result from its unit business in the SPT (Annual Tax Return) PPh (Income Tax).

The same thing was also valid with the PPh (Income Tax) clause 23, clause 4 (2) from the building rent and the other building asset done by the educational foundation and PPn (Value Added Tax) had not been done yet.

Not all the accounting implementation aspects and the taxation from christian educational foundation having business unit caused by the human resources working there. They did not have a good understanding both from the accounting and the taxation, but the other dominant cause was the

unwillingness of the foundation because of the fund obstacle and the interpretation from the foundation officer saying that the educational foundation was a free tax organization so that it was not important to report the result of the business unit.

4. CONCLUSION

The conclusions which we could get from this research were :

1. The implementation of The Accounting and Taxation Aspect of Christian Education Foundation Having Business Unit in Manado, Tomohon, and Bitung had not been fully appropriate with the accounting principle which was valid publicly, and the valid taxation rule.
2. The inappropriate accounting aspect implementation was especially related to the basic acknowledgement, kinds and report format, presentation and disclosure, unreport result of business unit in financial report.
3. The inappropriate taxation aspect especially related to the unconsidered income component besides the routine salary of teacher/lecture and the employee in PPh (Income Tax) calculation clause 21, the undone taxation obligation about the PPh (Income Tax) clause 23, clause 4 (2), self building PPn (Value Added Tax), the unmade realisation report of surplus use, and the unreport result business unit in SPT (Annual Tax Return) and PPh (Income Tax).
4. Those inappropriate things were especially caused by the lack of the human resources having a good understanding both in accounting and the taxation also the mistaken interpretation from the foundation officer, and the last about the unwillingness of the foundation chief to mend the accounting system because of the lack fund.

The things which can be suggested were :

1. It is better to employ the employee having a good skill in the accounting and taxation.
2. The report of accounting and transaction must follow the accounting principles which accepted publicly so that the financial report can be produced better and more trusted by the authorized ones, and the risk to be checked by the fiscus becomes smaller as an obedient symbol to the valid law rules.
3. The fiscus must do a socialization to the educational foundations about the implementation of taxation implementation aspect.

REFERENCES

- [1] Ali Rido. (1981). *Badan Hukum dan Kedudukan Badan Hukum Perseroan, Perkumpulan, Koperasi, Yayasan dan Wakaf. Alumni Bandung.*
- [2] Bambang Pamungkas CS. (2009). *Analisis Ketentuan Fiskal Terhadap Laporan Keuangan Komersil Untuk Menentukan Besarnya PPh Terutang Studi Kasus Pada Yayasan Pendidikan "YPKTH". Jurnal Ilmiah Ranggagading, Vol. 9 No. 1.*

-
- [3] Debby J. Simatupang. (2016). *Evaluasi Pengisian SPT Tahunan Wajib Pajak Badan Studi Kasus Di Yayasan Pendidikan Panggudi Luhur Semarang*. Skripsi. Universitas Sanata Dharma Yogyakarta.
- [4] Dian Purnama Sari dan Iwan triuwono. (2010). *Tafsir Hermeneutika Intensionalisme Atas "Laba" Yayasan Pendidikan*. *Jurnal Multiparadigma*, Vol. 1 No. 3.
- [5] Erlina Diamastuti. (2017). *Ke (Tidak) Patuhan Wajib Pajak : Potret Self Assessment System*. *Jurnal Ekuitas*.
- [6] Ikatan Akuntan Indonesia. (2015). *Pernyataan Standar Akuntansi Keuangan*. Salemba Empat Jakarta
- [7] Khoe Priska Harsono (2013). *Reporting Organisasi Nirlaba Berdasarkan PSAK No. 45 Pada Yayasan Panti Asuhan Kristen Tanah Putih Semarang*. Skripsi. FEB Universitas Dian Nuswantoro.
- [8] Lydia Natalia Tanaka. (2008). *Aspek Hukum Perpajakan Bagi Yayasan Yang Bergerak Di Sektor Pendidikan Di Kota Medan*. Skripsi. Fakultas Hukum Universitas Sumatera Utara.
- [9] Muaya, A. (2016). *Analisis Perhitungan, Penetapan Dan Pelaporan Pajak Penghasilan Pasal 21 Pada Yayasan Perguruan Tinggi Katolik Keuskupan Manado*. *Jurnal EMBA*, Vol. 4 No. 2.
- [10] Muljani A. Nurhadi. (2005). *Alternatif Sumber Daya Pendanaan Pendidikan*. *Jurnal Manajemen Pendidikan*, No. 01/Th I/Okt/2005.
- [11] Norita Citra Yulianti. (2014). *Studi Penerapan PSAK 45 Yayasan Panti Asuhan Yabappenatim Jember*. *Jurnal Akuntansi Universitas Jember*, Vol. 12 No. 2.
- [12] Pemerintah Republik Indonesia. (2004). *Undang-Undang Republik Indonesia No.16 Tahun 2001 Sebagaimana Telah Diubah Terakhir Dengan Undang-Undang Nomor 28 Tahun 2004 Tentang Yayasan*. Jakarta: Pemerintah Republik Indonesia
- [13] Pemerintah Republik Indonesia. (2009). *Undang-Undang Republik Indonesia No.6 Tahun 1983 Sebagaimana Telah Diubah Terakhir Dengan Undang-Undang Nomor 16 Tahun 2009 Tentang Ketentuan Umum Dan Tata Cara Perpajakan*. Jakarta: Pemerintah Republik Indonesia.
- [14] Pohan, C.A. (2013). *Manajemen Perpajakan: Strategi Perencanaan Pajak dan Bisnis*. Jakarta: Gramedia Pustaka Utama
- [15] Poly Endrayanto. (2012). *Penerapan PSAK No. 45 Tentang Pelaporan Keuangan Entitas Nirlaba Bagi Yayasan Pendidikan*. Skripsi. Universitas Respati Yogyakarta
- [16] Rani Intan. (2016). *Insentif Pajak Penghasilan Pada Lembaga Pendidikan*. *Jurnal AKP*, Vol. 6 No. 1
- [17] Susiana. (2015). *Implementasi PSAK No. 45 Pada Yayasan Pendidikan Muslimah Indonesia Al – Izzah Batu*. Skripsi. FEB Universitas Muhammadiyah Malang
- [18] Susi Hambali CS. (2015). *Akuntabilitas Pengelolaan Pajak Universitas Swasta Melalui Penerapan Good University Governance*. *Jurnal Living Law*, Vol. 7 No. 1
- [19] Suryarama. (2009). *Peran Yayasan Dalam Pengelolaan Bidang Pendidikan Pada Perguruan Tinggi Swasta*. *Jurnal Organisasi dan Manajemen*, Vol. 5 No. 1
- [20] WJS. Poerwardaminta. (1986). *Kamus Umum Bahasa Indonesia*. Balai Pustaka Jakarta.

Instructions for Authors

Essentials for Publishing in this Journal

- 1 Submitted articles should not have been previously published or be currently under consideration for publication elsewhere.
- 2 Conference papers may only be submitted if the paper has been completely re-written (taken to mean more than 50%) and the author has cleared any necessary permission with the copyright owner if it has been previously copyrighted.
- 3 All our articles are refereed through a double-blind process.
- 4 All authors must declare they have read and agreed to the content of the submitted article and must sign a declaration correspond to the originality of the article.

Submission Process

All articles for this journal must be submitted using our online submissions system. <http://enrichedpub.com/> . Please use the Submit Your Article link in the Author Service area.

Manuscript Guidelines

The instructions to authors about the article preparation for publication in the Manuscripts are submitted online, through the e-Ur (Electronic editing) system, developed by **Enriched Publications Pvt. Ltd.** The article should contain the abstract with keywords, introduction, body, conclusion, references and the summary in English language (without heading and subheading enumeration). The article length should not exceed 16 pages of A4 paper format.

Title

The title should be informative. It is in both Journal's and author's best interest to use terms suitable. For indexing and word search. If there are no such terms in the title, the author is strongly advised to add a subtitle. The title should be given in English as well. The titles precede the abstract and the summary in an appropriate language.

Letterhead Title

The letterhead title is given at a top of each page for easier identification of article copies in an Electronic form in particular. It contains the author's surname and first name initial .article title, journal title and collation (year, volume, and issue, first and last page). The journal and article titles can be given in a shortened form.

Author's Name

Full name(s) of author(s) should be used. It is advisable to give the middle initial. Names are given in their original form.

Contact Details

The postal address or the e-mail address of the author (usually of the first one if there are more Authors) is given in the footnote at the bottom of the first page.

Type of Articles

Classification of articles is a duty of the editorial staff and is of special importance. Referees and the members of the editorial staff, or section editors, can propose a category, but the editor-in-chief has the sole responsibility for their classification. Journal articles are classified as follows:

Scientific articles:

1. Original scientific paper (giving the previously unpublished results of the author's own research based on management methods).
2. Survey paper (giving an original, detailed and critical view of a research problem or an area to which the author has made a contribution visible through his self-citation);
3. Short or preliminary communication (original management paper of full format but of a smaller extent or of a preliminary character);
4. Scientific critique or forum (discussion on a particular scientific topic, based exclusively on management argumentation) and commentaries. Exceptionally, in particular areas, a scientific paper in the Journal can be in a form of a monograph or a critical edition of scientific data (historical, archival, lexicographic, bibliographic, data survey, etc.) which were unknown or hardly accessible for scientific research.

Professional articles:

1. Professional paper (contribution offering experience useful for improvement of professional practice but not necessarily based on scientific methods);
2. Informative contribution (editorial, commentary, etc.);
3. Review (of a book, software, case study, scientific event, etc.)

Language

The article should be in English. The grammar and style of the article should be of good quality. The systematized text should be without abbreviations (except standard ones). All measurements must be in SI units. The sequence of formulae is denoted in Arabic numerals in parentheses on the right-hand side.

Abstract and Summary

An abstract is a concise informative presentation of the article content for fast and accurate Evaluation of its relevance. It is both in the Editorial Office's and the author's best interest for an abstract to contain terms often used for indexing and article search. The abstract describes the purpose of the study and the methods, outlines the findings and state the conclusions. A 100- to 250-Word abstract should be placed between the title and the keywords with the body text to follow. Besides an abstract are advised to have a summary in English, at the end of the article, after the Reference list. The summary should be structured and long up to 1/10 of the article length (it is more extensive than the abstract).

Keywords

Keywords are terms or phrases showing adequately the article content for indexing and search purposes. They should be allocated heaving in mind widely accepted international sources (index, dictionary or thesaurus), such as the Web of Science keyword list for science in general. The higher their usage frequency is the better. Up to 10 keywords immediately follow the abstract and the summary, in respective languages.

Acknowledgements

The name and the number of the project or programmed within which the article was realized is given in a separate note at the bottom of the first page together with the name of the institution which financially supported the project or programmed.

Tables and Illustrations

All the captions should be in the original language as well as in English, together with the texts in illustrations if possible. Tables are typed in the same style as the text and are denoted by numerals at the top. Photographs and drawings, placed appropriately in the text, should be clear, precise and suitable for reproduction. Drawings should be created in Word or Corel.

Citation in the Text

Citation in the text must be uniform. When citing references in the text, use the reference number set in square brackets from the Reference list at the end of the article.

Footnotes

Footnotes are given at the bottom of the page with the text they refer to. They can contain less relevant details, additional explanations or used sources (e.g. scientific material, manuals). They cannot replace the cited literature.

The article should be accompanied with a cover letter with the information about the author(s): surname, middle initial, first name, and citizen personal number, rank, title, e-mail address, and affiliation address, home address including municipality, phone number in the office and at home (or a mobile phone number). The cover letter should state the type of the article and tell which illustrations are original and which are not.

Address of the Editorial Office:

Enriched Publications Pvt. Ltd.
S-9, IInd FLOOR, MLU POCKET,
MANISH ABHINAV PLAZA-II, ABOVE FEDERAL BANK,
PLOT NO-5, SECTOR -5, DWARKA, NEW DELHI, INDIA-110075,
PHONE: - + (91)-(11)-45525005