

The Peculiarities of Accounting and the Ways of Their Solutions

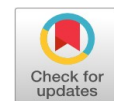
GIORGI SULASHVILI ¹, MALKHAZ SULASHVILI ²,
IASHA MURVANIDZE ³, NINO PAILODZE ^{4*}, NINO TARUASHVILI ⁵

^{1, 2, 3, 4, 5} Georgian Technical University, Tbilisi, Georgia

Abstract: The phase transformation processes occurring in Georgia's current tax policy, taxes, and tax system of financial accounting and its role in the formation of public financial resources. Taxation is not the only source of budget formation, but they have an important role in the formation of state revenues. The state taxes are inextricably linked. The sectoral structure of tax revenues due to the significant improvement in the determination of tax rates applicable tax laws, rules and methods for collecting and effective tax system in the country. Organically linked to the budgetary revenue of the optimal tax framework, and the optimal tax - budgetary policy. Therefore, it is important to Georgia in the formation of optimal tax revenues, which guarantees the stability of public finances. Issues related to the improvement of the tax system are the most important issue of Georgia's economic development policy. The economic growth of the country, achieving sustainable economic development, development of production and solving social problems existing in the country can be created in the form of a tax system compatible with just-to-be and socio-economic conditions. Nowadays clinic facing a lot of challenges. New regulations do not give clinics to operate freely and independently, but even in these circumstances, they should make the best decision to survive on the market. It could be arranged, if all parts of clinics will be involved in the decision-making process. Every division is linked to each other and if one of them fails to do what they need, whole process will be incorrect. It essential to have sufficient information, about continuing processes in clinics. The easiest way for management is to use technologies to get the correct information. The role of accounting in health care is an important and specialized area.

Keywords: Intangible assets, Fixed assets, Tax system, The taxpayer, Taxes

Received: 22 June 2018 / Accepted: 16 July 2018 / Published: 17 August 2018



INTRODUCTION

As it is known, the economic basis for the formation and development of the state is financial resources, which are mainly generated by taxes and their state budget. Importantly, health care sector businesses look to employ accountants that can marry the right behavioral traits with superior technical skills. In addition to technical proficiency, the ability to fit into the team and do the job is what employers want. This is the same no matter whether the accountant is working in a hospital, nursing home or another area within health. One of the challenges facing new accountants in the health sector is prior to industry knowledge.

However, it appears there is a demand for accountants that do have sector-specific experience in health. Accordingly, salary expectations have risen considerably for these positions. Health is one of the industries where "big data" - the analysis of large amounts of digital information to identify industry and other trends - has plenty to offer businesses. Accountants need to be front and centre in health businesses when it comes to developing systems that collect and examine information, and in using this information to build better health businesses. Exceptional risk management and commitment to compliance are also paramount for health care sector accountants. There are substantial legal and compliance issues in this

*Corresponding author: Nino Pailodze

†Email: ninopailodze@mail.ru

sector, and it is often the finance department, working alongside the legal department that is responsible for ensuring health businesses remain inside the law (Alfian & Tresna, 2017). It is also the accountant's role to ensure the business responds to any regulatory changes, especially those with financial impacts.

The accounting of the enterprise represents the economic resources of the enterprise with indications of the formation of the sources, the information of the changes in the economic facts, which are expressed in monetary units. Accounting allows defining the agricultural property of the subject, total capital, revenues, expenses and final financial result.

Accounting is characterized by continuous records of all kinds of the operations which, have taken place since the establishment of the enterprise until now in chronological order, in duly signed and in appropriately legalized documents.

LITERATURE REVIEW

The analysis of state financial control environment gives us possibility to work out financial control, to the subjects and objects in the form of united system of financial control which makes possible to effectively execute functions of control for nurturing aims and assignments of financial control, adoption of financial strategies worked out by the enterprise with joint methods and means for control and providing an increase of quality of efficiency (Boonvut, 2017; Dwi & Renny, 2017).

In the work is used the works of foreign and Georgian scientists. In the work of the research process were used methods of analogy, abstraction, statistical observation, system approach, comparative analysis methods, etc. Practical generalization of the theoretical conclusions of compatibility with practice is based on the works of foreign and Georgian scientists, in which are discussed the methods, approaches and models of accounting and audit regulation. In the work of Pailodze, Sulashvili, and Gabaraevi (2018), Peculiarities of Accounting In medical establishments, are discussed that different economic sectors are characterized by the peculiarities of accounting. The accountings of medical institutions are accompanied by characteristic specifications and problems. The key issue of the article is the peculiarities of accounting in medical institutions.

Pailodze, Sulashvili, and Vachadze (2013a), Pharmaceutical Market Innovative Strategy, measures to ensure the management of multiple versions - one of the most important principle. Foreign (direct competitors) experience analyzing investments in vain without spending a lie. Pailodze, Sulashvili, and Vachadze (2013b), The system of state regulation of the pharmaceutical market, Pharmaceutical market functioning is influenced by the economic situation, which results in constant stress, poor nutrition, medications for high prices due to human health, the country's dire.

Sulashvili, Vachadze, and Kutsia (2013), Modern concepts of the pharmaceutical market and problems of their use., The pharmaceutical market is growing rapidly, and undergoing various changes in all sectors. It is important that in the development process, great attention focused on increasing competition and creating guarantees quality. The current structure of the pharmaceutical the market is the result of a chaotic and unstructured development. United, centralized market where supply and demand were regulated by the state was not replaced by such a system for which specific vision.

RESEARCH METHODOLOGY

In Article reviews theoretical-methodological regulatory principles of accounting. It talks about theoretical-conception and methodological preconditions of regulation in accounting and audit. It hereby shows regulation of accounting and audit with international standards and approaches and models of management. Research Papers was prepared by using the multi-research methodologies, namely, comparative, descriptive and evaluation research is conducted.

The State Audit Office (SAO) conducts audit activities in accordance with the Financial and Compliance Audit Methodology. Financial and Compliance Audit Methodology is based on the International Standards of Supreme Audit Institutions (ISSAIs 1000 2999; 4000 - 4200), which implies risk-based approach while conducting audits. The risk-based approach covers various aspects of auditor's operations, internal control system and control environment analysis, to identify potential risk areas, properly plan audit activities and save time and human resources by concentrating on increased risks.

An innovative strategy, based on the research process is based pharmaceutical company, developed a variety of financial - economic methods, which are a combination of scientific innovation strategy of the company - financial methodology (Pailodze et al., 2013a).

RESULTS AND DISCUSSION

Despite the active participation of our country in the condition of globalization a lot of problems still exist. The essential role of solving the given problems is granted to the audit. For making the right decisions, governmental agencies, as well as economic entities, should possess complete and accurate information. Since the area of economic activity overshoots country's borders and the local legislation, international legislation, as well as legislation of the country in which business relationships are carried, should be taken under consideration, the process of an audit of such type of operations is a quite complex and lengthy process. This audit should be carried out by highly qualified specialists. The effective management of the company that is a precondition for economic growth and sustainability is depended on the reports prepared by auditors.

At the modern stage of transformation processes of market economics for providing the efficiency of using resources and legacy, protection of all forms of property in the process of distribution and creation of joint national product, one of the preconditions for normal function of economic relationship of the society is the necessity for transformation of financial control system existing nowadays, which conditions the necessity of making scientific survey due to the actuality of making national system of audit and accountancy in Georgia which totally in its turn is related to the radical political and economic transformations taking place in the country, also establishment of market relations, deepening democratic processes.

Through making the national system of audit and accountancy practice in Georgia perfect it will become possible to: develop industry and capital market, establish financial funds and so on which condition economic stability of the country, guarantees from investors and consolidation of inter-reliability between business partners. The development of audit activity in Georgia has revealed that it is impossible to adopt the experience and methods of auditing accepted in developed countries. In Georgia, work is actively being done to improve the concept and standards of auditing, while taking into account the specific features of Georgian legislation. In 2016, a new law was adopted that regulates issues related to audit activities. In Georgia, the audit is a relatively new branch of the economy, and the process of formation has not yet ended. Modern audit covenants the testing of many areas and constantly changes and improves the methods of its conduct. Adoption of new laws convinces us how important an audit becomes for the state and public services, new state structures that perform audit functions are created.

In the transition to the market economy, all sectors of the social sphere were in a heavy condition. This situation has impacted health care sphere particularly severely. Given drastic fall of the populations living standards, reduction of the state budget revenues and substantial change of the structure, in the conditions of dramatic decrease of the state funding of the sector, health care services became almost unaffordable for the most people. To deal with this situation effective measures should be taken in this sector.

Improvement of the nation's health is undoubtedly the state problem. For the production of the remedies, the researches should be conducted in the sphere of substances and preparations. The proposed works shall be tested and introduced for production. Created remedies should be necessarily supplied to consumers. Many production entities require restructuring and updating of the fixed assets, and this is impossible without studying the pharmaceutical business.

At the contemporary market, the economy of the pharmaceutical sphere has quite a large and significant place. Work provides consideration of the means for regulation of such significant sphere of economy. As a result of the crisis, the pharmaceutical companies face the problem of optimization of the structure, costs and labor organization. The main problem is reasonable spending, optimal pricing for products sales. Therefore, the companies have to solve the simple problem - ensure maximal profits for given sales volumes. It's very important quality guarantees in the country and this is the result of lack of the relevant provisions of the law, as well as the lack of resources available to the Agency for State

Regulating of Medical Activities. It is significant to ensure that the society received full information about the Agency's activities and the process of testing of the medicines. This would allow the interested parties to value the Agency's practice and monitor its activities.

The research process of the pharmaceutical company relies upon innovative strategy developed using various financial-economic methods, comprising, as a whole, the scientific-financial methodology of the company's innovative strategy. It is a very important formulation of the methodology for evaluation of the pharmaceutical business effectiveness. The method of calculation of efficiency of innovation, based on compliance with the cost of the results, gives us the right to make a decision on the expediency of the use of new projects. The basis for the development of innovative strategy is the life cycle theory, market position of the firm and its scientific-technical policy. Reduction of the institutional and other barriers to market entry contribute to the success of innovative processes in the business. In addition, the dynamic nature of competition, allowing, in case of reduction of effectiveness of the resources use, allows their transfer to the new sphere, relatively painlessly. Different branches of the economy are characterized by the different features of accounting in compliance. These different features are in the construction industry, in the field of industry, in the medical field, etc. Every area is characterized by the relevant legal requirements for each field. In many cases, they are different from the requirements of the tax system. These problems and differences also exist in medical institutions. The main direction of the article is to compare the differences and to find the possible ways to solve the above-mentioned problem (Law of Georgia, 2003).

The problematic issues, such as the audit of intangible assets, the audit of material values, and the problem of eradicating the losses are discussed in the article.

The actuality of the topic of the article contributed to the audit accompanying medical institutions: problematic issues such as accounting and writing; Issues of the perfection of intangible assets.

Medical activities (medical services) – They are the activities which are related to disease prevention, diagnosis, treatment, the health maintenance of the patient's state, improvement and restoration of the patient's state (mental, social, medical and physical rehabilitation), palliative care, the patient's medical care, limb, the patient's medical transportation, the patient's medical education, forensic medical examination, the forensic psychiatric examination, public health measure events and all services of medical institutions with the accompanying additional services. All of them are implemented according to the established rules. An accounting method is a combination of rules and methods, by which all kind of information about assets, own capital and liabilities, income and expenses are extracted, processed and passed. These methods are documentation, inventory, evaluation, calculation, double recording, balance and reporting. The elements of the accounting method can be represented as follows:

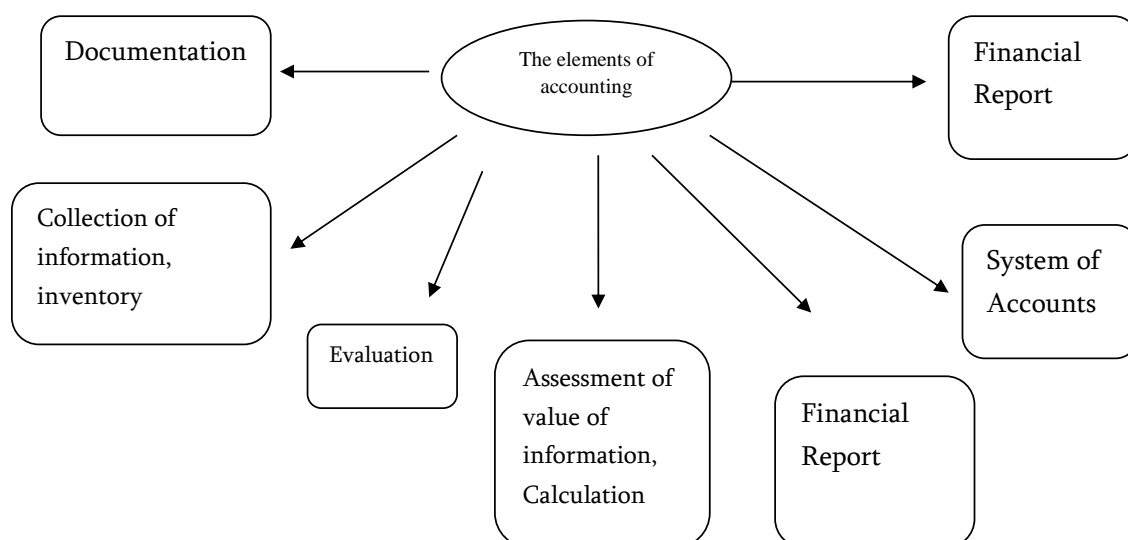


Figure 1. The elements of accounting

The documentation is the foundation of accounting. The trade activities consist of various, different operations.

In order to reflect the operations we use the different documents: the documents of purchasing of goods, the documents of selling, the documents of costs, the documents of cash flow, the documents of borrowing, and etc.

In order to obtain a license medical institution is obliged to fulfill the statutory requirements of the medical establishment. Besides medical institution is obliged to obtain a license for medical activities. Mostly the license is chargeable. As a rule, it is represented as an intangible asset.

Intangible assets - outline the accounting requirements for intangible assets, which are non-monetary assets. They are without physical substance and identifiable (either being separable or arising from contractual or other legal rights) (Law of Georgia, 2010). Also it is an asset that is not physical in nature. Corporate intellectual property, including items such as patents, trademarks, copyrights and business methodologies, are intangible assets, as are goodwill and brand recognition. Intangible assets include copyright, patent, trademark, goodwill, software, license, lease, franchise, mining rights, import-export rights and other similar intangible assets. The payment of fees for license and permissions are implementing in treasury account of Ministry of Labour, Health and Social Affairs of Georgia as the fees.

The Fees - a mandatory payment to the budget, paid by individuals and legal entities, for carrying out activities which are defined by law. Also that is the fee for certain services rendered by the state agencies.

At the process of recording of accounting, if Medical Institution recognizes the amounts which he has paid for a license as Fees, the amounts will be recorded as expenses. The mentioned expense is recorded as follows:

For example: On 01.01.2015 Ltd. "Clinic" has paid 1200 Gel in order to obtain a license of imaging services. The license is valid for four year. Implementation is as follows. The record of the accounting is as follows:

debit - 7400 - 1200 GEL,
credit - 1210 -1200 GEL.

With its content the medical license is an intangible asset. The medical institution uses this "intangible asset" in order to get the profit for its economic activity. If we mull over in this term it comes out the amounts which were paid in the form of Fees are intangible assets. Accordingly the above-mentioned recording accounting is wrong.

Fixed assets - tangible assets that are used by an entity for the production of goods, the supply of goods/rendering of services, transfer under lease (including leasing) and/or for administrative purposes and which has a useful life of more than one year.

Rendering such kind of service Ltd. "clinic" gets, or will get additional income. In accordance with International Accounting Standards in the financial statements it must be recorded in the following principle:

debit - 2100 - 1200GEL;
credit -1200-1200GEL.

Also at the end of the year accountant is obliged to charge depreciation according to the appropriate methods. In this case, the question arises as to whether according to the "Tax Code of Georgia" entity has a definite right to charge depreciation for 100% and to record it as an expense. But according to the "Tax Code of Georgia" intangible assets can be deducted if Its value is not more than 1,000 GEL. In our above-mentioned example, the cost is 1200 GEL. According to the codex the depreciation charges are deducted from intangible assets only in the form of depreciation charges, in proportion to the reporting period, during their useful period. At the same time, the taxpayer is entitled to deduct fully the intangible asset which cost is up to GEL 1000, from gross income in the reporting year when the relevant expenses were incurred.

In the case when it is impossible to define the fixed useful period, the depreciation rate is 15 percent. Each intangible asset is recorded in a separate group.

The value of intangible assets which were depreciated by amortization does not include the expenditure of their acquisition or production unless they have already been deducted from taxpayer's taxable income. If by the end of the year the value of the balance of the intangible assets group is less than 1000 GEL the amount of Group Value Balance will be deducted ([International Auditing Standards, 1998](#)).

Through making the national system of audit and accountancy practice in Georgia perfect it will become possible to: develop industry and capital market, establish financial funds and so on which condition economic stability of the country, guarantees from investors and consolidation of inter-reliability between business partners ([Law of Georgia, 1994](#)).

The article reviews the disadvantages of the audit in medical institutions and suggests the ways of their elimination; The audit problems are established and the necessity of their solution is substantiated; Differences between the tax system and healthcare legislation have been studied; Analyzes the problem of accounting and loss in auditing audits; The importance of loyalty approach and the need for discovery of losses from the revenue service is proposed.

The article reviews the problematic issues related to the audit of the basic means in the medical field. The criteria for the recognition of intangible assets under the international standards of accounting have been studied in medical institutions and they are comparable to the Tax Code of Georgia. The need for recognition of medical licenses as an intangible asset is reasonable as well as the importance and inspection of such operations during the audit. The survey was carried out based on the data of two medical business entities with intangible assets showing the details of the audit and the different approach that should be taken into consideration as well as audit inspection of the same economic operation. The problems, the difference between the health care legislation and the Tax of Georgia legislation are analyzed in the process of writing down material goods ([Pailodze et al., 2018](#)).

In order to determine the effectiveness of the use of basic assets, we need to develop a methodology for analyzing basic means that will allow us to answer specific questions about the efficiency of the assets and get the optimal management decision. It is necessary to designate national standards for basic funds for all specific fields of modern business, which are more or less in line with international standards.

CONCLUSION AND RECOMMENDATIONS

Depending on the above mentioned, some kind of uncertainty can be raised: what kind of accounting is to be given to the amounts which were paid for licenses and the permission. If you consider paid amount as a fee the economic entity has the right to acknowledge the amount as an expense. Some of the audits have a different opinion and they consider that the amounts which were paid for licenses and permission are intangible assets, as the financial entity uses the acquired licenses and permissions in order to get revenue for economic activity. They consider that this economic operation corresponds to the definition of intangible assets. This is an issue of constant dispute. It is desirable if the Revenue Service will issue an instruction or an opinion about what type of operation are these expenses ([Revenue service, 2018](#)).

While accounting material values in medical institutions the process is accompanied by problems caused by the Ministry of Health and Revenue Service as they have different requirements ([Auditor General of British Columbia, 2018](#)). This problem can be solved only if the Ministry of Health and the Ministry of Finance develop joint instruction, which will include a list of medicines and will define marginal amount of loss. It must be considered that in case of discovery of any loss the Medical Institution would not be fined, or some concessions will be established for such institutions ([Suglobov & Shibekov, 2009](#); [Pickavance, 2019](#)). At destruction, the process of hazardous preparations there must not be any necessity of consent from Revenue Service only as information in the form of a list of destroyed medicines must be given to the relevant Service.

In the article "The peculiarities of accounting and the ways of their solutions" are briefly set out the basic thesis of the study results, conclusions and suggestions, which may be used for conducting the audit, and there can be developed for appropriate legislative amendments, which will contribute to the improvement of financial accounting medical outgoing facilities.

REFERENCES

- Alfian, & Tresna, M. G. (2017). The influence of companys age and owners/managers education on the use of accounting information in small and medium enterprises. *International Journal of Business and Administrative Studies*, 3(2), 64-71. doi:<https://doi.org/10.20469/ijbas.3.10003-2>
- Auditor General of British Columbia. (2018). *Ministry of health revenue*. Retrieved from <https://bit.ly/2tQANh1>
- Boonvut, S. (2017). The quality financial statements of Small and Medium Enterprises Business (SME's) in view of the tax auditor. *International Journal of Business and Economic Affairs*, 2(6), 335-340. doi:<https://doi.org/10.24088/ijbea-2017-26002>
- Dwi, W. R., & Renny, W. (2017). Affecting compliant with the willingness to pay tax as an intervening variable factor (Studies on the taxpayer owners of SMEs in Pontianak KPP). *Journal of Advances in Humanities and Social Sciences*, 3(3), 152-163. doi:<https://doi.org/10.20474/jahss-3.3.3>
- International Auditing Standards. (1998). *The clarified standards*. Retrieved from <https://bit.ly/2TA4gKF>
- Law of Georgia. (1994). *Law of Georgia on entrepreneurs*. Retrieved from <https://bit.ly/2IPbLsF>
- Law of Georgia. (2003). *Law of Georgia on licence and permit fees*. Retrieved from <https://bit.ly/2C7b9cd>
- Law of Georgia. (2010). *Law of Georgia tax code of Georgia*. Retrieved from <https://bit.ly/2UjSIIq>
- Pailodze, N., Sulashvili, G., & Gabaraevi, J. (2018). *Peculiarities of accounting in medical establishments*. Tbilisi, Georgia: Georgian Technical University.
- Pailodze, N., Sulashvili, G., & Vachadze, L. (2013a). *Pharmaceutical market innovative strategy*. Tbilisi, Georgia: Georgian Technical University.
- Pailodze, N., Sulashvili, G., & Vachadze, L. (2013b). *The system of state regulation of the pharmaceutical market*. Tbilisi, Georgia: Georgian Technical University.
- Pickavance, M. (2019). *Best billing & invoice software 2019*. Retrieved from <https://bit.ly/2SG31U9>
- Revenue service. (2018). *Revenue service*. Retrieved from <http://www.rs.ge>
- Suglobov, A. E., & Shibeikov, D. V. (2009). Audit planning in medical institutions. *Audit statements*(6). Retrieved from <https://bit.ly/2C3WUfd>
- Sulashvili, G., Vachadze, L., & Kutsia, I. (2013). Modern concepts of the pharmaceutical market and problems of their use. In *First International Economic Conference (IEC) 2013*, Tbilisi, Georgia.